Pangaea Connectivity Technology Limited
環聯連訊科技有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock code 股份代號：1473

2021

ANNUAL REPORT
年報

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fung Yui Kong (馮鋭江)
Dr. Wong Wai Kong (黃偉桄)
Ms. Leung Kwan Sin Rita (梁筠倩)

Non-Executive Director

Mr. Kam, Eddie Shing Cheuk (甘承倬)

Independent Non-Executive Directors

Mr. Chan Hiu Fung Nicholas (陳曉峰)
Mr. Ling Kwok Fai Joseph (凌國輝)
Mr. Sze Wing Chun (施永進)

AUDIT COMMITTEE

Mr. Sze Wing Chun (施永進) *(Chairman)*
Mr. Kam, Eddie Shing Cheuk (甘承倬)
Mr. Ling Kwok Fai Joseph (凌國輝)

REMUNERATION COMMITTEE

Mr. Ling Kwok Fai Joseph (凌國輝) *(Chairman)*
Ms. Leung Kwan Sin Rita (梁筠倩)
Mr. Sze Wing Chun (施永進)

NOMINATION COMMITTEE

Mr. Chan Hiu Fung Nicholas (陳曉峰) *(Chairman)*
Mr. Fung Yui Kong (馮鋭江)
Mr. Ling Kwok Fai Joseph (凌國輝)

RISK MANAGEMENT COMMITTEE

Mr. Fung Yui Kong (馮鋭江) *(Chairman)*
Dr. Wong Wai Kong (黃偉桄)
Ms. Leung Kwan Sin Rita (梁筠倩)

COMPANY SECRETARY

Mr. Ng Yuet Kong (吳乙江)

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISER

Honestum International Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY WEBSITE

www.pangaea.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 902–6, 9/F
Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 01473

FINANCIAL HIGHLIGHTS AND SUMMARY

KEY FINANCIAL DATA

	For the year ended/As at 31 March			
	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,549,284**	970,866	871,336	843,123
EBITDA (note 1)	**88,367**	65,820	57,724	56,088
Equity attributable to ordinary equity holders of the Company	**268,195**	121,543	109,329	87,937
Net profit attributable to ordinary equity holders of the Company	**50,129**	33,448	27,649	34,946

KEY FINANCIAL RATIOS

	For the year ended/As at 31 March			
	2021	2020	2019	2018
Gross margin (%)	**12.8**	17.1	15.7	13.8
Net profit margin (%)	**3.2**	3.4	3.2	4.1
Gearing ratio (%) (Note 2)	**39.4**	181.9	213.2	230.2

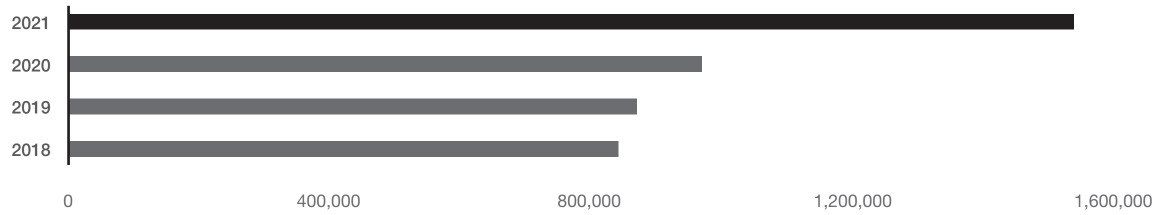
Notes:

(1) EBITDA refers to earnings before interest, tax, depreciation and amortisation

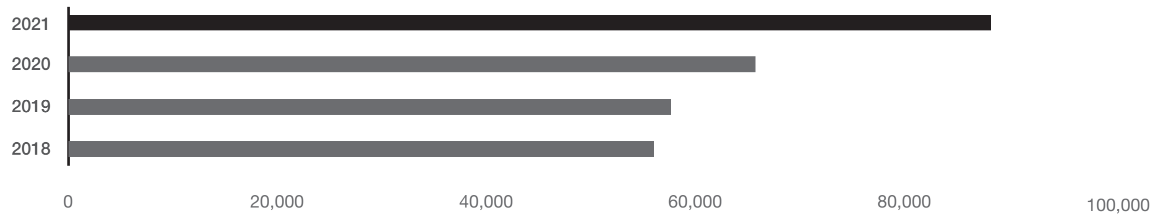
(2) Gearing ratio refers to total interest-bearing borrowings net of cash and cash equivalents divided by total equity

FINANCIAL HIGHLIGHTS AND SUMMARY

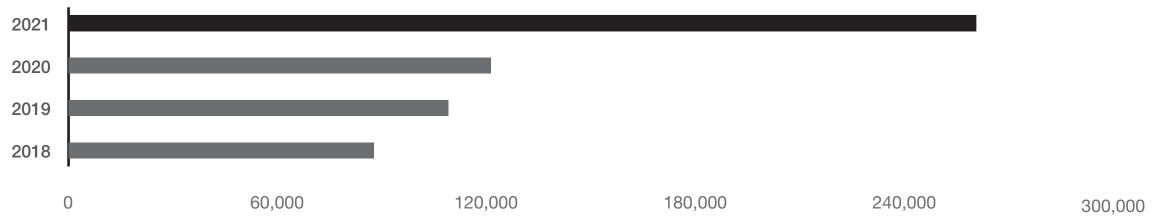
REVENUE
HK$'000



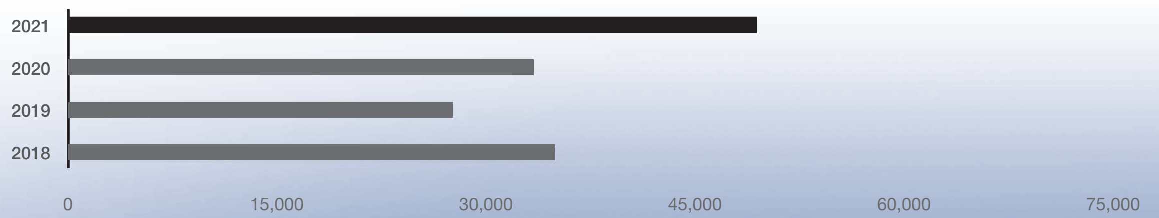
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")
HK$'000



EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY
HK$'000



NET PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY
HK$'000



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Pangaea Connectivity Technology Limited (the "Company", together with its subsidiaries, the "Group" or "Pangaea"), I am pleased to present the annual report of the Company for the year ended 31 March 2021 (the "Year").

