

**MRC HOLDINGS LTD :
A NEW RECORD FOR SMALLNESS IS SET**

Well, this is a record-setting IPO – Initial Public Offering: A company is going public in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) in order to raise \$HK10 million, net of all expenses.

The company is MRC Holdings Ltd, the latest entity to list on The (speculative) Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd. It will be designated Stock Code 8070.

MRC is Placing 36 million, one-cent shares at a Premium of 38 cents per share, gathering in \$HK14 million before expenses, coming down to \$HK10 million at the end of the day.

MRC describes itself in the following manner:

'The Group is a HRM (Human Resource Management) solution provider engaged principally in the development and sale of HRM system in Hong Kong and the PRC. The Group's HRM system has been promoted under its brandname "MRC" for around 10 years. The MRC HRM system is modularly designed, which assists organisations across a vast range of industries, such as banking and finance, information technology, professional and technical, trading and manufacturing and transportation and hospitality, to increase organisational efficiency and to manage and administer their workforces more effectively and strategically ... The Directors consider that the Group is a leading developer and vendor of HRM system and services in Hong Kong ...'.

In view of the fact that MRC has a history of 'around 10 years', and in view of the fact that this Company claims to be 'a leading developer and vendor of HRM system and services in Hong Kong', one would have thought that it should have done better than its track record indicates:

	Financial Year ended June 30		Seven Months to January 31
	1999	2000	2001
	All Figures are Denominated in \$HK'000		
Turnover	5,095	5,069	5,114
Cost of Sales	(1,490)	(883)	(455)
Gross Profit	3,605	4,186	4,659
Other Revenues	7	36	16
Distribution Costs	(169)	(156)	(241)
Administrative Expenses	(1,775)	(2,206)	(1,318)
Other Operating Expenses	(1,600)	(1,401)	(1,045)
Operating Profit	68	459	2,071
Loss on Disposal of Fixed Assets	Nil	(219)	Nil
Financing Costs	(2)	(1)	(1)
Profit Before Taxation	66	239	2,070
Taxation	(14)	(40)	(312)
Net Profit	52	199	1,758

Page 72 of the Placing Prospectus explains that the reason for the Company's sudden expansion of profits in the 7 months to January 31, 2001, 'was mainly attributable to the implementation of the MPF Ordinance (Chapter 485, The Mandatory Provident Fund Schemes Ordinance) in December 2000.'

For the Financial Year, ending June 30, 2001, MRC is forecasting a Net Profit Attributable to Shareholders of not less than \$HK3 million.

On the basis of this forecast, record Net Profit (TARGET's assumption), then the shares, being Placed, are selling at a Prospective Price-Earning Multiple of about 47 ... [CLICK TO ORDER FULL ARTICLE](#)

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