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**iAsia Technology Limited**

*(incorporated in Hong Kong with limited liability)*

**Very substantial acquisition**

**Acquisition of interests in a financial services group and**

**Proposed rights issue and bonus issue**



**Melco International Development Limited**

*(incorporated in Hong Kong with limited liability)*

**Connected and possible discloseable transaction**

**Application for a whitewash waiver**

**Financial adviser to iAsia Technology Limited**

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED

## **SUMMARY**

iAsia Technology Limited entered into a sale and purchase agreement with CEF Holdings Limited and CEF Brokerage Holdings Limited on 28th September, 2002 under which iAsia has conditionally agreed to acquire from CEF Holdings Limited and CEF Brokerage Holdings Limited the entire issued share capital of three of their respective subsidiaries, namely CEF Brokerage Limited, CEF Futures Limited and CEF Capital Limited respectively, engaged in securities brokerage and dealing business, futures and commodity trading and corporate finance advisory services.

The aggregate consideration payable for the acquisition will be approximately HK\$126 million, subject to an adjustment payment as described in more detail in the section headed "Consideration and payment terms" below. The consideration will be satisfied in cash, being financed as to approximately HK\$102 million from the proceeds of the rights issue, as described in more detail below and assuming it becomes unconditional, and the remainder from internal resources or bank borrowings of iAsia. In the event the rights issue does not become unconditional, the consideration for the acquisition will be financed by internal resources and bank borrowings of iAsia.

The assets ratio (within the meaning of the GEM listing rules) as represented by the acquisition exceeds 100% and as the businesses carried on by the companies being acquired by iAsia are different from the current principal activities of iAsia, the acquisition constitutes a very substantial acquisition for iAsia under the rules governing the listing of securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Further, the acquisition also constitutes a material change in the general character or nature of the business of iAsia under rule 17.25 of the GEM listing rules. Accordingly, the acquisition is subject to the approval of the shareholders of iAsia at an extraordinary general meeting.

Those shareholders who are directors, chief executives and management shareholders of iAsia, as described below, shall abstain from voting at the meeting in accordance with rules 17.25 and 19.42 of the GEM listing rules. Completion of the sale and purchase agreement is not conditional upon the rights issue taking place.

To finance the acquisition and so as not to increase the gearing of iAsia, iAsia also proposes a rights issue of not less than 1,020,664,287 rights shares at HK\$0.10 per rights share in the proportion of three rights shares for every two existing shares held with a bonus issue in the proportion of two bonus shares for every three subscribed and fully paid rights shares. The rights issue will raise approximately HK\$102,066,428 before expenses, assuming no outstanding options in iAsia are exercised on or before the record date.

The rights issue is conditional and is fully underwritten by Melco International Development Limited. In particular, the rights issue is conditional, amongst other things, upon completion of the sale and purchase agreement and the underwriter to the rights issue not terminating the underwriting agreement in respect of the rights issue in accordance with its terms. The rights issue and the bonus issue are conditional upon, among other things, the approval of the shareholders of iAsia at an extraordinary general meeting. Those shareholders who are directors, chief executives and management shareholders of iAsia, as described below, shall abstain from voting at the meeting.

The underwriting of the rights issue by Melco constitutes a connected and possible discloseable transaction for Melco and is subject to approval by the independent shareholders of Melco. As at the date of this announcement, Bailey Development Limited and Golden Mate Co., Ltd. (both of which would be acting in concert with Melco should Melco subscribe for shares under the underwriting agreement) hold in aggregate 17.07% of the issued share capital of iAsia. Dr. Lee Jun Sing, a director of iAsia and a director and shareholder in Bailey Development Limited, is interested in a further 11.78% of the issued share capital of iAsia and is presumed to be acting in concert with Bailey Development and Golden Mate under the Takeovers Code. Dr. Lee Jun Sing is seeking to rebut this presumption. If none of the shareholders of iAsia take up any provisional allotments of the rights shares and Melco fails to procure other independent parties to take up such rights shares not taken up by shareholders of iAsia, the provisional allotment of the rights shares to all shareholders will be taken up by Melco in its capacity as the underwriter with the result that Melco and parties acting in concert with it would be interested in approximately 76% of the issued shares in iAsia, as enlarged by the issue of rights shares and bonus shares (before taking account Dr. Lee's other interests in the share capital of iAsia). Melco has applied to the Executive (within the meaning of the Hong Kong Code on Takeovers and Mergers) for a waiver under note 1 on dispensation from rule 26 of the Takeovers Code. The underwriting agreement is conditional upon, amongst other things, the Executive granting to Melco the requested waiver under the Takeovers Code. There is no provision in the underwriting agreement permitting the waiver of this condition by either party. In the event that less than 20% of the issued share capital of iAsia should be held by the public after the rights issue, Melco has undertaken to take steps as soon as practicable following the close of the rights issue to place down the shares in iAsia held so that the public float of iAsia is not less than 20% of the enlarged issued share capital of iAsia.

As at the date of the announcement, iAsia has one substantial shareholder, namely Bailey Development, which holds 10.85% of the issued share capital of iAsia. Bailey Development is owned as to 65% by Dr. Stanley Ho, 5% by Dr. Lee Jun Sing, an executive director of iAsia, 5% by Ms. Leong On Kei, Angela, a non-executive director of iAsia, 15% by the mother of Dr. Lee, 5% by the father of Dr. Lee, and the remaining 5% by two independent persons. Golden Mate is wholly beneficially owned by Mr. Lawrence Ho, son of Dr. Stanley Ho, and holds 6.22% of the issued share capital of iAsia. Other shareholders known to the directors of iAsia are listed out in the section headed “Changes in the shareholding structure of iAsia arising from the rights issue”, and none of these shareholders, other than Bailey Development and Golden Mate are connected with (within the meaning of the listing rules of the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited) Dr. Stanley Ho and Mr. Lawrence Ho.

The issued share capital in Melco is held as to 25.14% by Lasting Legend Limited, which is wholly beneficially owned by Mr. Lawrence Ho, 17.93% by Shun Tak Shipping Company Limited, a company in which Dr. Stanley Ho holds 27.78% shareholding interest and is a director, 6.89% by Dr. Stanley Ho and 0.1% by Madam Lucina Laam King Ying, mother of Mr. Lawrence Ho. Both Dr. Stanley Ho and Mr. Lawrence Ho are executive directors of iAsia and Melco. As at the date of this announcement, Melco did not hold any shares in iAsia. On the basis of the shareholding structure of Melco and iAsia as described above, iAsia is not connected with Melco according to the GEM listing rules.

A circular containing further details of the acquisition, the proposed rights issue and the whitewash waiver, a letter from the independent board committee of iAsia, and a letter of advice from the independent financial adviser to the independent board committee of iAsia will be posted to all shareholders of iAsia within 21 days of the date of this announcement. A notice of extraordinary general meeting of iAsia will be included in the circular. A separate circular relating to the connected and possible discloseable transaction of Melco in connection with the underwriting of the rights issue of iAsia will be posted to shareholders of Melco within 21 days of the date of this announcement.

At the request of the directors of iAsia and Melco, trading in the respective shares in iAsia and Melco were suspended with effect from 9:37 a.m. and 9:44 a.m. on 30th September, 2002 respectively pending the release of this announcement. iAsia and Melco have applied to the Stock Exchange for the resumption of trading in their respective shares with effect from 9:30 a.m. on 15 October, 2002.

