

Listing Decisions Series 6-1 - Rules 14.06 and 14.09 - Change in control as a result of an acquisition does not necessarily render the transaction a very substantial acquisition (September 1999) (Withdrawn in September 2009)

[This Listing Decision is no longer applicable after the rule amendments in March 2004 to change the definition of "very substantial acquisition" in Chapter 14 of Main Board Rules.]

Summary	
Name of Parties	Company A – a listed company Company B – the controlling shareholder of Company A Company C – a listed company and the ultimate controlling shareholder of Company D Company D – a non-wholly owned subsidiary of Company C
Subject	Change in control as a result of an acquisition does not necessarily render the transaction a very substantial acquisition
Listing Rules	Rules 14.06 and 14.09
Decision	Transaction merely constituted a major transaction

Summary of Facts

Company A proposed to acquire from Company D, an independent third party, the assets and business relating to interactive multimedia communication services owned and carried on by Company D. Given Company D was the subsidiary of Company C, the assets and business concerned comprised listed assets.

Company A would settle the consideration for the acquisition by issuing new shares and a convertible note.

The consideration shares represented about 80% of the then existing issued share capital of Company A and about 31% of the issued share capital of Company A as enlarged by the transaction (disregarding the shares to be issued upon conversion of the convertible note).

Upon completion of the transaction, Company C, through its interest in Company D, would be interested in about 31% of the enlarged issued share capital of Company A. At the same time, Company B's interest in Company A would be diluted from about 67% to about 26%. Therefore, Company C would become the single largest shareholder of Company A. In addition, the majority of the board of Company A would comprise persons appointed by Company C.

Analysis

The relevant percentage yielded under the "four tests" was more than 50% but less than 100%.

Although the transaction would result in a change in control of Company A, the business to be acquired under the transaction comprised "listed assets", being assets owned by Company C prior to the transaction.

Accordingly, pursuant to Rule 14.06, the transaction was not a very substantial acquisition for Company A.

Decision

Pursuant to Rule 14.09, the transaction constituted a major transaction for Company A.