

Regulatory Story

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CATHAY INTERNATIONAL HOLDINGS LTD.

Placing and Open Offer of 101,632,670 New Common Shares at 27.5 pence per share raising £26.8 million (US\$45.0 million) (net)

Cathay International Holdings Ltd. (LSE: CTIL) ("Cathay" or the "Company"), a company investing primarily in the growing pharmaceutical and healthcare sectors in the People's Republic of China ("PRC"), announces today that it is proposing to raise approximately £26.8 million (US\$45.0 million) net of expenses through a Placing and Open Offer of 101,632,670 New Common Shares at a price of 27.5 pence per New Common Share.

A shareholder circular (which is also a prospectus) being issued by the Company and containing details of the Placing and Open Offer is expected to be posted to Shareholders shortly (the "Prospectus").

Definitions used in this announcement will have the same meaning as those used in the Prospectus to be sent to Shareholders, unless the context requires otherwise.

Highlights

- Placing and Open Offer of 101,632,670 New Common Shares at a price of 27.5 pence per share to raise approximately £27.9 million (£26.8 million net of expenses).
- Open Offer to Qualifying Shareholders on the basis of 7 New Common Shares for every 19 Existing Shares.
- Cathay Enterprises, which controls Existing Shares representing approximately 65.48 per cent. of the votes capable of being cast at the Special General Meeting on a show of hands, or 70.34 per cent. on a poll, has irrevocably undertaken to take up approximately 78.0 per cent. of its Entitlement under the Open Offer, i.e. 51,892,670 New Common Shares.
- Simon Phillips and Marc Downes, who in aggregate hold 33,295,348 Existing Shares have irrevocably undertaken not to take up their Entitlement under the Open Offer and have irrevocably agreed to vote in favour of the Resolutions. The New Common Shares not taken up by Simon Phillips, Marc Downes and Cathay Enterprises pursuant to the Open Offer will be placed by Piper Jaffray.
- Piper Jaffray has placed 49,740,000 New Common Shares pursuant to the Placing and Open Offer with certain institutional investors subject to clawback to satisfy valid applications by Qualifying Shareholders and Qualifying DI Holders under the Open Offer.
- Piper Jaffray has underwritten the balance of the Placing and Open Offer which does not comprise the New Common Shares to be taken up by Cathay Enterprises under the Open Offer.
- The Placing was oversubscribed, with strong support from a number of new institutional investors.
- The Offer Price of 27.5 pence per New Common Share is equal to the closing price of 27.5 pence on the Business Day prior to announcement of the Placing and Open Offer.
- The Placing and Open Offer is subject to Shareholder approval at a Special General Meeting to be held on or around 4 December 2009.
- Qualifying Shareholders may elect for their Existing Common Shares to be held in CREST through the creation of Depository Interests ("DIs") to be issued by Capita IRG Trustees Limited in respect of the underlying Common Shares, and such Depository Interests will be able to be held and transferred through the CREST system.

Shareholders in the United States, Canada, Japan, Australia, South Africa or any other excluded territory will not, subject to certain exceptions, be able to participate in the Placing and Open Offer.

Reasons for the Placing and Open Offer and use of net proceeds

Cathay's strategy is to identify investment opportunities in the PRC, currently focused in the pharmaceutical and healthcare sectors, and to develop those businesses with a view to achieving high profit growth and to increase the value of the Company. Cathay hopes that the Placing will attract new investors who will share the Company's strategy.

The net proceeds of the Placing and Open Offer will be used to reduce the cost of the Group's debt, strengthen its financial position and improve the Group's ability to capitalise on suitable investment opportunities if they arise. The intention is to provide the Group with the financial flexibility to support its organic growth and to take timely advantage of investment opportunities.

Wu Zhen Tao, Chief Executive Officer of Cathay, commented:

"We are delighted to have received such strong support from our existing shareholders and a number of new institutional investors who share our vision of the considerable opportunities for Cathay in the PRC. We look forward to rewarding that support by building shareholder value and communicating further success."