**Shareholders and potential investors of iAsia and Melco are reminded that the sale and purchase agreement, the proposed rights issue, the underwriting of the rights issue and the bonus issue are conditional on fulfilment of certain conditions and may or may not proceed. Shareholders and potential investors of iAsia and Melco are advised to exercise caution when dealing in the shares in iAsia and Melco.**

## **THE SALE AND PURCHASE AGREEMENT**

### **The overall effect of the acquisition**

Under the sale and purchase agreement that was entered into on 28th September, 2002, iAsia will conditionally acquire:

- i. from CEF Brokerage Holdings Limited, the entire issued shares of CEF Brokerage Limited which is a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong);
- ii. from CEF Brokerage Holdings Limited, the entire issued shares of CEF Futures Limited which is a commodity dealer registered under the Commodities Trading Ordinance (Chapter 250 of the Laws of Hong Kong) and is engaged in futures and commodity trading in Hong Kong; and
- iii. from CEF Holdings Limited, the entire issued shares of CEF Capital Limited which is a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and is engaged in dealings and advisory activities relating to corporate finance matters in Hong Kong.

CEF Brokerage and CEF Futures are wholly beneficially owned subsidiaries of CEF Brokerage Holdings and CEF Capital is a wholly beneficially owned subsidiary of CEF Holdings. CEF Brokerage Holdings is an indirect wholly owned subsidiary of CEF Holdings.

The sale and purchase agreement was entered into on an arm's length basis and on normal commercial terms.

### **Consideration and payment terms**

The consideration payable under the sale and purchase agreement, subject to adjustment as described below, for the entire issued share capital of CEF Brokerage, CEF Futures and CEF Capital is HK\$126 million.

The consideration will be satisfied in cash. A deposit of HK\$10,500,000 has been paid by iAsia upon the signing of the sale and purchase agreement. A further sum of HK\$84,000,000 will be payable on the date of completion of the sale and purchase agreement. The final instalment of HK\$31,500,000 (subject to adjustment, if any) will be payable on or before 35 days after the date of completion of the sale and purchase agreement so as to facilitate the consideration adjustment arrangement described below.

On the date of completion of the sale and purchase agreement, CEF Brokerage and CEF Futures will transfer 2,413,500 shares in Hong Kong Exchanges and Clearing Limited held by them to CEF Holdings or its nominee for a consideration of HK\$21,000,000. To settle CEF Holdings' obligations to pay the purchase price of HK\$21 million for the 2,413,500 shares in Hong Kong Exchanges and Clearing Limited to CEF Brokerage and CEF Futures, upon completion of the sale and purchase agreement, CEF Holdings will give a direction to iAsia to

split the payment of HK\$84,000,000 as follows: (1) HK\$63,000,000 to be paid to CEF Holdings; (2) HK\$8,874,000 to CEF Brokerage; and (3) HK\$12,126,000 to CEF Futures. As such, on the date of completion of the sale and purchase agreement, CEF Brokerage and CEF Futures will receive a total cash amount of HK\$21,000,000.

The consideration payable under the sale and purchase agreement is reached having regard to the sum of approximately HK\$115 million being the aggregate of: (a) the proforma unaudited net asset value of CEF Capital as at 31st May, 2002 less the total amount of indebtedness due to CEF Capital by its subsidiary plus amounts due to CEF Holdings; (b) the aggregate proforma unaudited net asset value of CEF Brokerage and CEF Futures as at 30th June, 2002 less (i) the unaudited aggregate book value of the shares in Hong Kong Exchanges and Clearing Limited owned by CEF Brokerage and CEF Futures, and (ii) the value of leasehold improvements of the premises at Cheung Kong Center of approximately HK\$0.77 million; and (c) HK\$21 million being the agreed value of the 2,413,500 shares in Hong Kong Exchanges and Clearing Limited. The difference between the consideration and such amount of HK\$115 million represents the intangible value of the businesses of the three companies.

The financial statements of CEF Brokerage, CEF Futures and CEF Capital as at the date of completion of the sale and purchase agreement for ascertaining the final consideration will be audited and delivered within 22 business days after the date of completion of the sale and purchase agreement. If the aggregate proforma unaudited net asset value of CEF Capital, CEF Brokerage and CEF Futures as shown on the respective balance sheets as at 31st May (as to CEF Capital) and 30th June, 2002 (as to CEF Brokerage and CEF Futures) exceeds the aggregate net asset value of CEF Capital, CEF Brokerage and CEF Futures as shown in the completion audited financial statements by an amount exceeding HK\$2 million, CEF Holdings shall pay any such difference exceeding HK\$2 million to iAsia either by way of a cash payment or setting off against the final instalment of the consideration receivable under the sale and purchase agreement. If the aggregate audited net asset value of CEF Capital, CEF Brokerage and CEF Futures shown in the completion audited financial statements is greater than the aggregate proforma unaudited net asset value of the three companies by an amount exceeding HK\$2 million, iAsia shall pay to CEF Holdings an amount representing the difference exceeding HK\$2 million. The adjustment payment payable by either CEF Holdings or iAsia is payable within 5 business days after the audited completion financial statements of CEF Brokerage, CEF Futures and CEF Capital are delivered to iAsia and CEF Holdings and CEF Brokerage Holdings by the auditor.

## **Funding**

The consideration for the acquisition will be funded from proceeds of approximately HK\$102 million from the proposed rights issue described below (and assuming the rights issue becomes unconditional) and internal resources or bank borrowings of iAsia. In the event the rights issue does not become unconditional, the acquisition will be financed solely from internal resources and bank borrowings of iAsia.

## **The conditions of the acquisition**

Completion of the sale and purchase agreement is conditional, amongst other things, on:

- a. all representations and warranties contained in the sale and purchase agreement made by CEF Holdings and CEF Brokerage Holdings shall be true at the time of completion of the sale and purchase agreement as if then made;
- b. there shall have been compliance with the covenants and obligations on the part of CEF Holdings and CEF Brokerage Holdings contained in the sale and purchase agreement which are to be complied with at or prior to the completion of the sale and purchase agreement;
- c. all relevant licences required to be held by each of CEF Capital, CEF Brokerage and CEF Futures and their dealing directors in connection with the respective businesses carried on by the three companies shall remain valid and effective;
- d. all governmental and regulatory approvals and authorisations being obtained from the Stock Exchange, Securities and Futures Commission, Hong Kong Futures Exchange Limited and, where relevant, China Securities Regulatory Commission (*note*) necessary in connection with the acquisition, or to maintain the continued validity and existence of the licences required to be held by each of CEF Brokerage, CEF Futures, and CEF Capital and its dealing directors in connection with its respective business;
- e. the completion by iAsia of its due diligence review with respect to the shares of CEF Brokerage, CEF Futures and CEF Capital and their respective businesses to the satisfaction of iAsia in its reasonable discretion, provided that satisfaction is deemed if no objection is made within 5 business days after completion of due diligence;
- f. all required shareholders' approvals and authorisations in respect of iAsia, pursuant to the GEM listing rules or otherwise, necessary in connection with the acquisition being obtained;
- g. no legal or regulatory action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit the acquisition as contemplated in the sale and purchase agreement;
- h. since 28 September, 2002, being the date of the sale and purchase agreement, there has been no material adverse change (as defined in the sale and purchase agreement) affecting each of CEF Brokerage, CEF Futures and CEF Capital, or their respective businesses and no new event has occurred or circumstance exists as of the date of completion of the sale and purchase agreement which will cause a material adverse change on any of CEF Brokerage, CEF Futures and CEF Capital or their respective businesses; and
- i. the completion of the purchase and sale of all the issued shares in CEF Brokerage, CEF Futures and CEF Capital shall occur simultaneously on the date of completion of the sale and purchase agreement.

