

# **AKN Messaging Great Calling**

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THESE days seeing a person frantically punching on a keypad of a mobile phone, sending or receiving short messages via SMS (short messaging service), is quite common. The relatively low cost of using SMS and the speed at which the message can be conveyed make it an appealing alternative to making calls.

Lim says the company went through some real tough times before it turned around. Another interesting development in the mobile phone industry is the many ringing tones available, alerting one to a call. Tones like the theme song from Jack Lord's Hawaii Five O, and Peter Graves' Mission Impossible, the latest songs from the current music charts, are all but a few of the many options available to the mobile phone user.

This new fad is indeed a big business, so much so that one such service provider was listed on the Malaysian Exchange of Securities Dealing and Automated Quotation (Mesdaq) in January this year.

AKN Messaging Technologies Bhd (AKN MTECH) has come a long way as a service provider within the telecommunication sector. Starting out in 1999, with eBuzz, which among others enables one to send messages to phones with different operators, for example, from a DiGi number to a Maxis number and so on.

Today, the future looks bright. After breaking into the Hong Kong market via a tie-up with Messaging Technologies (HK) Ltd. AKN MTECH plans to venture into China, Thailand and Indonesia, and the company is being sought after by companies in both India and Saudi Arabia for potential tie-ups.



Managing director of the company Lim Seng Boon in an interview with BizWeek says that the company has progressed, changed with the developments in the industry, to become a product developer.

Lim Says the company went through some real tough times before it turned around.

The company, he says, is a developer of content and application for mobile messaging solutions, developing ring tones, logos, picture messages, games, quizzes, alerts and entertainment content which are distributed by the local telecommunication companies (telcos) ?V a tie up which Lim aptly refers to as a smart partnership.

Currently we have signed up with all five major telco's, making them our customers.

We started with a tie-up with Telekom Malaysia Bhd's TM Touch in August 2001, Celcom (Malaysia)

Bhd in November the same year, and DiGi and Maxis Communications Bhd in July and August the following year respectively. We have also tied-up, more recently though, with TimeCel Sdn Bhd, but we have yet to commence the services," he says.

"Our market is large. Unofficially there are some 8.58 million mobile phone subscribers in Malaysia, till the last count in September last year. The numbers are expected to move up some 18 per cent this year and an additional 12 per cent in 2004. As for SMS world wide, there were around 30 billion SMS transactions a month at end 2001. A huge increase from only four billion in January 2000," he says.

Locally, SMS usage is also on the rise. Maxis recorded an average of 105 million messages per month for the first nine months of 2002, in contrast to some 26 million messages for the same period in 2001.

Analysts reported that the penetration rate of mobile phone users is set to increase to about 50.1 per cent by 2005, from 37.9 per cent at end 2002, and 12.9 per cent in 1999. This further strengthens Lim's claim of confidence in his growing business.

"We got into SMS quite early, when a lot of people did not really believe in it, opting for other such means like WAP (wireless application protocol) and the like. Even now we don't see SMS being phased out, but merely being complemented by newer technology, like Blue Tooth etc," he says.

Lim says that he and his team believed in the potential of SMS as a communication tool from the start, even when there were doubts as to how long the trend of using SMS would last.

"We went through some real tough times before we actually turned the company around. The growth came about after we signed on the telcos, our smart partnerships, offering our variety of services. We expect the telco tie-ups to bear fruits, to start contributing to our earnings in the calendar year 2003. The mobile phone users are indirectly our customers," Lim adds.

A local bank backed-research house forecasted AKN MTECH's turnover and net profit to reach RM13.6 million and RM5.9 million respectively for the financial year ending June 2003 in line with the company's growth in signing on both Maxis and DiGi.Com Bhd in the second half of last year. For the financial year ended June 30, 2002, AKN MTECH made a net profit of RM600,000 on the back of a RM4.2 million turnover.

The content and application arm of the company's the businesses with the telcos ?V contributes some 80 per cent to the company's revenue at present, but Lim expects an increase from AKN MTECH's enabling business arm within the next two years, increasing from the current 20 per cent to 40 per cent.

The enabling arm of AKN MTECH involves the provision of a service, enabling the user to communicate with a host of people. For example, the company's tie-up with securities companies like OSK Securities Bhd and Hwang DBS Securities to enable the securities companies to inform their clients of the latest happenings in the stock market.

AKN MTECH currently also has tie-ups with several large organisations like Commerce International Merchant Bankers, OSK Securities, Public Mutual, Prudential Insurance, Sony, Hong Leong Assurance and Genting, to name a few.

"Our next step is to provide service with banks to, among other things, enable a user to find out if a cheque has been cleared or the balance in the account. We are in fact currently talking to a few banks to start such services," he adds.

Lim adds that the next step is to enable the users like OSK Securities' customers to reply via SMS, which involves a two-way communication, which is enabled by an intelligent messaging platform. This, Lim adds, will be more popular with large businesses, because this will incur costs when individuals request such services from financial institutions or stockbroking houses.

"As technology grows, we have to grow as well, we cannot remain stagnant. We have to keep pace of what the customers want. We have to date spent in the region of RM10 million, to keep abreast of developments ?V some RM6 million on fixed assets, such as servers and the rest (RM4 million) broken up between research and development and the day-to-day running of the business." Lim notes.

Although the start-up capital required is not very high, Lim does not foresee threats from new companies providing similar services.

"Our strong points are our credibility and our ability to deliver good products. It will take time for a player to actually develop such good products and to tie-up with the telcos. A company can, maybe, sell a single product to a telco, but it is difficult to get the entire industry to sign on. It will definitely take time, and in this business time is everything. We also have the advantage of having a head start," he points out.

The company for its second financial quarter ended Dec 31, 2002 made a net profit of RM1.15 million on the back of a RM3.50 million turnover. For the cumulative period, the company registered a net profit of RM1.82 million from a RM5.77 million turnover.

On its debut on the exchange on Jan 27 this year, the stock hit its high of 53.5 sen and low at its initial public offering price of 45 sen. AKN MTECH closed at 50 on Thursday.

The major shareholders of AKN MTECH are AKN Technology Bhd, with a 30 per cent stake, Lim holding a 14.6 per cent stake and Ooi Boon Leong 14.1 per cent.