

IPO FACT SHEET
Contel Technology Company Limited (1912)
ISSUE STATISTICS

Offer Size:	HK\$126m – HK\$136m
Placement Tranche:	200m
Price:	HK\$0.63 - HK\$0.68
Board lot:	5,000
Entry fee:	HK\$3,434.26
Historical PE	24.9x – 26.9x
Net tangible asset per share:	HK\$0.25 – HK\$0.26
Market Cap (post-IPO):	HK\$504m - HK\$544m
Open:	29 June 2019
Close:	12.00 noon on 9 July 2019
Trading:	16 Jul 2019
Sponsor:	Alliance Capital Partners Limited

Year ended 31 Dec	(US\$'000)	yoy % chg
Revenue		
2017	53,806	47.9%
2018	67,279	25.0%
(Loss)/profit for the year		
2017	2,523	122.7%
2018	2,611	3.5%

BACKGROUND

- The Group primarily engage in sourcing and sale of IC products and the provisions of IC application solutions and value-added services to suit the needs of their customers.
- They provide design and application solution services to most of their customers along with the sales of IC products to them.
- Their business focuses on fast-growing and emerging market categories, with an emphasis on providing environmentally-friendly and energy-saving solutions.
- They specialise in providing IC application solutions and IC related services in five major categories:
- (i) mobile devices and smart charging which include solutions for products utilising low power radio frequency connectivity and signal transmissions devices and solutions for products utilising power management technology to provide quicker charging times;
- (ii) motor control which includes solutions to control motors and moving parts of machines;
- (iii) RF power which includes solutions for radio frequency power equipment such as those used in broadcasting and reception of radio signals;
- (iv) LED lighting which includes LED lighting systems solutions;
- (v) Sensors and automation which include IC application solutions for products that automatically detect events or changes in the environment.

BUSINESS STRATEGIES

- Seeking and establishing further authorised distributorship relationships with their current and new suppliers.
- Expanding their operations in fast-growing and emerging market categories, such as (i) mobile devices and smart charging; (ii) motor control; and (iii) sensors and automation.
- Expanding their operations and enhancing their design and R&D capabilities.
- Expanding their workforce and recruiting more professional staff.

COMPETITIVE STRENGTHS

- They are the authorised non-exclusive distributors of their major IC manufacturer suppliers.
- They provide IC application solutions and customer-oriented services to cater to their customers' specific needs.
- They provide essential feedback and contribute to their IC manufacturer suppliers' IC product road maps which ultimately facilitate the sales of their ICs and provision of their IC application solutions.
- They adopt a market-oriented approach with a responsive business model supported by their own design and R&D capabilities.
- They have an experienced management team with industrial knowledge and technical knowhow.

KEY RISKS

- They are dependent on their major suppliers, and their business, financial condition and results of operations could be adversely affected if their relationships with these major suppliers are terminated, interrupted, or modified in any way adverse to us.
- They might be subject to increased financial burden for their purchases under the ship-and-debit arrangement and not under the ship-and-debit arrangement, and any change in the industry practice may also adversely affect their business and financial results.
- They have been dependent on their major product categories during the Track Record Period. Their business, financial condition and results of operations would be materially and adversely affected if sales generated under these product categories were to decline and/or if they fail to diversify their business.
- Delay in the supplies and/or insufficient supplies from their suppliers may materially and adversely affect their business operations.
- They sell products to their customers on an order-by-order basis, and some of them may cancel, change or postpone their orders.

DIVIDEND POLICY

- No fixed dividend Policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
For the purposes of financing the growing revolving purchase payment for their increasing purchases of ICs under the ship-and-debit arrangement of both new and existing distributorship relationships with IC manufacturer suppliers as a result of their intended business expansion.	67.5	84.3%
Enhancing their design and R&D capabilities.	2.9	3.6%
Recruiting and retaining high caliber application engineers, sales engineers, customer service officers, administrative and support staff, and internal audit staff so as to support future growth of their Group.	7.8	9.8%
For their general corporate purposes and working capital.	1.8	2.3%
Total:	80.0	100.0%

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