*Note:* With respect to PRC “B” shares, CEF Capital holds a chief underwriter qualification certificate, and CEF Brokerage holds a brokerage qualification certificate, the issuance of which are governed by the Provisional Administrative Regulations on the Qualifications of Domestic and Overseas Securities Institutions which deal in Foreign Capital Shares promulgated on 12 November, 1996. These regulations do not contain any reporting or authorisation requirements for the change in ownership or ultimate shareholding in an overseas company engaged in the underwriting of “B” shares.

If any of the above conditions have not been fulfilled or waived by iAsia by the date of completion of the sale and purchase agreement, the provisions of the sale and purchase agreement shall have no effect and (save for any antecedent breach) no party shall have any liability under them, subject to the forfeiture of the deposit of HK\$10,500,000 payable under the sale and purchase agreement as liquidating damages or, as the case may be, refund of the deposit to iAsia in the event of breach of certain specified warranties and representations relating to the titles over the shares being acquired under the acquisition, the proforma unaudited balance sheets and the licences held by CEF Brokerage, CEF Futures and CEF Capital on the part of CEF Holdings and, or CEF Brokerage Holdings. Accordingly, if iAsia fails to obtain its shareholders’ approval in respect of the acquisition, being one of the conditions of the sale and purchase agreement and in the absence of any breach of the said warranties and representations by either CEF Holdings or CEF Brokerage Holdings, CEF Holdings will be entitled to retain the deposit of HK\$10,500,000 paid by iAsia.

On the date of completion of the sale and purchase agreement, iAsia, CEF Holdings, CEF Brokerage, CEF Futures and CEF Capital will enter into a Trade Mark Licence Agreement. The main objective of this agreement is to allow iAsia time to build up their own corporate name in the respective businesses of the three companies being acquired through the use of the trademarks of “CEF” and “加怡”. Pursuant to the proposed terms of the Trade Mark Licence Agreement, each of CEF Brokerage, CEF Futures and CEF Capital shall be granted by CEF Holdings a non-transferrable and non-exclusive licence to use the said trademarks in Hong Kong, Macau and other parts of the People’s Republic of China for a period of 18 months.

**Completion of the sale and purchase agreement is not conditional on the rights issue taking place.**

#### **Completion date**

Completion of the sale and purchase agreement will take place the earlier of (i) 8th January, 2003 (unless otherwise agreed to in writing by the parties) and (ii) a date which is 3 business days after satisfaction of all or waiver by iAsia of all or any of the conditions precedent referred to above.

#### **INFORMATION ON COMPANIES BEING ACQUIRED**

CEF Brokerage and CEF Futures provide primarily retail broking services in Hong Kong. CEF Brokerage commenced its equity broking business in February 1996 and CEF Futures commenced its futures broking business in February 1997. CEF Brokerage currently holds four trading right certificates, one participant certificate and two branch certificates issued by the Hong Kong Stock Exchange and CEF Futures holds one trading right certificate, one participant certificate issued by the Hong Kong Futures Exchange Limited and one participant certificate issued by HKFE Clearing Corporation Limited.

CEF Capital was established in Hong Kong in 1986. Its primary business is to provide dealings and advisory services relating to corporate finance matters. The company is also an approved GEM sponsor under the Hong Kong Stock Exchange. The businesses of CEF Brokerage, CEF Futures and CEF Capital are different from the current principal activities of iAsia. As such, the acquisition constitutes a material change in the general character or nature of the business of iAsia under rule 17.25 of the GEM listing rules and therefore the acquisition will be subject to, amongst other things, the prior approval of independent shareholders of iAsia in general meeting. The directors, chief executives and management shareholders of iAsia and their respective associates shall abstain from voting at the general meeting to approve such extension in business.

The respective audited financial results and net tangible assets of CEF Brokerage, CEF Futures and CEF Capital are summarised below:

<i>HK\$'000</i>	<b>CEF Brokerage</b>		<b>CEF Futures</b>		<b>CEF Capital</b>	
	<b>Year ended 31st December,</b>					
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
Net profit/(loss) before and after tax from ordinary activities for the year	<u>(33,662)</u>	<u>32,201</u>	<u>(323)</u>	<u>(574)</u>	<u>(7,506)</u>	<u>467</u>
Net tangible assets ( <i>Note</i> )	<u>59,192</u>		<u>30,437</u>		<u>117,856</u>	

*Source: The respective audited financial statements of CEF Brokerage, CEF Futures and CEF Capital.*

*Note:* The consideration payable by iAsia under the sale of purchase agreement of HK\$126 million is based on, amongst other things, the proforma unaudited net asset value of CEF Brokerage, CEF Futures and CEF Capital as described in the section headed "Consideration and payment terms" but not the audited net tangible assets of CEF Brokerage, CEF Futures and CEF Capital as at 31st December, 2001.

## **INFORMATION ON IASIA**

The directors of iAsia believe that iAsia is one of the prominent market players and has established a solid technology infrastructure in the provision of comprehensive online trading and related systems to financial institutions in Hong Kong. It offers its services to a broad range of customers including securities and commodities dealers, banks, asset management companies, insurance companies and other financial intermediaries. In addition, iAsia and its subsidiaries also provide selected financial services including transactions routing services through its subsidiaries, namely CFN Hongkong Limited and CFN (UK) Limited which are registered as securities dealers with the Securities and Futures Commission of Hong Kong and Securities and Futures Authority of United Kingdom, respectively. Following the acquisition, iAsia will expand its business to securities brokerage, commodity trading and corporate finance advisory services which the directors of iAsia believe will complement the current businesses of CFN Hongkong and CFN (UK).



## **REASONS FOR THE ACQUISITION AND BUSINESS OBJECTIVES**

During the past three years of specialising in the provision of online financial trading systems and services, the directors of iAsia believe that iAsia and its subsidiaries have already established a solid technology infrastructure and iAsia has become one of the prominent market players in the industry. The directors of iAsia believe that the competitive advantage of iAsia and its subsidiaries will be further strengthened if the technology based financial trading solutions services currently provided by iAsia and the existing financial services offered by CFN companies can be combined with the off-line securities brokering, commodity trading and corporate finance services and the acquisition will serve to achieve this goal.