The successful listing of our issued shares (the "Share(s)") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Year marked an important milestone for the Group. The listing status has granted the Group access to international platforms for fundraising, broadening our shareholder base, strengthening the confidence of our business partners, as well as providing us with more opportunities for business expansion. With our more pronounced recognition, the Group has experienced greater flexibility in strategic deployment.

Apart from our successful listing, keeping ahead in 5G transformation has enabled the Group to achieve outstanding performance during the Year. The evolvement from 4G to 5G connectivity has brought a vast array of possibilities across industries. Particularly, the new generation of optical and wireless connectivity — with seamless speed and stability — is opening up a massive IoT ecosystem that covers smart home devices, autonomous and electric vehicles, and other sensor-based tech gadgets in our daily lives. Coupled with the support of the Chinese national policy in 5G technologies, the demand for connectivity solution and products on telecom infrastructure, data centers and connected applications has demonstrated a respectable growth that favours our business in the Year.

Besides, COVID-19 has brought a robust rebound in the demand for high speed communication to facilitate a wide range of remote activities. This has brought listed impacts to the Group such as increased demands in Wi-Fi communication and higher data speed. Benefited from such trends, the Group saw a growth in revenue and customer base especially from the telecom infrastructure, data centre, Wi-Fi & IoT segments.

During the Year, revenue leaped by 59.6% year-on-year to HK$1,549.3 million (2020: HK$970.9 million), while gross profit surged by 19.4% year-on-year to HK$197.7 million (2020: HK$165.6 million). Profit attributable to owners of the Company for the Year increased by 49.9% year-on-year to HK$50.1 million (2020: HK$33.4 million). Basic earnings per share were HK6.5 cents (2020: HK4.5 cents). The Board has resolved to recommend the payment of a final dividend of HK1.3 cents per share for the Year.

Looking ahead to the financial year of 2021/2022, we will continue to strengthen our capability and expand our horizon to capture new opportunities. Externally, we will expand our strategic cooperation with other industrial players. By doing so, we aim to acquire new capabilities and insights to strengthen our standing in the field. We will also expand our connectivity product portfolios both horizontally and vertically to further enhance our competitive edges in the market. While maintaining our competitiveness in current markets, we will actively explore new business opportunities in the European and South-East Asian markets, which are also key players in the global telecom and datacom industries.

Internally, we will continue to dedicate ourselves for the long-term growth of the Group by upgrading our technical expertise and application laboratories, strengthening our internal capability and working towards the 6G connectivity technologies.

It is the Group's goal to create sustainable value for our shareholders. While maintaining our vision, the Group will continue to improve business strategies with prudence for the benefits of our shareholders. Finally, I would like to extend my sincere gratitude to our shareholders and investors, suppliers, customers, staff and business partners for their continuous support and trust.

Fung Yui Kong
Chairman

28 June 2021

BUSINESS REVIEW

The issued shares of the Company were successfully listed on the Main Board of the Stock Exchange (the "Listing") on 19 February 2021 (the "Listing Date"), which marks a key milestone for the Group.

Introduction of Pangaea

Founded in 1990, Pangaea has been a distributor of telecom and datacom connectivity products and provides solution and application support to customers throughout their design and production cycle. In general, the Group's customers incorporate the components through design-in with its technical team and procure those components from the Group to build their communications modules and systems and IoT and network connectivity products. The end applications of the Group's products can primarily be categorised into: (i) telecom infrastructure; (ii) data centres; (iii) IoT and network connectivity products; and (iv) commercial lasers.

It is market practice to have distributors as middlemen in the industry due to the diversity and complexity of the telecom and datacom connectivity industry. Being a distributor with strong in-house design and technical capabilities, as well as self-own wireless and commercial laser application laboratories in Shenzhen, Pangaea plays an important role in the industry chain to bridge the functionality gap between upstream component manufacturers and downstream customers with technical support and value-added services. With a strong in-house design and technical team, engineering expertise and in-depth knowledge of the supply chain, the Group can provide suggestions in manufacturers' product upgrade and/or development of new products.

Pangaea's Competitive Strengths

With over 30 years of proven track records, the Company believes that it has the following competitive strengths to contribute to its continued success and potential for growth:

- It possess strong design and technical capabilities with a strong and experienced in-house design and technical team which comprised 33 engineers, of which about 22 members have over 10 years of experience in the industry

- It has its own wireless and commercial laser application laboratories in Shenzhen, the main tech hub of the People's Republic of China (the "PRC"), which allows the Group to conduct reference designs, manufacture demo board, device testing and troubleshooting for its customers

- It has long term and well-established business relationships with its manufacturer suppliers, including five top brand name suppliers based in the U.S. or Japan, which enables the Group to secure source of supplies and obtain the latest product and technology information and increases its familiarity and knowledge of their products

- It diligently cultivates long-term customer relationships with its major customers which allows the Group, as a co-design partner and supplier, to offer customer-driven products and provide reliable and efficient sourcing and technical support services

- It has an experienced and dedicated management team with significant industry expertise in the telecom and datacom connectivity industry which allows the Group to capture market opportunities, enhance its relationship with key customers and suppliers, and formulate and implement development strategies effectively

Value Creation

As a channel partner of manufacturer suppliers in marketing and distributing their products, as well as a service provider of customers to support their product roadmaps, Pangaea creates the following values to suppliers and customers, respectively.