Enquiries

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Expected Timetable of Principal Events

Record Date for the Open Offer	close of business on 16 November 2009
Ex-entitlement date	18 November 2009
Posting date of this Prospectus, Application Form and Forms of Proxy	18 November 2009
Entitlements enabled in CREST and credited to stock accounts of Qualifying DI Holders	19 November 2009
Recommended latest time for requesting withdrawal of Entitlements from CREST	4.30 p.m. on 27 November 2009
Latest time for depositing Entitlements into CREST	3.00 p.m. on 30 November 2009
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. on 1 December 2009
Latest time and date for receipt of Forms of Direction	11.00 am on 1 December 2009
Latest time and date for receipt of Forms of Proxy	11.00 am on 2 December 2009
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction	11.00 am on 3 December 2009
Results of the Placing and Open Offer announced through RIS	4 December 2009
Special General Meeting	11.00 am on 4 December 2009

Admission of, and commencement of dealings in, the New Common Shares	8.00 a.m. on 7 December 2009
CREST members' accounts credited with Depository Interests representing New Common Shares	7 December 2009
Expected date of despatch of share certificates in respect of New Common Shares	14 December 2009

Each of the times and dates in the above timetable is subject to change, in which event details of the new times and/or dates will be notified to the Financial Services Authority and the London Stock Exchange and, where appropriate, Shareholders. Please note that any Existing Common Shares sold prior to close of business on 17 November 2009, the date on which the Existing Common Shares will trade with entitlement, will be sold to the purchaser with the right to receive entitlements under the Open Offer.

If you have any queries on the procedure for acceptance and payment or on the procedure for splitting Application Forms (to satisfy *bona fide* market claims only) then please contact Capita Registrars Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by telephone on 0871 664 0321 from within the UK or on +44 208 639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

Piper Jaffray Ltd., which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company as financial adviser, sponsor and broker in connection with the Placing and Open Offer and not for any other person and will not be responsible to any other person for providing the protections afforded to its customers or for providing advice in relation to the Placing and Open Offer or any other transaction or arrangement referred to in the Prospectus, the contents of the Prospectus and, if relevant, the accompanying documents or any arrangements referred to therein.

This news release has been issued by Cathay International Holdings Ltd. and is the sole responsibility of Cathay International Holdings Ltd.

The distribution of this announcement in certain jurisdictions may be restricted by law and such distribution could result in violation of the laws of such jurisdictions. In particular, this announcement is not for distribution in the United States, Australia, Canada, Japan or South Africa.

This announcement is not an offer of securities for sale in the United States. The Placing and Open Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or under the applicable securities laws of any state or other jurisdiction of the United States or qualified for distribution under any applicable securities laws in Canada, Australia, South Africa or Japan. The Placing and Open Offer Shares may not be offered or sold, directly or indirectly, within the United States absent registration or an exemption from registration under the Securities Act and in compliance with any applicable securities laws of the states of the United States. No public offering of the securities discussed herein is being made in the United States and the information contained herein does not constitute an offering of securities for sale in the United States, Canada, Australia, Japan or South Africa. This announcement is not for distribution directly or indirectly in or into the United States, Canada, Australia, Japan or South Africa.

Neither the Placing and Open Offer Shares, the related Prospectus, this announcement nor any other document connected with this Placing and Open Offer have been or will be approved or disapproved by the United States Securities and Exchange Commission or by the securities commissions of any state or other jurisdiction of the United States or any other regulatory

authority, nor have any of the foregoing authorities or any securities commission passed upon or endorsed the merits of the offering of the Placing and Open Offer Shares. Any representation to the contrary is a criminal offence.

This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities. Any purchase of, or application for, the New Common Shares should be made only on the basis of information contained in the Prospectus to be sent to Qualifying Shareholders shortly.

The delivery of this announcement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this announcement nor that the information in it is correct as of any subsequent time.

This announcement may contain forward-looking statements that reflect the Company's current expectations regarding future events, including the clinical development and regulatory clearance of the Company's products, the Company's ability to find partners for the development and commercialisation of its products, the Company's liquidity and results of operations, as well as the Company's future capital raising activities. Forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors, including the success of the Company's research strategies, the applicability of the discoveries made therein, the successful and timely completion of clinical studies, the uncertainties related to the regulatory process, the ability of the Company to identify and agree beneficial terms with suitable partners for the commercialisation and/or development of its products, the acceptance of the Company's products by consumers and medical professionals, and the ability of the Company to identify and consummate suitable strategic and business combination transactions.