One of the synergies of the acquisition is to allow iAsia to provide clients with a more comprehensive range of financial services covering online trading services and traditional fully-fledged investment banking securities services. Also, with the strong technology background, the directors of iAsia believe that the operating efficiency of the businesses brought in by the CEF Brokerage, CEF Futures and CEF Capital will be significantly enhanced and certain new technology products and services relating to such businesses may also be developed and provided by iAsia, such as the development and provision of a gateway for application, subscription or underwriting of new shares under the initial public offers or placings by listed companies in Hong Kong through the Internet. With the combination of the technology know-how and the securities brokering, commodity trading and corporate finance services, which are in line with the existing business of iAsia group, including the CFN companies, the directors of iAsia are confident that it will position iAsia to become a prominent player in the regional financial services industry. Furthermore, it is expected that the revenue stream and the client bases will be further enhanced as the needs of the clients, institutional and retail alike, will be better served. Although the acquisition constitutes a material change in the general character or nature of the business of iAsia under rule 17.25 of the GEM listing rules, the directors of iAsia believe that the terms of the acquisition are fair and reasonable and in the interests of the shareholders as a whole. Further details of the change in the business objectives and the use of proceeds received from the initial public offering of iAsia will be contained in the circular to be despatched to shareholders of iAsia.

## **CHANGE OF NAME OF IASIA**

Upon completion of the sale and purchase agreement, iAsia proposes to change the English name of iAsia to “Value Convergence Holdings Limited” and the Chinese name of “亞洲網上交易科技有限公司” to “滙盈控股有限公司”. The proposed change of the English and Chinese names of iAsia are subject to the approval of Registrar of Companies in Hong Kong and the passing of a special resolution by the shareholders of iAsia at an extraordinary general meeting.

## RIGHTS ISSUE

### Issue statistics:

Basis of rights issue – three rights shares in iAsia for every two existing issued shares in iAsia held on the record date with two bonus shares in iAsia for every three rights shares subscribed and fully-paid for

Existing number of issued shares in iAsia – 680,442,858 shares

Amount of outstanding options in iAsia (which are exercisable during the period from 10th October, 2001 to 8th July, 2012 and as to 29,306,249 outstanding options granted pursuant to the pre-IPO share option plan of iAsia dated 14th March, 2001, the exercise price is HK\$0.49 per share and as to 49,105,714 outstanding options granted pursuant to the new share option scheme dated 29th November, 2001, the exercise price is HK\$0.10 per share) – HK\$19,270,633.40

The maximum number of shares in iAsia to be issued upon the exercise of all issued outstanding options in iAsia (which are exercisable during the period from 10th October, 2001 to 8th July, 2012) – 78,411,963 shares

	<i>Minimum*</i>	<i>Maximum**</i>
The number of rights shares to be issued	– 1,020,664,287	1,138,282,230
The number of bonus shares in iAsia to be issued	– 680,442,858	758,854,820
Enlarged issued shares in iAsia	– 2,381,550,003	2,655,991,871
Subscription price	– HK\$0.10 for each rights share	
Financial adviser	– Anglo Chinese Corporate Finance, Limited	
Underwriter	– Melco	

*Notes:*

- \* Assuming none of the subscription rights attaching to the options in iAsia are exercised prior to the record date, which is the date by reference to which entitlements under the proposed rights issue will be determined.
- \*\* Assuming all the subscription rights attaching to the options in iAsia (which are exercisable during the period from 10th October, 2001 to 8th July, 2012) are exercised prior to the record date, which is the date by reference to which entitlements under the proposed rights issue will be determined.

As at the date of this announcement, iAsia has not received any undertaking from its shareholders that they will or will not take up their entitlements under the rights issue.

### **Qualifying shareholders under the rights issue**

iAsia will send provisional allotment letters and excess applications forms to the qualifying shareholders of iAsia only. The qualifying shareholders are those who are registered as a member of iAsia, and have an address in Hong Kong on the register of members of iAsia on the record date (which is the date by reference to which entitlements under the proposed rights issue will be determined).

### **Fractional entitlements**

Fractional entitlements to the rights shares in Asia will not be issued but will be aggregated and sold for the benefit of iAsia.

### **Subscription price:**

HK\$0.10 per rights share, payable in full when a qualifying shareholder accepts the provisional allotment of rights shares or applies for excess rights shares or when a transferee of nil paid rights shares applies for the relevant rights shares.

The subscription price represents a premium of approximately 5.3% to the closing price of HK\$0.095 per share in iAsia as quoted on The Stock Exchange of Hong Kong Limited on 27th September, 2002 (being the last trading day prior to the release of this announcement). The theoretical ex-all subscription price of HK\$0.06 per share in iAsia represents discounts of approximately 14.3% and approximately 36.8% to the theoretical ex-all price of HK\$0.07 per share (Note) and the closing price of HK\$0.095 per share in iAsia respectively based on the closing price of the shares in iAsia on 27th September, 2002. The subscription price also represents a premium of approximately 5.3% to the average of the closing prices for the ten days ended on 27th September, 2002 of HK\$0.095 per share in iAsia. The subscription price represents a premium of some 61.3% to the audited net asset value of HK\$0.062 per share in iAsia as at 30th September, 2001. The subscription price was agreed based on arm's length negotiations between iAsia and Melco, the underwriter of the rights issue. The nominal value of the shares in iAsia is HK\$0.10 per share.

*Note:* The theoretical ex-all price  
= [2 shares in iAsia X HK\$0.095 (closing price on 27th September, 2002) + 3 rights shares to be issued by iAsia X HK\$0.10 (subscription price)] ÷ [2 shares in iAsia + 3 rights shares + 2 bonus shares]

**Basis of provisional allotment:**

iAsia will provisionally allot three rights shares in nil-paid form for every two existing shares in iAsia held by a qualifying shareholder of iAsia on the record date for determining entitlements. Details of the timetable of the rights issue will be contained in the circulars to be posted to shareholders of iAsia, and shareholders of Melco.

**Status of the rights shares:**

When allotted and fully paid, the rights shares will rank pari passu in all respects with the then existing shares in iAsia. Holders of the rights shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the rights shares in their fully paid form.

**Rights of overseas shareholders of iAsia:**

Documents to be issued in connection with the rights issue will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, no provisional allotment of the rights shares or excess applications will be available to overseas shareholders of iAsia, being those shareholders whose address on the register of members of iAsia on the record date (which is the date by reference to which entitlements under the proposed rights issue will be determined) are outside Hong Kong and iAsia will send the rights issue prospectus to its overseas shareholders for their information only. In addition, iAsia will send to all its shareholders, the circular containing details of the whitewash waiver, as described in detail below, and a notice of the shareholders' general meeting to be convened to approve the whitewash waiver. All overseas shareholders of iAsia on the record date for determining entitlement to the rights issue are entitled to vote at the extraordinary general meeting.

Arrangements will be made for the rights shares which would otherwise have been provisionally allotted to the overseas shareholders of iAsia to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid rights shares commence on the Stock Exchange, if a premium (net of all costs and expenses) can be obtained. The proceeds of sale of individual overseas shareholder's nil-paid rights shares, less all costs and expenses, of HK\$100 or more will be paid to the relevant overseas shareholder in Hong Kong dollars. iAsia will retain individual amounts of less than HK\$100 for its benefit.

As at 27th September, 2002, there were a total of 14 shareholders of iAsia having addresses outside Hong Kong, and these shareholders held a total of 65,761,286 shares in iAsia.

