

**Q9 TECHNOLOGY HOLDINGS LTD :
THIS IS A 2-HORSE SHOW**

With just 6 years of life, one would have expected more from a company, which claims to have a unique product, capable of *'inputting characters of different (Asia) languages and other data and operating the functions and features of small and medium sized electronic appliances, such as mobile telephones and PDAs (Personal Digital Assistant).'*' (Page One of the Prospectus of Q9 Technology Holdings Ltd)

But it appears that Q9 Technology Holdings Ltd, the latest company to seek a listing on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, has not done very well since it was founded, that is, in terms of making money for its shareholders.

And so, it is tapping The GEM for about \$HK112.50 million, gross, by Placing 250 million, one-cent shares at a Premium of 44 cents per share.

Designated Stock Code 8129, Q9 Technology is 32 percent owned by Asia Orient Holdings Ltd (Code: 214, Main Board, The Stock Exchange of Hongkong Ltd) and 24 percent owned by Culturecom Holdings Ltd (Code: 343, Main Board, The Stock Exchange of Hongkong Ltd). (Page 109)

Since Q9 Technology was founded in 1995, it has lost money, but the Company has managed to keep creditors from knocking down its doors by accepting financial handouts from its Principal Shareholders.

As at December 31, 2000, it owed about \$HK24.61 million to Signal Technology Ltd, that not inconsiderable sum of money, being unsecured and interest-free. (Page 157)

The Total Indebtedness of the Company, as at February 28, 2001, was said to be about \$HK25.61 million, all of which is the money, owed to Signal Technology Ltd and a related company. (Page 122)

For the last Financial Year, ended December 31, 2000, this Company enjoyed losses of about \$HK19 million.

The following, 3-Year track record is lifted from the Prospectus at Page 152:

	Financial Year ended December 31		
	1998	1999	2000
	<i>All Figures are Denominated in \$HK'000</i>		
Turnover	5,711	9,055	6,699
Cost of Sales	(1,370)	(2,776)	(1,122)
Gross Profit	4,341	6,279	5,577
Other Revenues	Nil	157	244
Selling and Distribution Expenses	(1,363)	(3,126)	(9,135)
Research and Development Expenses	(104)	(1,276)	(6,617)
General and Administrative Expenses	(1,774)	(3,024)	(9,024)
Profit/(Loss) from Operations	1,100	(990)	(18,955)
Financing Costs	Nil	(25)	(79)
Profit/(Loss) before Taxation	1,100	(1,015)	(19,034)
Taxation	(73)	Nil	Nil
Profit/(Loss) Attributable to Shareholders	1,027	(1,015)	(19,034)

The single, largest expense in the 2000 Financial Year was that of staff costs, which rose from the 1999 figure of about \$HK1.90 million to the 2000 figure of about \$HK8.83 million.

The rapid increase in staff costs came on the back of falling sales, which collapsed about 26 percent, Year-on-Year.

Had it not been for the considerable, interest-free loans, afforded to the Company by the Principal Shareholder, the losses for the 2000 Financial Year would have been at least \$HK2 million higher, coming close to \$HK22 million, TARGET calculates.

As at December 31, 2000, the company was sporting Net Liabilities of about \$HK22.13 million.

For the first 2 months of the 2001 Financial Year, the Company had dropped another \$HK2.44 million, according to Page 123 of the Prospectus.

Annualising that figure would make one suppose that the Current Year will see Management strike a record – for losses, which must approach \$HK24 million at the current rate of spending.

The Adjusted Net Tangible Assets of Q9 Technology, as at December 31, 2000, including the losses of the first 2 months of the Current Financial Year, were said to be about \$HK70.78 million.

That calculation included the estimated net proceeds of the 250-million, Placed Shares, appraised at about \$HK92.50 million.

The Float and Its Value to Principal Shareholders

The estimated net proceeds of this cash-raising exercise is calculated to be about \$HK92.50 million.

The money is to be used, the Prospectus states, for the following purposes:

1. \$HK22.10 million for research and development;
2. \$HK23.30 million for marketing and promotion;
3. \$HK13.30 million for the establishment of 6 distribution centres;
4. \$HK26 million to repay loans to shareholders; and,
5. \$HK7.80 million to be used as General Working Capital.

The largest, single chunk of the money, raised in this flotation, will be used to repay shareholders loans, it is noted.

So, they are off the hook.

Q9 Technology has just 2 products, as at today's date: Its Q9 CIS and its QCode.

On the basis of these products, it hopes to make a mark for itself in the world of high technology.

These products are embedded software packages, permitting the input of characters, such as Chinese radicals, via keypads, into electronic devices, such as PDA's and mobile telephones.

The software, employing a matrix system, is suitable for other Asian languages, the Prospectus suggests.

That being the case, TARGET wonders whether or not Japan, Korea, and Thailand, just to mention 3 Asian countries, already have similar system(s) of inputting their languages into devices, such as mobile telephones, PDAs and the like.

Competition, one would assume, must be fierce.

Conclusion: It will be interesting to see just how long this Company can last, without tapping the market for more money.

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