

TARGET

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PANGAEA CONNECTIVITY TECHNOLOGY LTD: MAY ONE EXPECT MANAGEMENT TO BE REVISITING THE MONEY WELL IN SHORT ORDER ?

On Monday, March 22, 2021, Management of Pangaea Connectivity Technology Ltd published a '**POSITIVE PROFIT ALERT**' in respect of the Financial Year, ended March 31, 2021.

The gist of this announcement was as follows:

*'The board of directors (the "**Board**") of the Company wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the eleven months ended 28 February 2021 and the information currently available to the management of the Group, the net profit attributable to equity holders of the Company for the year ending 31 March 2021 is expected to increase by over 50% than that of approximately HK\$33.4 million for the year ended 31 March 2020. Such increase in profit is primarily attributable to the increase in turnover by over 60% than that of approximately HK\$970.8 million for the year ended 31 March 2020, which mainly resulted from the increase in demand for telecom infrastructure products in the market caused by 5G deployment.*

'As the Group is still in the process of finalising its annual results for the year ending 31 March 2021, the information contained in this announcement is only based on the preliminary assessment by the Company on the unaudited consolidated management accounts of the Group which have not been reviewed or audited by the Company's auditors and the actual results of the Group may be different from those disclosed in this announcement. Shareholders and potential investors of the Company are advised to read carefully the annual results announcement of the Company for the year ending 31 March 2021, which is expected to be published by the end of June 2021.'

On scanning the above announcement, no doubt, it might well warm the cockles of many an investor's heart, initially, but one would be advised to read this medium's analysis of this

non-exclusive distributor of connectivity products, prior to unbuckling one's money belt with a view to buying shares in the Company.

On appraisal of the financials of Pangaea Connectivity Technology Ltd (環聯連訊科技有限公司) (Code: 1473, Main Board, The Stock Exchange of Hongkong Ltd), one cannot get overly excited, especially taking into consideration that this Company has a history of being in business for the past 30 years.

Further, for the Financial Year, ended March 31, 2021, Management has gone on record, stating, inter alia:

‘The Board (of Directors) wishes to inform the Shareholders and potential investors that our financial performance and results of operations for the year ending 31 March 2021 will be affected by the estimated expenses in relation to the Listing.’

The above sentence is in addition to the fact that, during the three Financial Years, ended March 31, 2020, the Net Profits Attributable to Shareholders have been, as the well-known proverb goes, as flat as a proverbial pancake.

The Initial Public Offering (IPO) Of Pangaea Connectivity Technology Ltd

Pangaea Connectivity Technology Ltd published and disseminated its Share Offer Prospectus in the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** on Saturday, January 30, 2021.

The Company's Senior Management proposed the sales of a total of 250 million, one-cent Offer Shares at the Indicative Offer Price Per Share, ranging from a low of 52 cents to a high of 58 cents.

A Public Offer Shares tranche of 25 million Offer Shares was, clearly, aimed at enticing investors of the HKSAR to invest in the Company, while the Placing Shares tranche of 225 million Offer Shares was obviously targeted at Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with their corporate entities in which this class of investors was deemed to hold equity control, legally and beneficially.

On Thursday, February 18, 2021, Management of Pangaea Connectivity Technology Ltd announced that the Offer Price Per Share had been struck at 56 cents and that the Company anticipated, netting about \$HK90.60 million from the Share Offer.

With regard to the Public Offer Shares tranche, Management stated it had *‘been significantly over-subscribed’* with a total of 51,530 valid applications for Offer Shares, having been received in respect of 1,603,844,000 Offer Shares, representing about 64.15 times the total number of Offer Shares, initially available under this tranche.

With regard to the Placing Shares tranche, one was informed that it had been subscribed by about 101.40 percent in respect of the 225 million Placing Shares, initially available.

At Page Eight of the Company's Announcement of February 18, 2021, as to the Offer Price Per Share and the Allotment Results, one was told how Management anticipated the utilisation of the net proceeds of the Share Offer:

- Approximately, \$HK59.50 million, that is about 65.60 percent of the net proceeds from the Share Offer, '*will be used for strengthening the Group's design and technical capabilities*';
- Approximately, \$HK14.70 million, that is about 16.30 percent of the net proceeds from the Share Offer, '*will be used for broadening the Group's customer base by expanding the geographic reach of its sales and technical support coverage*';
- Approximately, \$HK7.40 million, that is about 8.20 percent of the net proceeds from the Share Offer, '*will be used for strengthening the Group's back office operational supports*'; and,
- Approximately, \$HK9.00 million, that is about 9.90 percent of the net proceeds from the Share Offer, '*will be used as general working capital.*'

The History And Business Of Pangaea Connectivity Technology Ltd

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