**Application for excess rights shares in iAsia:**

Shareholders of iAsia qualifying for the rights issue may apply for any unsold entitlements of overseas shareholders of iAsia and any rights shares provisionally allotted but not accepted by the qualifying shareholders of iAsia or otherwise subscribed for by transferees of nil-paid rights shares. Application can be made by completing the excess application forms and lodging the same with remittance for the excess rights shares. iAsia will allocate the excess rights shares at their discretion and on a fair and equitable basis and will give preference to topping up odd lots to whole board lots.

**Application for listing:**

iAsia will apply to the GEM listing committee of the Stock Exchange for the listing of, and permission to deal in, the rights shares in both nil-paid and fully paid forms and the bonus shares.

Dealing in the rights shares in their nil-paid and fully paid forms and the bonus shares will be subject to the payment of stamp duty in Hong Kong.

**Timetable of the rights issue:**

Further announcement will be made by iAsia on details of the timetable of the rights issue.

**Conditions of the rights issue**

The rights issue is conditional upon:

- a. completion of the sale and purchase agreement relating to the acquisition of CEF Brokerage, CEF Futures and CEF Capital as referred to in this announcement;
- b. the filing with and registration of one copy of each of the rights issue documents (and all documents required to be attached thereto) by the Registrar of Companies in Hong Kong prior to the date of posting of the rights issue documents in compliance with the Companies Ordinance (Cap. 32 of the Laws of Hong Kong);
- c. approval by the independent shareholders of iAsia at the extraordinary meeting in respect of the rights issue, the issue of bonus shares, the underwriting agreement, if required, and the passing of the special resolutions to amend articles 10, 62 and 142 of the articles of association of iAsia. Bailey Development Limited, Golden Mate Co., Ltd., Best Summit International Limited, Capital Speed Limited, Newtop Limited, Pioneer Asset Investment Limited and their respective associates as defined in the GEM listing rules and parties acting in concert with each of them and any other persons required under the GEM listing rules will abstain from voting at the meeting save for the special resolutions relating to the said amendment of articles;
- d. the GEM listing committee of the Stock Exchange granting or agreeing to grant (subject to allotment and/or despatch of certificates for the rights shares and the bonus shares) listings of and permission to deal in the rights shares, in nil-paid and fully paid forms, and the bonus shares on or prior to the final acceptance date; and
- e. the obligation of Melco acting as the underwriter of the rights issue under the underwriting agreement becoming unconditional in all respects and the underwriting agreement not being terminated in accordance with its terms, including provisions regarding the force majeure referred to below.

Application will be made to the Stock Exchange for the listing of and permission to deal in securities in iAsia.

## **Use of proceeds:**

Gross proceeds of the rights issue are expected to amount to approximately HK\$102,066,428, assuming no options in iAsia are exercised during the period from the date of this announcement to the record date for determining the entitlements under the rights issue. The entire proceeds will be used to finance part of the proposed acquisition by iAsia of the entire issued share capital of CEF Brokerage, CEF Futures and CEF Capital, and so as not to increase the gearing of iAsia.

## **BONUS ISSUE**

The bonus issue of shares in iAsia will be credited as fully paid by way of capitalisation of an appropriate amount (being equal to the aggregate nominal value of the bonus shares issued) from the share premium account of iAsia. The bonus shares will rank pari passu in all respects with the then existing shares in iAsia from the date of their issue.

Based on the 1,020,664,287 rights shares to be issued (assuming that none of the subscription rights attaching to the outstanding options in iAsia (which are exercisable during the period from 10th October, 2001 to 8th July, 2012) are exercisable under the rights issue, 680,442,858 bonus shares will be issued. Assuming that all subscription rights attaching to the outstanding options (which are exercisable during the period from 10th October, 2001 to 8th July, 2012) in iAsia are exercised before the rights issue, a total of 1,138,282,230 rights shares will be issued. The maximum number of bonus shares to be issued will then be 758,854,820.

The issue of the bonus shares is conditional on, inter alia, the approval of the shareholders (other than Bailey Development, Golden Mate, Best Summit, Capital Speed, Newtop, Pioneer Asset Investment and their respective associates and any other persons required under the GEM listing rules) at an extraordinary general meeting of iAsia, and, in particular, for the Articles of Association of iAsia being amended to permit the issue of the bonus shares on the basis proposed.

## **UNDERWRITING AGREEMENT**

### **Underwriting**

Melco will act as the underwriter of the rights issue of iAsia and will receive an underwriting commission of 3.5% of the value of securities underwritten. The directors of Melco believe that the underwriting of the rights issue of iAsia will offer an opportunity for Melco to invest in a business with good prospects at an attractive price. Melco intends to finance its underwriting obligation under the underwriting agreement from its internal resources. Melco is an investment holding company and its subsidiaries are principally engaged in the operation of floating restaurants, property investment, investment in a travel services websites and investments in listed and unlisted companies. The shares of Melco are listed on the main board of the Stock Exchange. Subject to the fulfilment of the conditions contained in the underwriting agreement,

- (i) assuming that none of the subscription rights attaching to the outstanding options (which are exercisable during the period from 10th October, 2001 to 8th July, 2012) in iAsia are exercised prior to the record date:
  - the balance of the rights shares amounting to 1,020,664,287 shares (with entitlement to the bonus shares) will be underwritten by Melco.

- (ii) assuming that all the subscription rights attaching to the outstanding options in iAsia are exercised prior to the record date:
  - the balance of the rights shares amounting to 1,138,282,230 shares (with entitlement to the bonus shares) will be underwritten by Melco.

Melco, acting as the underwriter of the right issue of iAsia, intends to procure independent investors to take up rights shares not taken up by shareholders of iAsia qualifying for the rights issue, failing which Melco will take up such shares itself.

In the event that all the rights shares of iAsia underwritten are taken up by Melco, Melco, its associates and parties acting in concert with it (being Dr. Stanley Ho, Mr. Lawrence Ho, Bailey Development Limited and Golden Mate Co., Ltd.) will be interested in:

- (a) assuming none of the subscription rights attaching to the outstanding options in iAsia are exercised prior to the record date and none of the shareholders in iAsia take up their entitlements under the rights issue:

an aggregate of 1,817,279,931 shares in iAsia representing approximately 76.31% of the enlarged issued share capital of iAsia upon completion of the rights issue and the issue of the bonus shares,

- (b) assuming that all the subscription rights attaching to the outstanding options in iAsia are exercised by their existing holders prior to the record date and none of the shareholders in iAsia take up their entitlements under the rights issue:

an aggregate of 2,022,420,407 shares in iAsia representing approximately 76.15% of the enlarged issued share capital of iAsia upon completion of the rights issue and the issue of the bonus shares,

- (c) assuming that all the subscription rights attaching to the outstanding options in iAsia are exercised by their existing holders prior to the record date and all of the shareholders in iAsia take up their entitlements under the rights issue:

an aggregate of 438,491,742 shares in iAsia representing approximately 16.51% of the enlarged issued share capital of iAsia upon completion of the rights issue and the issue of the bonus shares.

In the event that less than 20% of the issued share capital of iAsia should be held by the public after the rights issue, Melco has undertaken to take steps as soon as practicable following the close of the rights issue to place down the shares in iAsia held so that the public float of iAsia is not less than 20% of the enlarged issued share capital of iAsia.

The directors of Melco believe that the terms of the transaction are fair and reasonable and in the interests of the shareholders as a whole.