To customers, Pangaea can:

- Provide specified sourcing and selection of components
- Proactively secure supply for customers
- Enable customers to have access to the latest advanced technologies and components from manufacturers to achieve optimal performance
- Provide bridging for access of technologies between suppliers and customers
- Provide technical knowhow and talent to achieve customers' design at the optimal performance and reliability levels and satisfaction

To manufacturer suppliers, Pangaea can:

- Create demand for components sourced from brand name component manufacturers
- Provide customers' feedback and suggestions for next generation products development and upgrade
- Provide bridging for access of technologies between suppliers and customers

Market and Business Review

The PRC commenced installation of 5G base station and network infrastructure in 2020, which is a process expected to last for years. Due to the increasing demand for high speed network and storage capacity, the PRC market will continue to upgrade data centres and peripherals electronic infrastructures. In addition, as an extension of the 5G development, product development for various IoT related products is already underway, and is expected to launched in the near future. All these have cultivated a growth opportunity for the Group.

The Company recorded growth in revenue of approximately 59.6% from the corresponding period in 2020 mainly due to the deployment of 5G infrastructure and base station as well as continuous expansion of capacity and speed of date center in the PRC market.

FINANCIAL REVIEW

Revenue

Revenue is comprised of sales of goods and rendering of services.

Revenue from sales of goods accounted for approximately 99.9% of our total revenue for the Year. Revenue from rendering of services mainly represented income derived from providing administrative and support services to customers. During the Year, the Company generated a substantial portion of the revenue from customers in the PRC.

Revenue from sales of goods increased from approximately HK$970.3 million in the year ended 31 March 2020 to approximately HK$1,548.0 million for the Year mainly due to the increase in demand for 5G related products amid the 5G development in the PRC market. Revenue from rendering of services increased from approximately HK$0.5 million for the year ended 31 March 2020 to approximately HK$1.3 million for the Year mainly due to the increase in services provided to the customers.

Cost of sales

Cost of sales comprises (i) cost of goods which represents cost of products purchase from suppliers; and (ii) cost of service which represents staff costs associated with provision of services.

Gross profit margin

Sales of goods

Gross profit margin derived from sales of goods was approximately 12.7% for the Year, representing a decrease of approximately 4.3% from approximately 17.0% for the year ended 31 March 2020, which is mainly due to competitive selling price offered to customers for bulk purchase order.

Rendering of services

Gross profit margin derived from rendering of services was approximately 84.0% for the Year, representing an increase of approximately 20.7% from approximately 63.3% for the year ended 31 March 2020. As our services were provided to customers on a project basis, the gross profit margin of this segment varied depending on the scope and nature of services provided.

Other income and gains, net

Other income and gains of approximately HK$4.8 million (2020: approximately HK$2.3 million) mainly represents government subsidies, bank interest income, exchange gain, fair value gain on financial assets and sundry income. Increase in other income and gains of approximately HK$2.6 million is mainly due to the funding received from the Government of the Hong Kong Special Administrative Region of the PRC ("Hong Kong") of approximately HK$2.5 million in relation to the Employment Support Scheme under the Anti-epidemic Fund and the increase in income from repair and maintenance of commercial laser machine.

Selling and distribution costs

The selling and distribution costs of approximately HK$39.3 million (2020: approximately HK$33.1 million) mainly include marketing and sales staff salaries, transportation, freight charges, declaration and research and development expenses. The selling and distribution costs increased by approximately HK$6.2 million or 18.7% from last year, mainly as a result of revenue growth during the Year.

Administrative expenses

Administrative expenses of approximately HK$84.2 million (2020: approximately HK$77.9 million) primarily consist of listing expenses, salaries and benefits (including directors' emoluments), insurance, operating lease and other premise fee, bank charges, entertainment and depreciation expenses. The administrative expenses increased by approximately HK$6.3 million or 8.1% for the Year mainly as a result of (i) the increase in salaries and staff benefits in aggregate of approximately HK$5.0 million as the Group had expanded operation with more headcount in response to the significant growth of its business; (ii) an increase in listing expenses of approximately HK$3.3 million and (iii) the decrease in impairment of trade receivables of approximately HK$4.8 million.

Finance costs

The Group's finance costs of approximately HK$15.5 million (2020: approximately HK$13.7 million) mainly represented interest expenses on its bank borrowings during the Year. The Group incurred interest on bank borrowings of approximately HK$15.1 million for the Year as compared to approximately HK$13.4 million for the year ended 31 March 2020. The increase in interest on bank borrowings was mainly due to the increase in utilisation of borrowing facilities during the Year.

Taxation

Taxation of the Group for the Year mainly comprised current income tax expenses of approximately HK$13.9 million (2020: HK$9.7 million) and deferred tax credited to statement of profit or loss of approximately HK$0.4 million (2020: nil) recognised for the provision for inventories and impairment loss of trade receivable.

Net profit for the year

Net profit for the Year amounted to approximately HK$50.1 million, representing an increase of approximately 49.9% as compared to approximately HK$33.4 million for the year ended 31 March 2020. The increase in net profit was principally attributable to the net effect of the factors mentioned above, including (a) increase in revenue; (b) decrease in gross profit margin as a result of bulk purchase from customers; (c) increase in other income and gains, net; (d) increase in selling and distribution costs; (e) increase in administrative expenses; and (f) increase in finance costs.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group met its liquidity requirements principally through a combination of internal resources and bank borrowings. The Group's cash resources as at 31 March 2021 were approximately HK$146.8 million (2020: HK$33.1 million). They were mainly denominated in Hong Kong dollar and Renminbi.

As at 31 March 2021, the Group's total outstanding bank borrowings amounted to HK$252.5 million (2020: HK$254.2 million) which comprised mainly bank factoring loans, import loans, trust receipts loans and revolving loans. The Group's bank borrowings which were unrestricted with a clause of repayment on demand are classified as current liability. The bank borrowings were denominated in Hong Kong dollar and US dollar and were subject to interest at floating commercial lending rates.