CATHAY INTERNATIONAL HOLDINGS LTD.

PLACING AND OPEN OFFER OF 101,632,670 NEW COMMON SHARES AT A PRICE OF 27.5 PENCE PER SHARE AND NOTICE OF SPECIAL GENERAL MEETING

Introduction

Cathay announced today a Placing and Open Offer of 101,632,670 New Common Shares at 27.5 pence per New Common Share to raise approximately £26.8 million (US\$45.0 million) net of expenses.

The Placing and Open Offer is conditional upon the passing of the Resolutions at the forthcoming Special General Meeting and Admission having become effective by no later than 8.00 a.m. on 7 December 2009 or such later time and/or date as the Company may decide (but, in any event, not later than 8.00 a.m. on 31 December 2009).

Cathay Enterprises, which controls Existing Shares representing approximately 65.48 per cent. of the votes capable of being cast at the Special General Meeting on a show of hands, or 70.34 per cent. on a poll, has irrevocably undertaken to take up approximately 78.0 per cent. of its Entitlement under the Open Offer for approximately £14.3 million. The Directors, who in aggregate hold 184,626,150 Existing Shares representing approximately 66.93 per cent. of the existing share capital of the Company, have irrevocably undertaken to vote in favour of the Resolutions.

Simon Phillips and Marc Downes, who in aggregate hold 33,295,348 Existing Shares have irrevocably undertaken not to take up their Entitlement under the Open Offer and have also irrevocably undertaken to vote in favour of the Resolutions. The New Common Shares not taken up by Simon Phillips, Marc Downes and Cathay Enterprises pursuant to the Open Offer will be placed by Piper Jaffray in public hands to ensure that the proportion of issued Common Shares in the hands of the public is increased to above 25 per cent.

Piper Jaffray has placed 49,740,000 New Common Shares pursuant to the Placing and Open Offer with certain institutional investors subject to clawback to satisfy valid applications by Qualifying Shareholders and Qualifying DI Holders under the Open Offer. Piper Jaffray has

underwritten the balance of the Placing and Open Offer which does not comprise the New Common Shares to be taken up by Cathay Enterprises under the Open Offer.

The terms and conditions of the Open Offer, including the procedures for application and payment are set out in Part XIV of the Prospectus.

Overview of the Group

Cathay was incorporated on 18 January 2001 for the purpose of making investments in the PRC. Currently, the principal investments of the Cathay Group are in the pharmaceutical and healthcare markets and the hotel sector in the PRC.

Healthcare Investments

Xian Haotian

Cathay initially invested in the Xian Haotian Group in the fourth quarter of 2007, and currently holds interests of between 51 per cent. and 100 per cent. in members of the Xian Haotian Group. The Xian Haotian Group is involved in the manufacture, marketing and sale of plant extracts used as various active ingredients in food, beverages, cosmetics, dietary supplements and healthcare products.

Since the initial investment by Cathay, the Xian Haotian Group has been engaged mainly in the construction of the inositol project. Inositol is a vitamin-like substance commonly extracted from plants and is used as an ingredient in dietary healthcare products. It has been reported to prevent hardening of the arteries, important in fat and cholesterol metabolism and helps remove fats from the liver. The project is in the final stage of the construction period and will soon enter into the trial production period, including fine tuning of the production process, and the Xian Haotian Group has refined the extraction technology and process, and reduced production costs. Cathay anticipates that the inositol business will become the core business of and a major contributor to the growth in the Group's profits in 2011 and beyond.

Pharmaceutical investments

Cathay holds investments in a number of pharmaceutical businesses operating in the PRC.

Botai

Botai, a wholly owned subsidiary of the Cathay Group, is a foreign equity joint venture company engaged in the development of pharmaceutical projects.

Longbai

The Cathay Group has an effective 65 per cent. interest in Longbai, an equity joint venture company based in Tianjin City in the north of the PRC. The principal business of Longbai is the development of pharmaceutical projects, primarily in drug delivery methods.