Melco and each of CEF Holdings and CEF Brokerage Holdings (which are both vendors in relation to the acquisition) are not parties acting in concert in relation to the control of iAsia. Melco is independent of, and not connected with CEF Holdings and CEF Brokerage Holdings, and vice versa.

### **Termination of the underwriting agreement**

Melco may terminate the underwriting agreement up to 4:00 p.m. on the third business day after the last day for acceptance of provisional allotments in respect of the rights issue if,

- (a) there develops, occurs or comes into force:
  - (i) any new law or government regulation or other occurrence of any nature whatsoever which in the reasonable opinion of Melco will materially and adversely affect the business or financial or trading position or prospect of iAsia or its subsidiaries or any part thereof or the rights issue; or
  - (ii) any event or change (whether or not forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Underwriting Agreement) in local, national, international, financial, political, military, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which in the reasonable opinion of Melco will materially and adversely affect the business or financial or trading position or prospect of iAsia or its subsidiaries or any part thereof or the rights issue; or
  - (iii) any adverse change in the market conditions (including without limitation suspension or material restriction on trading in securities generally) which in the reasonable opinion of Melco materially and prejudicially affects the rights issue and makes it inadvisable or inexpedient to proceed therewith; or
- (b) the imposition by the relevant authorities of any suspension or material restriction on trading of shares of iAsia generally on the Stock Exchange for more than 10 consecutive trading days (save and except for the clearance of the announcements, circulars and/ or other listing documents in relation to the transactions as contemplated under the Sale and Purchase Agreement and/ or the rights issue) or the withdrawal of the listing status of iAsia by such relevant authorities including but not limited to the Stock Exchange; or
- (c) there comes to the notice of Melco any breach by iAsia of any of the representations and warranties contained in the Underwriting Agreement, and, where the breach is capable of remedy, iAsia has failed to remedy the same.



## Conditions of the underwriting agreement

The underwriting agreement is conditional upon:

- a. the signing by or on behalf of the directors of iAsia of not less than six copies of each of the rights issue documents on or prior to the prospectus posting date;
- b. the delivery of one such copy of each of the rights issue documents to Melco and the Stock Exchange on or prior to the prospectus posting date;
- c. the filing with and registration of one copy of each of the rights issue documents (and all documents required to be attached thereto) by the Registrar of Companies in Hong Kong prior to the prospectus posting date in compliance with the Companies Ordinance (Cap. 32 of the Laws of Hong Kong);
- d. the passing by the shareholders of iAsia at the extraordinary general meeting of the special resolutions to amend articles 10, 62 and 142 of the Articles of Association of the iAsia to permit the exclusion of the overseas shareholders of iAsia from subscription of the rights shares, the dealing by iAsia with the fractional entitlements to the rights shares and the issue of the bonus shares to the subscribers of the rights shares respectively in accordance with the GEM listing rules and the Takeovers Code;
- e. approval by the independent shareholders of iAsia at the extraordinary general meeting in respect of the rights issue, the issue of bonus shares and the underwriting agreement, if required, and the transactions contemplated thereunder in accordance with the GEM listing rules and the Takeovers Code. Bailey Development, Golden Mate, Best Summit, Capital Speed, Newtop, Pioneer Asset Investment and their respective associates as defined in the GEM listing rules and parties acting in concert with it and any other persons required under the GEM listing rules will abstain from voting at the meeting;
- f. approval by the independent shareholders of Melco (who are not connected with the directors, chief executives and substantial shareholders of Melco) at an extraordinary meeting of Melco of the entry into and performance of the underwriting agreement and the transactions contemplated thereunder in accordance with the listing rules and the Takeover Code, if required;
- g. the posting of the prospectus to the qualifying holders and the posting of the provisional allotment letters and the excess application forms to the qualifying holders (other than the overseas holders) on the prospectus posting date;
- h. the GEM Listing Committee granting or agreeing to grant (subject to allotment and/or despatch of certificates for the rights shares and the bonus shares) listings of and permission to deal in the rights shares, in nil-paid and fully paid forms, and the bonus shares on or prior to the final acceptance date;
- i. the executive director of the Corporate Finance Division of the Securities and Futures Commission granting the whitewash waiver as described below, if required; and,

- j. completion of the sale and purchase agreement relating to the acquisition of CEF Brokerage, CEF Futures and CEF Capital in accordance with its terms.

Subsequent to a supplemental agreement to the underwriting agreement entered into between Melco and iAsia dated 9th October, 2002, there is no provision in the underwriting agreement permitting the wavier of condition (i) by either party. If the whitewash waiver is granted, Melco will not be required to make a general offer to the shareholders of iAsia under rule 26 of the Takeovers Code as a result of the issue and allotment of the rights shares in iAsia pursuant to the underwriting agreement.

## CHANGES IN THE SHAREHOLDING STRUCTURE OF IASIA ARISING FROM THE RIGHTS ISSUE

Assuming no outstanding options in iAsia are exercised on or before the record date and the shares in iAsia held by its substantial shareholders and other shareholders listed below remain unchanged on the record date, the following table shows the changes in the shareholding structure of iAsia arising from the rights issue:

	Number of shares in iAsia held prior to the rights issue	Shareholding percentage	Number of shares held in iAsia after the rights issue (Note 1)	Shareholding percentage	Number of shares held in iAsia after the rights issue (Note 2)	Shareholding percentage
Bailey Development Limited (Note 3)	73,846,513	10.85%	73,846,513	3.10%	73,846,513	3.10%
Golden Mate Co., Ltd. (Note 4)	42,326,273	6.22%	42,326,273	1.78%	42,326,273	1.78%
Best Summit International Limited (Note 5)	62,997,029	9.26%	62,997,029	2.65%	62,997,029	2.65%
Capital Speed Limited (Note 6)	42,370,251	6.23%	42,370,251	1.78%	42,370,251	1.78%
Newtop Limited (Note 7)	52,809,819	7.76%	52,809,819	2.22%	52,809,819	2.22%
Longson Limited (Note 8)	36,378,847	5.35%	36,378,847	1.53%	36,378,847	1.53%
Pioneer Asset Investment Limited (Note 9)	17,149,195	2.52%	17,149,195	0.72%	17,149,195	0.72%
JAFCO Investments (Note 10)	10,016,508	1.47%	10,016,508	0.42%	10,016,508	0.42%
Mr. Robin Miles (Note 11)	2,563,141	0.38%	2,563,141	0.11%	2,563,141	0.11%
Public Shareholders	339,985,282	49.97%	1,189,948,487	49.97%	339,985,282	14.28%
Shares underwritten by Melco			851,143,940	35.74%	1,701,107,145	71.43%
<b>Total number of shares in iAsia</b>	<b>680,442,858</b>	<b>100.00%</b>	<b>2,381,550,003</b>	<b>100.00%</b>	<b>2,381,550,003</b>	<b>100.00%</b>

