

**iASIA TECHNOLOGY LTD :
STANLEY HO MAY RUN THE SHOW,
BUT BEWARE OF THE SLIP THAT CAN SINK THIS SHIP**

With one Lead Manager, 4 Co-Lead Managers, 6 Co-Managers, 9 Placing Underwriters and 7 Public Offer Underwriters, one has to ask: Is somebody concerned about the success of the take-up levels for one of the latest candidates of The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd?

The number of entities, publicly engaged in trying to get off the 90-million Placing and Public Share Offer, is, without question, something of a record.

The company, which filed its Prospectus, just last Friday, is iAsia Technology Ltd, to be designated Code 8101, The GEM.

It is, indeed, rare for a company, controlled by a person of such standing as Mr Stanley Ho Hung Sun – Mr Stanley Ho, being the gambling kingpin of Asia, who is said to be worth squillions and squillions of US dollars – would require such a bevy of people/entities, just to raise a seemingly measly \$HK63 million, gross.

Yet, that is the case.

iAsia Technology is trying to Place 81 million, 10-cent shares at a Premium of 60 cents per share; and, it is offering another tranche of 9 million shares on the same basis.

The Company describes itself as being '*principally engaged in the provision of comprehensive real time online trading solutions to brokers and other financial institutions in the Pan-Asian* region ... The Group aims to provide a total end-to-end solution with straight through processing of orders, taking care of both the front end execution and the back office settlement sides ...*'. (Page One, the Prospectus)

(* Pan-Asia relates to the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the Macao Special Administrative Region of the PRC, Taiwan, Singapore, Thailand, Malaysia, South Korea, Japan, the Philippines, Indonesia and the PRC, proper)

iAsia Technology has only been in business since September 1999, having been founded '*by a consortium of shareholders including Dr. Ho*, Mr. Cheng*, Dr. Lee*, Mr. Ko*, and Mr. Yuen* (all of whom being executive Directors), Yu Ming* and Mr. Robin Miles, a member of the senior management of the Group.*' (Page 55)

* Stanley Ho Hung Sun	* Dr Lee Jun Sing	* Henry Ko Chung Fung
* Peter Cheng Kar Shing	* Gordon Yuen Tien Yau	
* Yu Ming Investments Ltd, Code: 666, Main Board, The Stock Exchange of Hongkong Ltd		

iAsia Technology has no trading record on which to hang its hat, although some figures are given at Page 140 of the Prospectus:

	Company Period from September 24, 1999 to September 30, 2000	Group Four Months to January 31, 2001

	All Figures are Denominated in \$HK'000	
Turnover	4,146	148
Other Revenue	195	174
Changes in Work-In-Progress	351	(20)
Work Performed by the Group and Capitalised under Fixed Assets	2,343	1,284
Staff Costs	(11,161)	(6,787)
Depreciation	(980)	(1,301)
Other Operating Expenses	(5,427)	(2,166)
Loss from Operations	(10,533)	(8,668)
Finance Costs	(29)	(17)
Loss for the Period	(10,562)	(8,685)

From the above, one could speculate that, for the Current Financial Year, to September 30, 2001, this Company is looking at the probability of a loss of at least \$HK25 million, rising to about \$HK35 million (staff/Management costs and Operating Expenses, only).

iAsia Technology estimates that, at the end of the day, it will have about \$HK50 million left from this cash-raising exercise, after all expenses have been paid.

It intends to apply the money, according to Page 96 of the Prospectus, as follows:

1. \$HK12 million *'for infrastructure development of the Group's trading services bureau and cross border connections to a Pan-Asian network of local stock brokers in offshore markets and exchanges'*;
2. \$HK9 million *'for research and development of software localisation and customisation, product and content development as well as other trading platform functionalities to suit the Group's target market needs ...'*;
3. \$HK14 million *'for setting up joint ventures with the Group's proposed or existing strategic partners in the Group's target markets ...'*; and,
4. \$HK15 million *'as general working capital of the Group.'*

If TARGET's prognostications, as far as the losses for the Current Year are anywhere near the mark, it must mean that this Company will be calling for more cash in the near future.