The Group's gearing ratio (defined as the total interest-bearing borrowings net of cash and cash equivalents divided by total equity and multiplied by 100%) and debt-to-assets ratio (total borrowings net of cash and cash equivalents divided by total assets) decreased from approximately 181.9% as at 31 March 2020 to approximately 39.4% as at 31 March 2021 and decreased from approximately 66.6% as at 31 March 2020 to approximately 41.4% as at 31 March 2021 respectively mainly due to listing proceeds received in February 2021.

The Group has no significant contingent liabilities as at the end of the reporting period. The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollar, Renminbi, and US dollar. As the Hong Kong dollar remain pegged to the US dollar, there was no material exchange risk in this respect. As the portion of Renminbi revenue is insignificant, there was no material exchange risk in this respect. The Group currently does not have any interest rate hedging policy. However, the management monitors the Group's exposure to interest rate risk on an ongoing basis and will consider hedging interest rate risk should the need arise. Credit risk was hedged mainly through credit policy and factored to external financial institutions.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any material contingent liabilities (2020: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group employed 121 employees (2020: 116 employees). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to individual performance, working experience, qualification and the current relevant industry practices. Apart from basic salary and statutory provident fund scheme, discretionary bonus and share options may be granted to selected staff by reference to the Group's as well as the individual's performances. Other forms of benefits such as on-the-job and external training to staff are also provided. The Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Group maintains a good relationship with its employees.

USE OF NET PROCEEDS FROM LISTING

The net proceeds received by the Company from the Listing in the amount of approximately HK$88.1 million after deducting underwriting commissions and all related expenses will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 January 2021 (the "Prospectus"). The net proceeds received were applied by the Group from the Listing Date up to 31 March 2021 as follows:

	Application of net proceeds as stated in the Prospectus HK$'million	**Actual use of net proceeds** HK$'million	**Unused net proceeds** HK$'million	**Unused net proceeds** %
Strengthening design and technical capabilities	57.8	–	57.8	100%
Broadening customer base by expanding the geographic reach of sales and technical support coverage	14.4	–	14.4	100%
Strengthening back office operational supports by enhancing information technology management system and recruiting IT staff	7.2	0.1	7.1	99%
General working capital	8.7	8.7	–	0%
	88.1	8.8	79.3	90%

As at 31 March 2021, the amount of unused net proceeds amounted to approximately HK$79.3 million. The remaining unused net proceeds are expected to be utilised on or before 31 March 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in the Prospectus, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year.

EVENTS AFTER THE REPORTING PERIOD

The Group granted share options to an aggregate of 96 employees under the share option scheme of the Company adopted on 25 January 2021 to subscribe for a total of 78,464,000 ordinary shares of HK$0.01 each in the share capital of the Company on 20 April 2021. The exercise price of the options granted is HK$0.6 per share. For further details, please refer to the announcements of the Company dated 20 April 2021 and 26 April 2021, respectively.

Except as disclosed above, the Board is not aware of any significant event affecting the Group and requiring disclosure that has been taken place subsequent to 31 March 2021 and up to the date of this report.

PROSPECTS

With China pioneering the 5G network applications, coupled with the popularity of fibre-to-home internet, the demand for digital storage (data & cloud) and IOT products is expected to grow in the coming years. The Group shall cautiously increase its competitiveness by broadening the product mix and expanding market share. The Group shall devote continuous effort to enhancing its technical support and research and development capability to strengthen the relationships with its customers and suppliers.

DIRECTORS

Executive Directors

Mr. Fung Yui Kong (馮銳江), aged 59, founder of the Group, was appointed as a Director on 5 July 2018 and re-designated as an executive Director and appointed as the chairman of the Board and the chief executive officer on 17 June 2019. He is a member of the nomination committee and also a director of a number of subsidiaries of the Company. Mr. Fung is responsible for the overall strategic development and management of the Group. Mr. Fung attended Concord College in the United Kingdom between 1981 and 1984. In 1990, he founded the Group and has since guided the strategic development and management of the Group. Mr. Fung has accumulated more than 25 years of experience in the telecommunication industry.

Ms. Leung Kwan Sin Rita (梁筠倩), aged 60, joined the Group as assistant general manager in 2003 and was appointed as an executive Director on 17 June 2019. She is also a member of the remuneration committee of the Company. Ms. Leung primarily works with the chairman on the strategic planning and development of the Group, monitors the implementation of corporate plans as well as the overall management and operation of the Group. Ms. Leung obtained a degree of Master of Management and a degree of Master of Business Administration from Macquarie University in Australia in April 2001 and November 2001 respectively. She has accumulated more than 20 years of experience in the commercial and manufacturing sectors. Prior to joining the Group, Ms. Leung was the administration and personnel director and member of management committee of Simatelex Manufactory Co. Ltd. from April 1991 to September 1999, an office administration manager of Hong Kong Cable Communications Limited from October 1989 to December 1990.

Dr. Wong Wai Kong (黃偉桄), aged 55, joined the Group as the head of finance department of Pangaea (H.K.) Limited in December 2017 and was appointed as an executive Director on 17 June 2019. Dr. Wong primarily works with the chairman to formulate the corporate strategic development plans of the Group and oversee the financial and compliance matters of the Group. After graduating from the Hong Kong Baptist University in Hong Kong with a degree of Bachelor of Business Administration in Accounting in 1990, Dr. Wong obtained a degree of Master of Business Administration from the University of Sheffield in the United Kingdom in 1995, a degree of Master of Science in Business Information Technology from Middlesex University in the United Kingdom in 2003 and a degree of Doctor of Philosophy in Business Administration from the Bulacan State University in the Republic of the Philippines in 2015. Dr. Wong has accumulated more than 20 years of experience in corporate finance, financial advisory and management and professional accounting and auditing.

Dr. Wong was appointed as an executive director of Kam Hing International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2307), in October 2008 and was subsequently re-designated as a non-executive director from January 2018 to December 2020. He was also appointed as an independent non-executive director of Star Properties Group (Cayman Islands) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1560) in January 2020. He had been an independent non-executive director of EEKA Fashion Holdings Limited (formerly known as Koradior Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 3709), from June 2014 to July 2017 and an independent non-executive director of Million Stars Holdings Limited (formerly known as Odella Leather Holdings Limited), a company listed on GEM of the Stock Exchange (stock code: 8093), from January 2015 to March 2017.