Lansen Group

The Cathay Group has an 88 per cent. interest in Lansen, a rapidly growing company which focuses on the manufacture, marketing and sale of speciality western pharmaceuticals, modern Chinese medicine extracts and generic pharmaceuticals in the PRC. The primary therapeutic focus is the treatment of rheumatic diseases involving joints, soft tissues and connective tissues, including rheumatic arthritis, osteoarthritis, back pain and soft tissue pain.

Medical treatment in rheumatology in the PRC has only developed in recent years, and the Board believes that this market will continue to offer higher growth potential than the pharmaceutical industry average in the PRC. In turn, the pharmaceutical industry average in the PRC has outpaced the global pharmaceutical industry average. Prescription drugs for rheumatic diseases marketed and distributed by the Lansen Group, including Lansen's own products, have taken a significant market share.

Lansen is focused on identifying, developing and commercialising products principally in the

rheumatic therapeutic areas. It is expected that a pipeline of new rheumatic products will be launched in the next few years.

Liwah, a subsidiary of Lansen, is engaged in the manufacturing and sale in the PRC of modern Chinese medicine extracts and OTC pharmaceuticals.

Hotel Investments

The Hotel is a 5-star hotel located in the Lowu district of Shenzhen in the PRC.

In 2005, Cathay foresaw increasing competition and so started a major renovation of the Hotel, which was completed in late 2007. The Hotel is now one of the leading luxury class hotels in Shenzhen and in the southern PRC. It was re-branded in December 2007 as the Crowne Plaza Hotel & Suites Landmark Shenzhen, and is currently operated by the InterContinental Hotels Group ("IHG").

Background to and strategy of Cathay

Cathay was historically a property company operating in the PRC. Since 2000, the management of Cathay has been exploring investment opportunities in the PRC which would allow the Company and its investors to share the PRC's economic growth objective and provide the Company with sources of stable income and profits growth potential. A strategic review by the Group in 2002 identified the pharmaceutical and healthcare industries in the PRC as having significant sustainable growth potential.

After three years of market exploration and analysis, the Company decided to begin investment in these sectors with an investment in pharmaceutical research and development. Through its initial investments in 2003 in Botai and Longbai, Cathay has assembled a team of professionals with extensive management and technical expertise in the pharmaceutical industry in the PRC and overseas.

This professional team gives Cathay in-depth knowledge of the Chinese pharmaceutical and healthcare industries, and in assisting with the evaluation of potential investments in the pharmaceutical and healthcare sectors.

The PRC is a fast growing economy, with double-digit real GDP growth per annum between 2003 and 2007. In 2008, the PRC's GDP growth rate was 9 per cent. (PRC's National Bureau of Statistics). Historically, between 2000 and 2004, the PRC's GDP was primarily fuelled by the increase in infrastructure investments and industrial activities. Since 2005, an increasing portion of the PRC's GDP growth has been contributed by domestic personal spending as average personal wealth and the urbanisation ratio of the nation increase. The robust Chinese economy growth has propelled an expansion in healthcare and pharmaceutical businesses, and Cathay is increasingly focused on investment in these sectors.

According to Ministry of Health and national statistics, the PRC's total healthcare expenditure reached RMB1,222 billion in 2008, representing 4.1 per cent. of the nation's total GDP. According to OECD statistics, in 2007, the PRC's total health expenditure represented 4.5 per cent. of GDP for that year, which is relatively low as compared to 8.4 per cent. for the United Kingdom, 9.2 per cent. for New Zealand, 10.1 per cent. for Canada, 10.4 per cent. for Germany, 11.0 per cent. for France and 16.0 per cent. for the USA.

According to the PRC's Ministry of Health, the per capita total expenditure on healthcare in the PRC grew from approximately RMB361.9 in 2000 to approximately RMB854.4 in 2007, representing a CAGR of approximately 13.1 per cent., comparable to the CAGR for per capita GDP in the PRC between 2000 and 2007, which was approximately 13.4 per cent.. It is expected that per capita healthcare expenditure will continue its double-digit growth, driven by Government investment in healthcare, rising disposable incomes and an aging Chinese population. Business Insights estimates that the PRC will be the 5th largest global pharmaceutical market by 2010 and the largest by 2050.