This should raise no problem for iAsia Technology since it is well known that Mr Stanley Ho has more money than The Vatican.

In this regard, it is noted that Mr Stanley Ho owns 16.41 percent of the Issued and Fully Paid-Up Share Capital of the Company while his son, Mr Lawrence Ho Yau Lung, owns another 9.41 percent of the Share Capital.

It would not take too much of a leap of imagination to come to the conclusion that this Company could not expect to pass any Resolutions at an Extraordinary General Meeting without the full agreement of Mr Stanley Ho and Son since, in aggregate, they are the largest single shareholder.

Litigation

While it is clear, according to Page 114 of the Prospectus, that iAsia Technology has little in the way of indebtedness (about \$HK718,000 as at January 31, 2001), the Company is facing some potentially stiff litigation.

This is given in the Prospectus on the same page as the indebtedness statement, as follows:

'One of the Company's third party suppliers ("Supplier") charged the Company a sum of approximately HK\$8,395,000 in respect of work performed by the Supplier of which approximately HK\$2,635,000 has been paid. As at 31st January, 2001, the Company has not provided for the outstanding service fee of approximately £489,000 (approximately HK\$5,760,000) which is currently in dispute with the Supplier. On the basis of the Company's own assessment of the services rendered by the supplier and professional legal advice, the directors of the Company are of the opinion that such charges are unreasonable and not justifiable under the agreement with the Supplier and intend to challenge the charges on the above grounds. Consequently no provision has been made by the Group as at 31st January, 2001. A threatened claim was made by the Supplier against the Company on 30th November, 2000 for the unpaid invoices for the work done between April and September 2000.

'On 11th January, 2001, legal proceedings were initiated by Lane Ventures Limited ("Claimant") alleging that the Company had promised to pay a monthly remuneration to the Claimant, to reimburse the Claimant's related travelling expenses and to grant certain options to the Claimant to purchase shares in the Company in consideration of the Claimant rendering its consultancy services to the Company. In the said proceedings, the Claimant is, among other things, claiming from the Company an amount of approximately HK\$473,000 and an order that the Company grant the options as mentioned above to the Claimant. A defence has been filed by the Company. On the basis of the information available to date, the Directors of the Company are of the view that no agreement exists between the Claimant and the Company. On the basis of the legal advice received, the Company has a reasonable chance to defend itself against the allegation successfully. Consequently no provision has been made by the Group as at 31st January, 2001.'

In respect of the first, above-mentioned dispute, in the amount of \$HK5.76 million, Page 28 of the Prospectus, under the general heading, Risk Factors, it is stated that the Promoters of the Company have, jointly and severally, indemnified iAsia Technology *'should such damages and legal costs materialise.'*

Conclusion: This Company is facing an uphill battle since competition in its chosen field is fierce – and is likely to hot up in the near future.

The Adjusted Net Tangible Assets stood at about \$HK75.50 million (assuming that the Offer Price is, in fact, 70 cents per share), equal to about 17 cents per share.

The Company entered into an agreement on February 12, 2001 with iVentures Incorporated of the Philippines, a joint venture, in which iAsia Technology holds a 70-percent stake, whereby that company would engage in software research and development. This stake will cost iAsia Technology about \$HK2.78 million.

It would be impudent and a sin of gross pride on the part of Management of iAsia Technology to think that it could compete against the giants of the computer software industry, giants of the likes of Microsoft Corporation.

Even with Mr Stanley Ho's squillions of US dollars, he is not known to be a philanthropist in the world of hard-nosed business where only the strong can survive.

One definitive aspect of this Company is that, for the foreseeable future, prospective shareholders may sleep soundly in their beds in the certain knowledge that there shall be no proposal for a dividend.

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to editor@targetnewspapers.com or targnews@hkstar.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.