Non-executive Director

Mr. Kam, Eddie Shing Cheuk (甘承倬) (formerly known as Kam Leung Ming (甘亮明)), aged 46, was appointed as a non-executive Director on 17 June 2019. He is also a member of the audit committee. Mr. Kam is primarily responsible for providing advice and supervise on the Group's policy, performance, accountability, corporate governance, compliance and standard of conduct. After graduating from the Polytechnic University of Hong Kong with a degree of Bachelor of Arts in Accountancy in November 2003, Mr. Kam obtained a degree of Master of Corporate Governance from the Polytechnic University of Hong Kong in November 2010. He has over 10 years of experience in auditing, professional accounting. Mr. Kam was admitted as an associate member of the Association of Chartered Certified Accountants of Hong Kong, an associate member of the Institute of Chartered Accountants in England and Wales, a member of the Taxation Institute of Hong Kong, an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Chartered Secretaries.

Mr. Kam has been an executive director and the company secretary of Get Nice Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 64), since April 2017. He has been an independent non-executive director of (i) Ever Harvest Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1549), since November 2016; (ii) Genes Tech Group Holdings Company Limited, a company listed on GEM of the Stock Exchange (stock code: 8257), since June 2017; (iii) Citychamp Watch & Jewellery Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 256), since November 2020; and (iv) Xiezhong International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3663), since December 2020. He was previously an independent non-executive director of Casablanca Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2223), from April 2015 to May 2017 and an executive director of Get Nice Financial Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1469), from September 2015 to April 2017.

Mr. Kam was appointed as a council member of the sixth term of the Guangzhou Overseas Friendship-Liaison Association Committee since March 2013 and a council member of the seventh term of the Shenzhen Overseas Friendship-Liaison Association Committee since 2017. He was also appointed as a committee member of the Chinese People's Political Consultative Conference Shanghai Committee (Baoshan District) since December 2016.

Independent non-executive Directors

Mr. Chan Hiu Fung Nicholas (陳曉峰), aged 47, was appointed as an independent non-executive Director on 25 January 2021. He is also the chairman of the nomination committee. Mr. Chan is primarily responsible for providing independent advice on the Group's strategy, policy, performance, accountability, resources and standard of conduct. After graduating from the University of Melbourne with a degree of Bachelor of Science and a degree of Bachelor of Laws in March 1997, Mr. Chan was admitted as a solicitor in the High Court of Hong Kong in May 1999. Mr. Chan was awarded with Medal of Honour(MH) of Hong Kong in 2016, he is a council member of the Hong Kong University of Science and Technology since 1 April 2016 and a member of the Hospital Governing Committee of Castle Peak Hospital and Siu Lam Hospital since 1 April 2019. He has been appointed as vice chairman of eBRAM International Online Dispute Resolution Centre Limited, a non-governmental organisation in Hong Kong focused on establishing Hong Kong as a world leading online dispute resolution centre. He is also a member of the 13th National People's Congress of the People's Republic of China. From 30 December 2014 to 30 May 2019, Mr. Chan was a council member of the Law Society of Hong Kong. He is also an independent non-executive director of Sa Sa International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 178), since September 2019, and of Q P Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1412), since December 2019. He has around two decades of experience in the legal field. Mr. Chan is currently a partner of Squire Patton Boggs.

Mr. Ling Kwok Fai Joseph (凌國輝), aged 65, was appointed as an independent non-executive Director on 25 January 2021. He is also the chairman of the remuneration committee and a member of the audit committee and nomination committee. Mr. Ling is primarily responsible for providing independent advice on the Group's strategy, policy, performance, accountability, resources and standard of conduct. Mr. Ling graduated from Derby Lonsdale College of Higher Education in the United Kingdom and obtained a Higher National Diploma in Business Studies with distinction in 1981. Mr. Ling was admitted as an associate of The Institute of Chartered Secretaries and Administrators in 1983 and an associate of The Hong Kong Institute of Company Secretaries in 1994 and has accumulated over 20 years of experience in accounting, finance and administration. He was awarded the Chartered Governance Professional qualification of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries in September 2018. He has been an independent non-executive director of Bright Smart Securities & Commodities Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1428), since August 2010.

Mr. Sze Wing Chun (施永進), aged 44, was appointed as an independent non-executive Director on 25 January 2021. He is also the chairman of the audit committee and a member of the remuneration committee. Mr. Sze has over 20 years of experience in auditing, accounting and taxation. Mr. Sze is currently a director of Ascenda Cachet CPA Limited which is a Certified Public Accountants' firm in Hong Kong. Mr. Sze obtained a degree of Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 1998. He has been a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since October 2002 and became a fellow member in May 2017. Mr. Sze has also been a fellow member of the Association of Chartered Certified Accountants since October 2006. Mr. Sze has been an independent non-executive director of Fusen Pharmaceutical Company Limited (stock code: 1652), a company listed on the Main Board of the Stock Exchange since June 2018.

SENIOR MANAGEMENT

Mr. Jun Fukaya (深谷潤), aged 70, joined the Group as a project director in April 2019 and is responsible for overseeing the engineering and business of the 5G projects of the Group and expanding and upgrading the wireless lab of the Group in Shenzhen. Mr. Fukaya obtained a degree of Master of Science in Electronics from the Tokyo Institute of Technology in 1977. He has over 40 years of experience in development of and consultancy on electronics. Prior to joining the Group, he worked at Fujitsu Quantum Devices Inc. as a director from August 1997 to February 2004. He was a corporate director of Fujitsu Quantum Devices Singapore Pte. Ltd. from February 2004 to April 2004 and a corporate director of Eudyna Devices Asia Pte. Ltd. (formerly known as Fujitsu Quantum Device Pte. Limited, later acquired by Sumitomo Electric Asia Limited in 2009) from April 2004 to December 2008. From December 2008 to March 2010, he was the president of Eudyna Devices Europe Ltd. in the United Kingdom. In October 2009, he joined Sumitomo Electric Europe Ltd. as a corporate director until March 2012. From April 2012 to March 2013, he was a senior manager of the electron device division of Sumitomo Electric Device Innovations Inc. From February 2014 to March 2019, he was a technical consultant of the Group.

