

**abc MULTIACTIVE LTD :
IS ANYBODY WILLING TO BUY A 6-CENT SHARE FOR \$HK1.20 ?**

Management of newly listed abc Multiactive Ltd (Code: 8131, The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd) has, clearly, discovered the secret of obtaining and keeping what must be expert staff – and at about the cheapest rates in the world, today.

abc Multiactive, according to its Placing Prospectus, dated January 22, 2001, employs a total of 135, full-time staff members, of which number, 27 staff members are located in Australia, 17 staff members are located in Singapore, with the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), employing 92 full-time employees. (Page 94)

At Page 136 of the Placing Prospectus, it is stated in the Accountants' Report that, for the 8 months to July 31, 2000, abc Multiactive paid out about \$HK13.65 million in basic salaries and allowances to the 135 staff members, with another \$HK384,000, being paid out in what is described as '*Retirement Costs*'.

By simple arithmetic, therefore, annualising the figures, as contained in the Company's Prospectus – which is supposed to be a hand-on-the-heart declaration, by definition – the average cost to the Company per employee must be not more than \$HK151,656 per annum, or about \$HK12,638 per employee per month.

TARGET trusts the Company's figures, explicitly, and, as such, it seems incumbent on Management to share its secret of labour success with all the other software companies, and would-be software companies, which are having a great deal of trouble in obtaining computer staff with any kind of reasonable experience at less than \$HK30,000 per month.

Even for the lowest-paid employees in the HKSAR, one would have a great deal of difficulty in obtaining their services for less than \$HK8,000 per month.

And that would apply to cleaning staff, too.

Notwithstanding this minor point, abc Multiactive appears to have developed a number of computer software packages, by the Company's own admission, which are not at all dissimilar to a number of other pieces of computer software, which have been on the market for quite a number of years.

The software, which this Company is selling in the marketplace, is intended for the conduct of business over the Internet, management of information, and for HKSAR stockbrokers to conduct business with customers as well as manage their offices.

All of the above software packages are very similar, in terms of their functions, to that which has been on the market for some years.

abc Multiactive is a spin-off of Multiactive Software Incorporated, a company, which is listed on The Toronto Stock Exchange and which, presently, owns about 56.38 percent of the Issued and Fully Paid-Up Share Capital of abc Multiactive.

abc Multiactive Placed 41,876,000 New Shares at an Issue Price of \$HK1.20 per share, raising an estimated \$HK40 million from the HKSAR market.

This money is earmarked to be used as to:

1. \$HK10 million *'for expenditure in relation to technology investments, research and development of new products'* to cover such costs through to March 31, 2002;
2. \$HK5 million *'for regional promotion, advertising and marketing activities'* to cover such costs through to May 31, 2002;
3. \$HK10 million *'for expansion of sales infrastructure'* to cover such costs through to May 31, 2002;
4. \$HK10 million *'for strategic acquisitions and investments'* to cover such costs through to May 31, 2002; and,
5. \$HK5 million *'for working capital purposes.'*

The Company's Canadian *'parent'*, Multiactive Software Incorporated, can trace its history back to 1995 when it engaged in the development and distribution of computer software in North America, Europe and Brazil (Page 57), but, over the past few years, it would appear that things have not gone, altogether, its way.

Over the past 32 months, abc Multiactive Ltd has suffered an aggregate Attributable Loss to its shareholders of about \$HK28.37 million.

And the last Financial Year's financial results, ended November 30, 2000, topped all the historical losses by a very wide margin, since it was the worst Year on record.

The following table of losses is taken from the Accountants' Report at Page 135 of the Placing Prospectus:

	All Figures are Denominated in \$HK'000		
	1998 – Financial Year ended November 30	1999 – Financial Year ended November 30	Eight Months to July 31, 2000
Turnover	8,388	15,210	11,141
Cost of Sales	(44)	(1,599)	(2,712)
Gross Profit	8,344	13,611	8,429
Other Revenue	3,039	323	849
Software Research and Development Expenses	(2,453)	Nil	(2,653)
Royalty Expenses	(3,133)	(4,598)	(1,960)
Selling and Marketing Expenses	(4,861)	(6,346)	(7,210)
Amortisation of Goodwill	Nil	Nil	(5,075)
Administrative Expenses	(5,925)	(5,244)	(13,272)
Operating Loss before Finance Costs	(4,989)	(2,254)	(20,892)
Finance Costs	(69)	(60)	(104)
Loss for the Year/Period	(5,058)	(2,314)	(20,966)

The very substantial increase in Administrative Expenses, rising from the 1999 figure of \$HK5.24 million to the 8-months' figure of about \$HK13.27 million, must have been responsible for the record losses for the first 8 months of the 2000 Financial Year – and the considerably higher cost of employing the 135-odd employees must have done the dirty, as the saying goes.

A breakdown of the Turnover for the 32 months' track record indicates that 100 percent of it, in the 1998 Financial Year, was brought about by the sales of computer software. But such sales fell to 96 percent in the 1999 Year, and fell further to about 78 percent in the 8 months to July 31, 2000.

In short, it would not be unfair to say that computer software sales, of late, have not been the greatest.

Interest expenses and emoluments to Directors did not, it appears, play a very significant part in the finances of this Company, during the 32-month, track-record period.

This Company appeared to be flush with cash, as at July 31, 2000, with cash and balances of about \$HK30.88 million, while the amount of money, that was owed to banks, on the Current Account, being just \$HK357,000, as at that date.

But looks can be deceiving, as TARGET discovered on careful reading of the Prospectus.

The reason for this strong financial situation was that abc Multiactive owed its Ultimate Holding Company about \$HK19.34 million, that money being owed in respect of a Promissory Note(s), plus an unsecured, interest-free debt of about \$HK1.57 million.

The money, advanced by the Ultimate Holding Company by way of the Promissory Note(s) was capitalised in full on the issue of 38,836,000 shares in the Issued and Fully Paid-Up Share Capital of abc Multiactive on January 22, 2001.

As for the total indebtedness of abc Multiactive, as at November 30, 2000, it stood at \$HK33,907,000.

It comprised:

- | | |
|--------------------|---|
| 1. \$HK774,000 | Finance lease |
| 2. \$HK7,642,000 | Owed to the Ultimate Holding Company |
| 3. \$HK18,291,000 | Owed to the Ultimate Holding Company by way of a Promissory Note |
| 4. \$HK7,200,000 * | Owed to Success Wealth Ltd, a company which is a wholly owned subsidiary of publicly listed Hanny Holdings Ltd (Code: 275, The Main Board of The Stock Exchange of Hongkong Ltd). |

* This loan was payable in full within 14 days after the flotation of abc Multiactive Ltd.

The Principal Shareholders

abc Multiactive has, on its Board of Executive Directors, the following players:

Mr Terence Hui Chi Yan*	Chairman
Mr Anthony Au Wai Hung	Managing Director
Mr Joseph Hui Chi Ho*	Executive Director

* Mr Joseph Hui is the brother of the Chairman, Mr Terence Hui
The lone Non-Executive Director of this Company is the 67-year-old, Mr Hui Kau Mo, who is the father of Messrs Terrence Hui and Joseph Hui ... [CLICK TO ORDER FULL ARTICLE](#)

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