Since the investment in Lansen by Cathay in 2005, with the benefit of the capital and risk and finance management expertise provided by Cathay, Lansen has started to achieve high profits growth. The Board believes that this is sustainable since the rheumatology market in the PRC is a fast-growing market and Lansen has already established a leading position in that market.

With a new production pipeline under development by Lansen, it is expected that Lansen will achieve a consistent growth in profits. In order to support and fuel the business growth of Lansen, Cathay and Lansen intend to explore fund raising alternatives, including the possible subsidiary IPO of Lansen. A subsidiary IPO of Lansen would realise the market value of Lansen to Cathay. In the event that Cathay proceeds with a subsidiary IPO of Lansen, it is the intention of Cathay to maintain a majority control of at least 51 per cent. over Lansen and continue to consolidate Lansen's results into the Group accounts.

Cathay's second major investment is in the Xian Haotian Group which is involved in the manufacture, marketing and sale of plant extracts used as various active ingredients in food, beverages, cosmetics, dietary supplements and healthcare products. Since the initial investment by Cathay in the fourth quarter of 2007, the Xian Haotian Group has been engaged mainly on the inositol project, and Cathay anticipates that the inositol business will become a core business of and a major contributor to the Xian Haotian Group and to the growth in Cathay's profits in 2011 and beyond.

Cathay believes that, through the investments in Lansen and Xian Haotian, which were followed by significant investment in management, technology and sales and marketing infrastructure, it has accumulated valuable experience in risk and finance management specific to the PRC business environment (including business and investment analysis). Such experience has been a crucial element in the successful development and management of the acquired companies and businesses. The Company has implemented financial control and risk management systems of international standards, ERP System and IFRS reporting standards into local business units, and appointed additional experienced, Asian-based independent directors in 2009 to reinforce corporate governance.

Going forward, Cathay considers that it is well equipped to continue its strategy to explore investment opportunities in the PRC, allowing the Company and its investors to share the PRC's economic growth objective and to provide the Company with sources of stable income and profit growth potential.

Reasons for the Placing and Open Offer

The Company's strategy is to identify investment opportunities in the PRC, currently focused in the pharmaceutical and healthcare sectors, and to develop those businesses with a view to achieving high profit growth and to increase the value of the Group. The Company's investment in the Lansen Group is illustrative of the management's successful track record in identifying relatively early stage businesses with strong growth potential and developing such businesses in order to increase and realise value for Shareholders. The Company hopes that the Placing will attract new investors who will share the Company's strategy.

The net proceeds of the Placing and Open Offer will be used to reduce the cost of the Group's debt, strengthen its financial position and improve the Group's ability to capitalise on suitable investment opportunities if they arise. The intention is to provide the Group with the financial flexibility to support its organic growth and to take timely advantage of investment opportunities. By utilising the proceeds of the Placing and Open Offer initially to repay part of the Group's revolving banking facilities, the Group will save approximately US\$1.2 million *per annum* in interest expenses, placing the Group in a stronger position. These funds can be redrawn under the terms of the revolving facility, which would enable the Group to repay other bank loans and borrowings of the Group.

Details of the Placing and Open Offer

Pursuant to the Placing Agreement, Piper Jaffray has agreed to procure conditional places for the New Common Shares at the Offer Price, subject to clawback to satisfy valid applications under the Open Offer from Qualifying Shareholders and Qualifying DI Holders.

Piper Jaffray has agreed to subscribe for any Open Offer Shares which are not taken up under the Open Offer by Qualifying Shareholders or Qualifying DI Holders and are not subscribed for by Places under the Placing, and which do not comprise the New Common Shares to be taken up by Cathay Enterprises.

The obligations of Piper Jaffray under the Placing Agreement are conditional on amongst other things, the passing of the Resolutions at the Special General Meeting.

The Company is inviting Qualifying Shareholders and Qualifying DI Holders to apply for New Common Shares *pro rata* to their existing shareholdings or holdings of DIs representing Existing Shares, at the Offer Price, payable in cash in full on application on the basis set out below.