Mr. Ng Yuet Kong (吳乙江), aged 55, joined the Group as the financial controller of Pangaea HK in July 2009 and is responsible for overseeing the financial, accounting, taxation and banking matters of Pangaea HK. He is also the company secretary of the Company. Mr. Ng obtained a degree of Bachelor of Science in Mathematics from the University of Hong Kong in December 1989, a Graduate Diploma in Financial Management from the University of New England in March 1992 and a degree of Master of Business Administration from the University of South Australia in April 2008. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in June 1996 and as a certified practicing accountant of the CPA Australia in January 1996. Mr. Ng has over 20 years of relevant experience in the field of auditing, accounting and financial management. He worked as an auditor at Chan, Seing & Co, CPA from April 1992 to May 1993 and H.C. Watt & Co, CPA from August 1993 to March 1995. From April 1995 to June 1996, he was an internal audit assistant supervisor at Texwood Limited. He worked as a financial controller at Jabl Group Holdings Limited from July 1996 to June 1998, Han Xuan International Development Limited from January 1999 to March 2005 and Modern Metal & Electric Limited from September 2005 to May 2007. Prior to joining the Group, he was an assistant financial controller at Eagle Group International Limited from June 2007 to June 2009.

Mr. Hui Sai Ying (許世英), aged 40, joined the Group as a sales engineer in August 2005 and is responsible for sales and product marketing and business development. Mr. Hui obtained a degree of Bachelor of Engineering with a major in Electronic Engineering from the Chinese University of Hong Kong in December 2004. Mr. Hui has over 10 years of relevant experience in sales and marketing and business development of electronics. Prior to joining the Group, Mr. Hui worked as an engineering trainee at Hutchison Global Communications Limited from June 2002 to June 2003. From September 2004 to August 2005, he worked as a sales engineer at Palmwood Technology Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pang Sze Yik, Clement (彭詩易), aged 49, joined the Group as a general manager in October 2010 and is responsible for the sales and marketing of the Group in the PRC. Mr. Pang obtained a degree of Bachelor of Arts in Marketing from Hong Kong Polytechnic University in November 1998, a degree of Master of Business Administration from Hong Kong Polytechnic University in November 2003 and a degree of Bachelor of Laws from the University of London in August 2009. He obtained a Professional Diploma in Marketing from the Hong Kong Institute of Marketing in 2000 and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing in the United Kingdom in 2002. Mr. Pang has over 20 years of relevant experience in the field of sales and marketing. From July 1998 to February 2000, he worked as a marketing executive at Mitsubishi Electric Hong Kong Limited. Subsequently, he worked at Hynix Semiconductor Hong Kong Limited as an assistant sales manager from March 2000 to December 2002 and a sales manager from January 2003 to February 2004. Mr. Pang worked as a sales and marketing manager at Eudyna Devices Asia Pte. Limited (formerly known as Fujitsu Quantum Device Pte. Limited, later acquired by Sumitomo Electric Asia Limited in 2009) from February 2004 to March 2007 and as a senior manager in regional operations from April 2007 to October 2010.

Mr. Sun Qiwei (孫其偉), aged 35, joined the Group as a senior field application engineer in February 2017 and is responsible for providing technical support for both before and after sale and assisting with sales and marketing. Mr. Sun obtained a Bachelor's degree with a major in information engineering from the Beijing Institute of Technology in June 2009 and a Master's degree with a major in electromagnetic field and microwave technology from the East China Normal University in May 2012. Prior to joining the Group, Mr. Sun worked as a hardware associate engineer for ASB from June 2012 to October 2016.

Mr. Xu Ming (徐明), aged 42, joined the Group as a field application manager in March 2011 and is responsible for providing technical support for both before and after sale. Mr. Xu obtained a Bachelor's degree with a major in measure and control technique and mechanical instrument from Wuhan University in June 2001. From July 2001 to September 2002, Mr. Xu worked as a research and development engineer for Hubei Zhongyou Technology Co. Ltd.. From September 2002 to December 2009, Mr. Xu worked at Alltek with his last position held as an area manager and field application engineer manager. From January 2010 to February 2011, Mr. Xu worked as a field application engineer manager for Northern China region for Alltek.

Mr. Zhong Junwei (鍾俊為), aged 35, joined the Group as a field application manager in March 2013 and is responsible for providing technical support for both before and after sale and assisting with sales and marketing. Mr. Zhong obtained a degree of Bachelor of Science in Electronic and Information Engineering in 2007. Prior to joining the Group, he worked as an engineer at Guangdong Shengda Electronic Co., Ltd. from June 2007 to June 2008. Subsequently, he worked as an engineer at Comba Telecom Technology (Guangzhou) Co., Ltd. from June 2008 to June 2011. From July 2011 to March 2013, he worked as an engineer at Netop Technology Co., Ltd. (merged with Rosenberger (Shanghai) Technology Co., Ltd. in 2012).

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 March 2021.

CORPORATE GOVERNANCE CODE

The Group recognises the importance of good corporate governance and the vital role it plays to the Group's success and sustainable development. The Board is committed to maintaining high standards of corporate governance to ensure better transparency and protection of the overall interests of the Company and its shareholders as a whole and to enhance corporate value and accountability.

The Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules sets out principles of good corporate governance. It has been applicable to the Company with effect from the Listing Date. The Board has implemented corporate governance code appropriate to the conduct and growth of the Group's business. The Company has complied with all applicable Code Provisions as set out in the CG Code for the period from the Listing Date up to 31 March 2021, with the exception of Code Provision A.2.1 of the CG Code, which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Fung Yui Kong is currently performing these two roles. With the extensive experience in the industry and being the founder of the Group, Mr. Fung is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since the founding of our Group. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, both of which comprise experienced and high-calibre individuals. Our Board currently comprises three executive Directors (including Mr. Fung), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Directors believe that the Board is appropriately structured to provide sufficient checks to protect the interests of the Group and the Shareholders. The Board will continue to review and monitor the operation of the Company with an aim of maintaining a high standard of corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors confirmed that they have complied with the required standard as set out in the Model Code from the Listing Date to 31 March 2021.