*Notes:*

1. On the basis that only the public shareholders of iAsia have taken up their provisional allotments of the rights shares in full.
2. On the basis that (i) none of the shareholders of iAsia has taken up any provisional allotments of the rights shares and (ii) the provisional allotment of the rights shares to all shareholders are taken up by Melco in its capacity as the underwriter.
3. Bailey Development is owned as to 65% by Dr. Stanley Ho, an executive director of iAsia, as to 5% by Dr. Lee Jun Sing, an executive director of iAsia, as to 5% by Ms. Leong On Kei, Angela, a non-executive director of iAsia, as to 15% by the mother of Dr. Lee and as to 5% by the father of Dr. Lee, and the remaining 5% by two independent persons.
4. Golden Mate is wholly beneficially owned by Mr. Lawrence Ho, an executive director of iAsia.
5. Best Summit is wholly beneficially owned by Dr. Lee Jun Sing, an executive director of iAsia.
6. Capital Speed is beneficially owned as to 51% by Mr. Henry Ko, who is the chief executive officer and an executive director of iAsia and 49% to Mr. Gordon Yuen, who is a former director of iAsia and resigned as of 26th July, 2002
7. Newtop is owned as to 50% by Kateman International Limited and as to 50% by Potassium Corporation. Each of Mr. Joseph Fung (an initial management shareholder of iAsia), Mr. Thomas Fung (a non-executive director of iAsia) and Mr. Tony Yeung (an initial management shareholder of iAsia) beneficially owns or has control over 33 1/3% of the issued share capital of Kateman International Limited. The entire issued share capital of Potassium Corporation is beneficially owned by Mr. Peter Cheng (an executive director of iAsia).
8. Longson is wholly beneficially owned by Yu Ming Investments Limited, a company incorporated in Hong Kong with limited liability, whose securities are listed on the main board of the Stock Exchange of Hong Kong Limited.
9. Pioneer Asset Investment is beneficially owned as to 25% by Dr. Lee Jun Sing, an executive director of the Company, and as to 75% by his family members.
10. JAFCO Investments consists of four partnerships, all of which are established in Japan, and is a fund managed by Jafco Company Limited.
11. Mr. Robin Miles was formerly the chief operating officer of iAsia. Mr. Miles resigned on 21st August, 2002.

## **APPLICATION FOR A WHITEWASH WAIVER**

Bailey Development Limited and Golden Mate Co., Ltd. (both of which would be acting in concert with Melco should Melco subscribe shares under the underwriting agreement) hold in aggregate 17.07% of the issued share capital of iAsia. Dr. Lee Jun Sing, a director of iAsia and a director and shareholder in Bailey Development Limited, is interested in a further 11.78% (together with Dr. Lee's family members but excluding the indirect holding of Dr. Lee and his family members through Bailey Development) of the issued share capital of iAsia and is presumed to be acting in concert with Bailey Development and Golden Mate under the

Takeovers Code. Dr. Lee Jun Sing is seeking to rebut this presumption. If none of the shareholders of iAsia take up any provisional allotments of the rights shares and Melco fails to procure other independent parties to take up such rights shares not taken up by shareholders of iAsia, the provisional allotment of the rights shares to all shareholders will be taken up by Melco in its capacity as the underwriter with the result that Melco and parties acting in concert with it would be interested in approximately 76% of the issued shares in iAsia, as enlarged by the issue of rights shares and bonus shares (before taking account Dr. Lee's other interests in the share capital of iAsia). If Dr. Lee's other shareholding interests are taken into account, Melco, Bailey Development, Golden Mate and Dr. Lee will be collectively interested in approximately 79.7% of the issued shares in iAsia, as enlarged by the issue of rights shares and bonus shares.

Melco has applied to the Executive for a waiver under note 1 on dispensation from rule 26 of the Takeovers Code from the obligation to make a general offer for all the securities in iAsia not already owned or agreed to be acquired by Melco and parties acting in concert with it which might otherwise arise as a result of Melco subscribing for the rights shares in iAsia under the terms of underwriting agreement entered into between Melco and iAsia. If the above waiver (known as "whitewash waiver") is granted and subject to approval by the independent shareholders of iAsia, Melco will not be required to make a general offer for all the securities in iAsia not already owned or agreed to be acquired by it and parties acting in concert with it under rule 26 of the Hong Kong Code on Takeovers and Mergers. The underwriting agreement is conditional, amongst other things, upon the granting of the whitewash waiver by the Executive (within the meaning of the Takeovers Code). The whitewash waiver, if granted by the Executive, will be subject to the approval of the independent shareholders of iAsia voting by way of poll at the extraordinary general meeting of iAsia. Bailey Development (which is a company controlled by Dr. Stanley Ho), Golden Mate (which is a company wholly beneficially owned by Mr. Lawrence Ho, the son of Dr. Stanley Ho), Best Summit (which is wholly beneficially owned by Dr. Lee Jun Sing), Capital Speed (which is owned as to 51% by Mr. Henry Ko and 49% by Mr. Gordon Yuen), Newtop (which is indirectly held by Mr. Joseph Fung, Mr. Thomas Fung, Mr. Tony Yeung and Mr. Peter Cheng), Pioneer Asset Investment (which is controlled by Dr. Lee Jun Sing and his family) and parties acting in concert with each of them and any other persons required under the GEM listing rules will abstain from voting on the resolution to be proposed at the extraordinary general meeting to approve the whitewash waiver. Melco and parties acting in concert with it have not dealt in the shares in iAsia during the six-month period prior to the date of the underwriting agreement.

## **ARTICLES AMENDMENT**

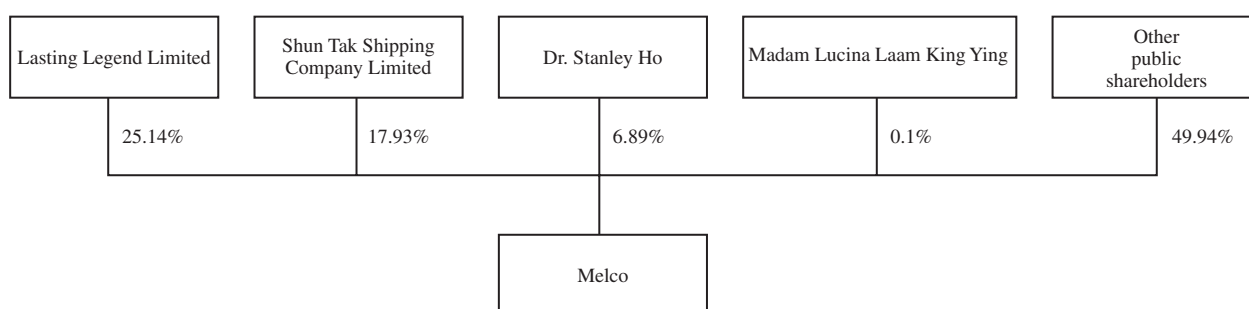
As the bonus shares will only be issued to subscribers of the rights shares in iAsia, it is necessary for iAsia to amend article 142 of its articles of association to allow a distribution to members of iAsia on a non pro-rata basis.

Articles 10 and 62 of the articles of association of iAsia will also be amended to permit the exclusion of the overseas shareholders of iAsia from subscribing of the rights shares and the dealing by iAsia with the fractional entitlements to the rights shares in the manner described in this announcement.

