

## Regulatory Story

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**Cathay International Holdings Ld** - CTI Statement relating to UK FCA enforcement action  
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Cathay International Holdings Ld  
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Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR).

### **Cathay International Holdings Limited**

**("Cathay" or the "Company")**

#### **Statement relating to UK FCA enforcement action**

**Hong Kong, 31 May 2019:** In 2017 the Financial Conduct Authority ("FCA") commenced an Enforcement investigation into Cathay International Holdings Limited ("**Cathay**") and certain of its directors under section 97 Financial Services and Markets Act 2000 to establish whether Cathay may have committed certain breaches of the Listing Principles and Disclosure and Transparency Rules and whether certain directors may have been knowingly concerned in those breaches.

On 24 May 2019, following conclusion of that investigation, the FCA issued Cathay with a Decision Notice imposing a financial penalty of £411,000 for breaches of Listing Principle 1, Disclosure and Transparency Rule ("**DTR**") 2 and Premium Listing Principle 6 between 21 August 2015 and 29 December 2015 and Listing Principle 2 between 29 February 2016 and 16 August 2016. The penalty comprises £261,000 for the breaches of Listing Principle 1, DTR 2.2.1R and Premium Listing Principle 6 and £150,000 for the breach of Listing Principle 2.

The FCA also issued a Decision Notice to Cathay's CEO, Mr Jinyi Lee, for knowing concern in those breaches and to Cathay's Finance Director, Mr Eric Siu, for knowing concern in the breach of Listing Principle 2.

Cathay, Mr Lee and Mr Siu do not agree with the FCA's findings and penalty and are considering whether to refer the FCA's decision to the Upper Tribunal.

### **The FCA's findings in greater detail**

The FCA has found that between 21 August 2015 and 29 December 2015, Cathay breached Listing Principle 1 by failing to take reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations as a listed company:

- in how Cathay prepared forecasts of its expected year-end financial performance; and
- in how Cathay monitored its expected year-end financial performance against market expectations.

The FCA has also found that between 6 December 2015 and 29 December 2015 Cathay breached DTR 2.2.1R and Premium Listing Principle 6 by failing to disclose to the market as soon as possible inside information relating to its expected financial performance for the year ended 31 December 2015.

Finally, the FCA has also found that between 29 February 2016 and 16 August 2016, although there was no intention to mislead, Cathay breached Listing Principle 2 by providing different information to that which the FCA had requested in correspondence relating to the events in 2015, without any explanation. .

### **Cathay's response**

As to Listing Principle 1, Cathay does not accept that its systems and controls were inadequate.

Cathay's position was that it had a well-established system for preparing year-end forecasts twice annually, based on projections submitted by each of its subsidiaries, and for receiving and considering ongoing financial data from each of its subsidiaries monthly. As it was advised to do, Cathay compared its forecasts, when they were prepared, against market estimates. Special circumstances in August 2015 meant that Cathay was unable to prepare a quantified forecast for its main subsidiary Lansan, but Cathay does not accept that this indicates a weakness systems and controls. Cathay rejected that any breach of Listing Principle 1 was committed recklessly.

As to DTR 2 and Premium Listing Principle 6, Cathay denied that it was in possession of any inside information. Cathay also denied that any breach of the DTRs and Premium Listing Principle 6 which did occur was committed recklessly as it had a genuine belief that additional sales could bring its performance in-line with market expectations.

As to Listing Principle 2, Cathay emphasises (as the FCA has accepted) that Cathay did not intend to mislead the FCA.

Cathay, Mr Lee and Mr Siu, are considering whether to refer the FCA's decision to the Upper Tribunal.

The FCA has not yet published the Decision Notices issued to Cathay, Mr Lee and Mr Siu. The FCA's approach is to decide on a case-by-case basis whether to publish a Decision Notice, but the FCA expects normally to do so if the subject of enforcement action refers the matter to the Upper Tribunal. The FCA may also publish a Decision Notice before a person has decided whether to refer the matter to the Upper Tribunal if the FCA considers there is a compelling reason to do so. The deadline for making a reference to the Upper Tribunal is 28 days from the date the Decision Notices were given.

**-Ends-**

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**About Cathay**

Cathay International Holdings Limited (LSE: CTI.L) is a main market listed investment holding company and an operator and investor in the healthcare sector in the People's Republic of China (the "PRC"). The Company and its subsidiaries (collectively the "Group") aim to leverage on investment opportunities in the growing domestic demand for high quality healthcare products in the PRC and build portfolio companies into market sector leaders with competitive edge. Cathay has already demonstrated a track record of identifying investment opportunities in this area including: Lansan, a leading specialty pharmaceutical company focused on rheumatology and dermatology in the PRC; Haizi, a company engaged in the manufacture, marketing and sale of inositol and its by-product, di-calcium phosphate; Natural Dailyhealth, a company engaged in production and sales of plant extracts for use as key active ingredients in healthcare products; and Botai, a company engaged in collagen products.

The Group employs approximately 1,600 people across the PRC, including over 20 specialist corporate and business development staff based at the holding company's offices in Hong Kong and Shenzhen. Cathay also has a hotel investment. For more information please visit the Company's website: [www.cathay-intl.com.hk](http://www.cathay-intl.com.hk).

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