THE BOARD

Responsibilities

The Board is accountable to the Shareholders and in discharging its corporate accountability, every Director is required to pursue excellence in the interests of its Shareholders and fulfil his fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for formulating group policies and strategic business directions, and monitoring business performances through implementation of adequate risk management and internal control systems. The executive Directors are delegated with the authorities and responsibilities for the day-today management of the Group, operational and business decisions within the control and delegation framework of the Group. The non-executive Directors (including independent non-executive Directors) contribute valuable views, professional opinions and proposals for the Board's deliberation and decisions. All Directors should make decisions objectively in the interests of the Company.

The Board has delegated some of its functions to the board committees, details of which are set out below. The Board reserves for its decisions all major matters of the Company, including appointment of new Directors, approval of financial statements, dividend policy, significant accounting policies, material contracts, significant appointments such as company secretary and external auditors, terms of reference of board committees, major corporate policies such as code of conduct, and other significant financial and operational matters.

The Board is also responsible for maintaining and reviewing the effectiveness of the risk management and internal control systems of the Group. It has carried out review of the existing implemented systems, including control measures of financial and operational compliance of the Group.

The Directors having material interest in the matter shall abstain from voting at such Board meeting and the independent non-executive Directors with no conflict of interest shall attend at such meeting to deal with the matters. All Directors ensure that they can give sufficient attention to discharge their responsibilities to the affairs of the Company and the Directors have disclosed to the Company the identity and nature of offices held in any public organization and other significant commitments on an annual basis.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company's company secretary (the "Company Secretary") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and/or senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions or commitments entered into on the Company's behalf. The Board has the full support of the senior management to discharge its responsibilities.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions as set out in the code provision D.3.1 of the CG Code including, among other matters:

- To develop and review the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 March 2021, the Board has reviewed the Company's corporate governance practices and the Company's compliance with the CG Code from the Listing Date up to the date of this report.

Composition

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The function of the Board is to guide the management to ensure the interests of the shareholders of the Company and other stakeholders are safeguarded.

The Company recognises and embraces the benefits of having a diverse board to enhance the quality of its performance. The size and composition of the Board are reviewed from time to time with reference to the board diversity policy (the "Board Diversity Policy") adopted by the Company, taking into account the scope and nature of operations of the Company, to ensure that the necessary balance of skills and experience appropriate to the requirements of the business of the Company and facilitate effective decision-making.

As at 31 March 2021, the Board comprised the following members:

Name of Directors	Positions
Mr. Fung Yui Kong	Chairman/Chief Executive Officer/Executive Director/Chairman of Risk Management Committee
Ms. Leung Kwan Sin Rita	Executive Director/Member of the Remuneration Committee and the Risk Management Committee
Dr. Wong Wai Kong	Executive Director/Member of Risk Management Committee
Mr. Kam Eddie Shing Cheuk	Non-executive Director/Member of Audit Committee
Mr. Chan Hiu Fung Nicholas	Independent non-executive Director/Chairman of Nomination Committee
Mr. Ling Kwok Fai Joseph	Independent non-executive Director/Chairman of the Remuneration Committee/Member of the Audit Committee and Nomination Committee
Mr. Sze Wing Chun	Independent non-executive Director/Chairman of the Audit Committee/ Member of the Remuneration Committee

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and expertise relevant to the business operations and development of the Group. All Directors come from diverse background with varied expertise in telecommunications, finance, legal and business fields.

Biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 18 of this annual report. The Company has maintained an updated list of Directors identifying their roles and functions on the websites of the Company and the Stock Exchange.

There is no relationship (including financial, business, family, or other material/relevant relationship(s)) among the Board members.

Independent non-executive Directors

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through serving on Board committees and active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests, all independent non-executive Directors make various contributions to the effective direction of the Company.

The role of independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company. There are three independent non-executive Directors and which represent a sufficient number as required under Rules 3.10(1) and 3.10A of the Listing Rules. Among the independent non-executive Directors, Mr. Sze Wing Chun has the appropriate professional qualifications in accounting and finance as required by Rule 3.10(2) of the Listing Rules.

The independence of each independent non-executive Director is reviewed annually by the Nomination Committee based on the definition of independence defined in the Listing Rules. The Nomination Committee is satisfied as to the independence of Mr. Chan Hiu Fung Nicholas, Mr. Ling Kwok Fai Joseph and Mr. Sze Wing Chun, each of whom has fulfilled all the criteria for independence as stated in Rule 3.13 of the Listing Rules. The Company has received written annual confirmation from each of the independent non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers all the independent non-executive Directors to be independent.

Appointment and Re-election

The Company has established formal, considered and transparent procedures for the appointment of new Directors. A person may be appointed as a member of the Board at any time either by the shareholders in general meeting or by the Board upon recommendation by the Nomination Committee. The procedures for shareholders of the Company to propose a person as a Director are accessible from the Company's website.

In compliance with code provision A.4.1 of the CG Code, non-executive Directors are appointed for a specific term, subject to re-election. Each of the non-executive Director and independent non-executive Directors has accepted a formal appointment by the Company for a period of three years and subject to retirement by rotation. According to the Articles and the code provision of the CG Code, all Directors (including executive Directors and independent non-executive Directors) are subject to retirement by rotation at least once every three years.

Pursuant to Article 83(3), the Board may appoint any Director(s) to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director(s) so appointed shall hold office only until the following general meeting of the Company and shall then be eligible for re-election at that meeting. Code provision A.4.2 of the CG Code also stipulates that any directors appointed to fill a casual vacancy should be subject to re-election by shareholders at the first general meeting after their appointment.