## RELATIONSHIP BETWEEN IASIA AND MELCO

As at the date of the announcement, iAsia has one substantial shareholder, namely Bailey Development, which holds 10.85% of the issued share capital of iAsia. Bailey Development is owned as to 65% by Dr. Stanley Ho, 5% by Dr. Lee Jun Sing, an executive director of iAsia, 5% by Ms. Leong On Kei, Angela, a non-executive director of iAsia, 15% by Mrs. Lee Wong Fun Chong, the mother of Dr. Lee Jun Sing, 5% by Mr. Lee Sing Man, the father of Dr. Lee Jun Sing, and the remaining 5% by two independent persons. Golden Mate is wholly beneficially owned by Mr. Lawrence Ho, son of Dr. Stanley Ho, and holds 6.22% of the issued share capital of iAsia. Other shareholders known to the directors of iAsia are listed out in the section headed “Changes in the shareholding structure of iAsia arising from the rights issue”, and none of these shareholders, other than Bailey Development and Golden Mate are connected with (within the meaning of the listing rules of the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited) Dr. Stanley Ho and Mr. Lawrence Ho. The issued shares in Melco are held as to 25.14% by Lasting Legend Limited, which is wholly beneficially owned by Mr. Lawrence Ho, 17.93% by Shun Tak Shipping Company Limited, a company in which Dr. Stanley Ho holds 27.78% shareholding interest and is a director, 6.89% by Dr. Stanley Ho and 0.1% by Madam Lucina Laam King Ying, mother of Mr. Lawrence Ho. Both Dr. Stanley Ho and Mr. Lawrence Ho are executive directors of iAsia and Melco. As at the date of this announcement, Melco does not hold any shares in iAsia.

The following chart illustrates the current shareholding structure of Melco:



## IMPLICATIONS UNDER THE LISTING RULES FOR IASIA AND MELCO

The assets ratio (within the meaning of the GEM listing rules) as represented by the acquisition exceeds 100% and as the businesses carried on by the companies being acquired by iAsia are different from the current principal activities of iAsia, the acquisition constitutes a very substantial acquisition transaction for iAsia. Further, the acquisition also constitutes a material change in the general character or nature of the business of iAsia under rule 17.25 of the GEM listing rules and therefore independent shareholders will be asked to vote on such change. Accordingly, it requires approval of the shareholders of iAsia in an extraordinary general meeting. The extraordinary general meeting will be convened at which, among other things, ordinary resolutions will be proposed to approve the sale and purchase agreement, the issue and allotment of the rights shares and the bonus shares and the underwriting agreement. Bailey Development (which is a company controlled by Dr. Stanley Ho), Golden Mate (which is a company wholly beneficially owned by Mr. Lawrence Ho, the son of Dr. Stanley Ho), Best Summit (which is wholly beneficially owned by Dr. Lee Jun Sing), Capital Speed (which

is owned as to 51% by Mr. Henry Ko and 49% by Mr. Gordon Yuen), Newtop (which is indirectly held by Mr. Joseph Fung, Mr. Thomas Fung, Mr. Tony Yeung and Mr. Peter Cheng), Pioneer Asset Investment (which is controlled by Dr. Lee Jun Sing and his family) and their respective associates as defined in the GEM listing rules and any other persons required under the GEM listing rules will abstain from voting on the resolutions to approve the rights issue with bonus shares and the acquisition in according with rule 17.25 and chapter 19 of the GEM listing rules. Dr. Stanley Ho, Mr. Lawrence Ho, Dr. Lee Jun Sing, Mr. Henry Ko and Mr. Peter Cheng are executive directors of iAsia. Mr. Thomas Fung is a non-executive director of iAsia.

The underwriting of the rights issue of iAsia by Melco constitutes a connected and possible discloseable transaction for Melco. This connected transaction will be conditional upon the approval of the independent shareholders of Melco at a shareholders' meeting. Lasting Legend Limited, Shun Tak Shipping Company Limited, Dr. Stanley Ho and Madam Lucina Laam King Ying and their respective associates (as defined in the listing rules) will abstain from voting at the meeting.

**The Stock Exchange has stated that, in the event that less than 20% of the issued shares in iAsia are in public hands following completion of the rights issue, it will closely monitor trading in the shares in iAsia. If the Stock Exchange believes that a false market exists or may exist in the shares in iAsia, and that there are insufficient shares in iAsia in public hands to maintain an orderly market, it may then exercise its discretion to suspend dealings in the shares in iAsia immediately.**

#### **ADDITIONAL INFORMATION**

A circular containing further details of the acquisition, the proposed rights issue and whitewash waiver, a letter from the independent board committee of iAsia, and a letter of advice from the independent financial adviser to the independent board committee of iAsia will be posted to all shareholders of iAsia within 21 days of the date of this announcement. An independent committee of the board of iAsia will be formed to give advice to independent shareholders on how they should vote in relation to the acquisition, to the proposed rights issue and the whitewash waiver (by way of poll in respect of the whitewash waiver only). An independent financial adviser will be retained to advise the independent committee of the board of iAsia and an appropriate announcement will be made as soon thereafter as the appointment is made. A notice of extraordinary general meeting of iAsia will be included in the circular.

A circular relating to the proposed rights issue, the underwriting agreement, a letter of opinion from the independent board committee of Melco, and a letter of advice from the independent financial adviser to the independent board committee of Melco will be posted to shareholders of Melco within 21 days of the date of this announcement. An independent committee of the board of Melco will be formed to give advice to independent shareholders on how they should vote in relation to the proposed underwriting of the rights issue of iAsia. An independent financial adviser will be retained to advise the independent board committee of Melco, and a notice of the shareholders' general meeting to be convened to approve the underwriting agreement will be posted to shareholders of Melco.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

Anglo Chinese Corporate Finance, Limited is advising iAsia on the proposed rights issue and this very substantial acquisition transaction.

At the request of the directors of iAsia and Melco, trading in the respective shares in iAsia and Melco were suspended with effect from 9:37 a.m. and 9:44 a.m. on 30th September, 2002 respectively pending the release of this announcement. iAsia and Melco have applied to the Stock Exchange for the resumption of trading in the respective shares with effect from 9:30 a.m. on 15 October, 2002.

**Shareholders and potential investors of iAsia and Melco are reminded that the sale and purchase agreement, the proposed rights issue, the underwriting of the rights issue and the bonus issue are conditional on fulfilment of certain conditions and may or may not proceed. Shareholders and potential investors of iAsia and Melco are advised to exercise caution when dealing in the shares in iAsia and Melco.**

By order of the board of  
**iAsia Technology Limited**  
**Henry Ko**  
*Executive Director*

By order of the board of  
**Melco International Development Limited**  
**Lawrence Ho**  
*Executive Director*

Hong Kong, 12 October, 2002

*All the directors of iAsia jointly and severally accept full responsibility for the accuracy of the information (other than relating to Melco) contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, opinions (other than relating to Melco) expressed in this announcement have been arrived at after due and careful consideration and there are no other facts (other than relating to Melco) not contained in this announcement the omission of which would make any statement in this announcement misleading.*

*All the directors of Melco jointly and severally accept full responsibility for the accuracy of the information (other than relating to iAsia, the acquisition, the right issue and the bonus issue) contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, opinions (other than relating to iAsia, the acquisition, the right issue and the bonus issue) expressed in this announcement have been arrived at after due and careful consideration and there are no other facts (other than relating to iAsia, the acquisition, the right issue and the bonus issue) not contained in this announcement the omission of which would make any statement in this announcement misleading.*

Please also refer to the published version of this announcement in The Standard.