Qualifying Shareholders and Qualifying DI Holders may apply for New Common Shares on the following basis:

7 New Common Shares for every 19 Existing Shares

held by them or represented by DIs held by them and in each case registered in their name on the Record Date and so on in proportion for any other number of Existing Shares then held or represented by DIs then held. Where fractional entitlements arise, no fractions of shares will be issued but will be aggregated and sold in the market on behalf of the relevant Shareholder save that, where net proceeds are less than £5.00 per relevant Shareholder (which it is expected will be the case), then the net proceeds of such sale will be retained for the benefit of the Company. The New Common Shares will be issued in registered form and will not be capable of being held in uncertificated form. Qualifying Shareholders will be able to elect for Depository Interests to be issued by Capita IRG Trustees Limited in respect of the underlying New Common Shares, and such Depository Interests will be able to be held and transferred through the CREST system.

Qualifying Shareholders and Qualifying DI Holders may apply for any whole number of New Common Shares up to their maximum entitlement which is equal to the number of Entitlements as shown on their Application Form, in the case of Qualifying Shareholders or the Entitlements credited to their CREST account, in the case of Qualifying DI Holders. No application in excess of a Qualifying Shareholder's or Qualifying DI Holder's maximum entitlement will be accepted and any Qualifying Shareholder or Qualifying DI Holder so applying will be deemed to have applied only for their maximum entitlement provided that the application is complete in all other respects. Any monies paid in excess of such entitlement will be returned to the applicant (at the applicant's risk) without interest within 14 days by way of cheque or CREST payment, as applicable.

The New Common Shares will be offered at the Offer Price to Qualifying Shareholders and Qualifying DI Holders on a pre-emptive basis under the terms of the Open Offer. They will be issued fully paid and will be identical to and rank *pari passu* in all respects with the Existing Common Shares and will rank in full for all dividends and other distributions declared, made or paid on or after Admission in respect of the share capital of the Company.

The New Common Shares will be in registered, certificated form and will be created under the Bermuda Companies Act. Qualifying Shareholders will be able to elect for Depository Interests to be issued by Capita IRG Trustees Limited in respect of the underlying New Common Shares, and such Depository Interests will be able to be held and transferred through the CREST system. The International Security Identification Number of the Common Shares is BMG1965E1030.

Qualifying Shareholders and Qualifying DI Holders should note that the Open Offer is not a "rights issue" and that the Application Form is not a negotiable document and cannot be traded. Shareholders should also be aware that in the Open Offer, unlike in a rights issue, any New Common Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders or Qualifying DI Holders who do not apply under the Open Offer. Instead, any New Common Shares not taken up by Qualifying Shareholders or Qualifying DI Holders will be issued at the Offer Price to placees (to the extent procured) or, failing that, to Piper Jaffray in accordance with its obligations under the Placing Agreement, with the proceeds retained for the benefit of the Company.

Before making any decision to acquire New Common Shares, Qualifying Shareholders and Qualifying DI Holders are asked to read and carefully consider all the information in the Prospectus.

The Offer Price of 27.5 pence per New Common Share is equal to the Closing Price of an Existing Common Share of 27.5 pence on 17 November 2009 (being the latest practicable date prior to the publication of the Prospectus).

The Placing and Open Offer is conditional, inter alia, upon:

- (i) the passing of the Resolutions; and
- (ii) Admission having become effective by no later than 8.00 a.m. on 7 December 2009 or such later time and/or date as the Company may decide (but, in any event, not later than 8.00 a.m. on 31 December 2009).

If the conditions are not satisfied, the New Common Shares will not be issued under the Open Offer and all monies received by the Company's receiving agent, Capita Registrars, will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter.

Applications will be made to the UKLA and to the London Stock Exchange for the New Common Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities, respectively. It is expected that Admission will become effective and that dealings in the New Common Shares will commence at 8.00 a.m. on 7 December 2009.

Effect of the Placing and Open Offer

Upon Admission, the issued share capital of the Company is expected to be 366,770,523 Common Shares and 10,722,251 A Shares. On this basis, the Placing and Open Offer Shares will represent approximately 26.9 per cent. of the Company's enlarged issued share capital.

Following the issue of the New Common Shares to be allotted and issued pursuant to the Placing and Open Offer, Qualifying Shareholders or Qualifying DI Holders who take up their full entitlements under the Open Offer will not suffer any dilution in their interests in the Company. If a Shareholder or DI Holder does not acquire any New Common Shares under the Open Offer and all the New Common Shares are issued, that Shareholder's or DI Holder's interest in the issued share capital of the Company will be diluted by 26.9 per cent..