Board Diversity Policy

The Company recognises the benefits of board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies and sustainable development and adopted the Board Diversity Policy on 25 January 2021. The Board Diversity Policy aims to set out the Company's approach to achieve and maintain an appropriate balance of diversity on the board (the "Board") of directors of the Company.

The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy. In reviewing and assessing the Board composition and the nomination of directors (as applicable), Board diversity will be considered from a number of aspects, including but not limited gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board may adopt and/or amend from time to time (as applicable) such diversity perspectives and/or measurable objectives that are appropriate to the Company's business and Board succession planning, as applicable.

The Nomination Committee will review the Board Diversity Policy, as appropriate, which will include an assessment of its effectiveness, and the Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the year under review and up to the date of this report, the Nomination Committee has reviewed the diversity of the Board and considered that the Company has achieved the measurable objectives of the Board Diversity Policy in terms of age, educational background, professional experience, skills, knowledge and length of services.

Nomination Policy

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) to the Board, the Nomination Committee may consider (including but not limited to) the following criteria (the "Criteria") in assessing the suitability of the proposed candidate:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge, accomplishment and experience that are relevant to the Company's business and corporate strategy;

(c) Diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

(d) Commitment in respect of available time and relevant interest;

(e) Potential contributions that the individual can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; and

(f) Compliance with the criteria of independence as prescribed under Rule 3.10(2) and 3.13 of the Listing Rules for the appointment of independent non-executive Director.

The Nomination Committee will recommend to the Board for appointment as additional Director or to fill any casual vacancy on the Board in accordance with the following procedures:

(i) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, recommendations from personnel agents or as proposed by shareholders with due consideration given to the Criteria;

(ii) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks and third-party reference checks;

(iii) The Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(iv) The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of a remuneration package of such candidate;

(v) The Remuneration Committee will make a recommendation to the Board on the proposed remuneration package; and

(vi) All appointment of Directors will be confirmed by the signing of the consent to act as Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment, as the case may be) and filing of the same with the Companies Registry of Hong Kong and/or the Companies Registry of the Cayman Islands.

Board Meetings

Number of Meetings and Directors' Attendance

Code Provision A.1.1 of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. The Board will also meet on other occasions when a board-level decision on a particular matter is required.

As the Company was only listed on 19 February 2021, only 1 Board meeting was held from the Listing Date to 31 March 2021. Since the Listing Date and up to the date of this report, 3 Board meetings were held, at which the Directors approved, among other things, the annual report of the Group for the year ended 31 March 2021.

The attendance records of the Directors are set out below:

	Number of meetings attended/Number of meetings held					
Name of Directors	**General meeting**	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Risk Management Committee**
Executive Directors						
Mr. Fung Yui Kong	N/A	3/3	N/A	N/A	1/1	2/2
Ms. Leung Kwan Sin Rita	N/A	3/3	N/A	2/2	N/A	2/2
Dr. Wong Wai Kong	N/A	3/3	N/A	N/A	N/A	2/2
Non-executive Director						
Mr. Kam Eddie Shing Cheuk	N/A	3/3	1/1	N/A	N/A	N/A
Independent non-executive Directors						
Mr. Chan Hiu Fung Nicholas	N/A	3/3	N/A	N/A	1/1	N/A
Mr. Ling Kwok Fai Joseph	N/A	3/3	1/1	2/2	1/1	N/A
Mr. Sze Wing Chun	N/A	3/3	1/1	2/2	N/A	N/A

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The meetings are structured to allow open discussion. All Directors participate in discussing the strategy, operational and financial performance, internal control and risk management of the Group.

The Company Secretary is responsible to take and keep minutes of all Board and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to the current Board practice, any material transaction, which involves conflict of interests on a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their close associates have a material interest.

Supply of and Access to Information

The management supplied the Board with adequate and sufficient information through financial reports, business and operational reports, in a timely manner, to enable them to make informed decisions.

The management also provided Directors with management accounts and all relevant information giving a balanced and understandable assessment of the Company's performance, position and prospects on a regular basis to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 of the Listing Rules.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Company in respect of legal action against them arising from the performance of their duties. The insurance covers directors' and officers' liability, company reimbursement, legal representation expenses and securities claims.

Continuing Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director shall receive a formal, comprehensive and tailored induction to ensure that he or she has a proper understanding of the business and operations of the Group and that he or she is fully aware of his or her duties and responsibilities as a director under applicable statutory and regulatory rules and requirements.

All Directors are encouraged to participate in continuous professional development so as to develop and refresh directors' knowledge and skills and to ensure that their contribution to the Board remains informed and relevant.

The Directors have complied with the code provision A.6.5 of the CG Code on continuous professional development by participating in appropriate continuous professional development and reading materials on corporate governance and other Listing Rules compliance related subjects published by the Stock Exchange to develop and refresh their knowledge and skills and providing the Company their records of training for the year ended 31 March 2021. The training attended by the Directors during the year are as follows:

	Corporate governance/updates on laws, rules and regulations/finance/business	
	Read materials	Attended seminars/briefings
Executive Directors		
Mr. Fung Yui Kong	✓	✓
Ms. Leung Kwan Sin Rita	✓	✓
Dr. Wong Wai Kong	✓	✓
Non-executive Director		
Mr. Kam Eddie Shing Cheuk	✓	✓
Independent non-executive Directors		
Mr. Chan Hiu Fung Nicholas	✓	✓
Mr. Ling Kwok Fai Joseph	✓	✓
Mr. Sze Wing Chun	✓	✓

BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee, for overseeing particular aspects of the Company's affairs, details of which are as follows:

Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Mr. Fung Yui Kong			M	C
Ms. Leung Kwan Sin Rita		M		M
Dr. Wong Wai Kong				M
Mr. Kam Eddie Shing Cheuk	M			
Mr. Chan Hiu Fung Nicholas			C	
Mr. Ling Kwok Fai Joseph	M	C	M	
Mr. Sze Wing Chun	C	M		

C: Chairman of the relevant Board committees
M: Member of the relevant Board committees

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

1. