



ASIC

Australian Securities &
Investments Commission

ASIC TAKES ACTION OVER CXA COMMUNICATIONS DISCLOSURE

The Australian Securities and Investments Commission (ASIC) today stated that it had issued CXA Communications Ltd (CXA) with a letter of comments for provision to CXA shareholders with CXA's Notice of Meeting to be held on 30 November.

CXA, a listed company, is an independent mobile telephone retail dealer. It also retails paging software and hardware and messaging technology.

At its forthcoming meeting, CXA will be asking shareholders to approve two transactions: first, a reverse takeover of CXA by Mobiletronics Pty Ltd and secondly the sale of CXA subsidiary Xacom Pty Ltd to KMN Limited.

KMN will raise capital from CXA's current shareholders but will remain unlisted at least for a 12 month period.

CXA's independent expert, Deloitte Corporate Finance Pty Limited, has concluded that both transactions are fair and reasonable.

Where directors have an interest in a proposed transaction that is subject to shareholder approval, ASIC must be provided with the Notice of Meeting and explanatory material prior to its dispatch to shareholders.

In this case, ASIC raised a number of queries about the disclosure to be made to shareholders. Although CXA made many changes to the documents, ASIC remained of the view that the material for shareholders did not adequately address the prospects of Xacom's Internet Messaging Gateway, a means of sending messages via the internet to any mobile phone, fax machine, e-mail address or pager.

Xacom announced a year ago that it had completed the development of the Internet Messaging Gateway. Much of Xacom's forecast increased sales revenue is expected to be derived from this product.

CXA considered that its material for shareholders had made adequate disclosure in relation to this.

Victorian Regional Commissioner, Sue Carter, said that this was the first time that ASIC has exercised its power under the Corporations Law to issue a letter of comments to go to shareholders in connection with a Notice of Meeting.

"ASIC regularly raises disclosure issues with companies where shareholder approval is sought for related party transactions", Ms Carter said.

"Usually companies will amend their disclosure so as to address ASIC's concerns, but occasionally this does not occur. In previous instances, this has resulted in the company deciding not to proceed with the proposed transaction.

"In this case, ASIC has issued a letter of comments which will accompany CXA's disclosure material."

MEDIA RELEASE

ASIC, in line with its responsibilities as the corporate regulator, expressed no view as to whether the proposed Xacom transaction is in CXA's shareholders' best interests.

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