Use of Proceeds of the Placing and Open Offer

The total net proceeds of approximately £26.8 million (US\$45.0 million) will be used to repay part of the Group's revolving banking facilities, which currently total US\$59 million. Applying the proceeds solely in this manner will save the Group approximately US\$1.2 million per annum of interest expenses.

Any amount repaid can be redrawn under the terms of such revolving credit facility. The principal use of the proceeds is therefore to reduce the cost of the Group's debt, strengthen its financial position and improve the Group's ability to capitalise on suitable investment opportunities if they arise.

It is the Group's intention to redraw up to 60 per cent. of the net proceeds as soon as practicably possible to repay bank loans and other borrowings to further reduce interest costs to the Group. The 40 per cent. not used to repay bank facilities will be available for redrawing in the future.

Current trading and future prospects

Healthcare investments

Xian Haotian

In 2008, Xian Haotian was engaged mainly on the construction of the inositol project. This focused on (i) refining the extraction technology and processes, (ii) increasing production efficacy, (iii) reducing production costs, and (iv) implementing a strategic plan for the raw material supply for inositol. The inositol project is in the final stage of the construction period and will soon enter into the trial production period, including fine tuning of the production process. The production and sale of inositol products by Xian Haotian is expected to commence in the second quarter of 2010, with a goal of achieving a significant global market share.

Pharmaceutical investments**Lansen**

Lansen has established a significant distribution network, covering approximately 1,000 hospitals in 29 provinces and cities. This has benefitted Lansen by significantly reducing time, resources and costs in the launch of a new product.

The Enterprise Resource Planning system was installed in 2008, which provides timely information in relation to financial, cashflow and management issues, and has improved the speed and quality of management decisions.

Lansen is focused on identifying, developing and commercialising products principally in the rheumatic therapeutic areas. It is expected that a pipeline of new rheumatic products will be launched in the next few years, and the Lansen Group plans to launch three new products in 2010.

Botai

Botai is currently in the process of applying for a licence for manufacture of collagen products in the PRC in the area of aesthetic medicine.

Longbai

Since 2005, Longbai has been working with the Lansen Group in applying for product licences for oral fast release drug applications which were transferred to Lansen in 2005, and to date production licences have been granted for two of the six drugs.

Hotel investments**Crowne Plaza Hotel & Suites Landmark Shenzhen**

Despite the difficult operating environment in 2008 including the Sichuan earthquake in May, unexpected travel government restrictions during the Olympics and an economic slowdown in the second part of the year, IHG increased the 2008 average occupancy rate to 43.8 per cent. (from 37.7 per cent. in 2007) and the average room rate in 2008 to US\$125 (from US\$ 118 in 2007).

In the first part of 2009, the hotel industry in the PRC was adversely affected by the international economic downturn and the H1N1 influenza virus. The number of foreign visitors and business travellers has reduced, which has in turn led to lower than expected occupancy levels at the Hotel. The Hotel achieved an average occupancy rate of 49 per cent. (2008:43 per cent.) and an average room rate of US\$109 (2008: US\$130) for the first six months of 2009.

Prospectus Available for Inspection

Copies of the Prospectus will be available to the public for inspection at the Document Viewing Facility, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Placing and Open Offer Statistics

Offer Price	27.5 pence
Basis of Open Offer	7 New Common Shares for every 19 Existing Shares
Number of Existing Common Shares in issue as at 17 November 2009 (being the latest practicable date prior to publication of the Prospectus)	265,137,853

Number of A Shares in issue as at 17 November 2009 (being the latest practicable date prior to publication of the Prospectus)	10,722,251
Number of New Common Shares to be issued pursuant to the Placing and Open Offer	101,632,670
Number of Common Shares in issue immediately following Admission	366,770,523
Number of A Shares in issue immediately following Admission	10,722,251
Market capitalisation of the Company at the Offer Price immediately following Admission	£100.9 million
Gross proceeds of the Placing and Open Offer	£27.9 million
Estimated net proceeds of the Placing and Open Offer retained by the Company	£26.8 million

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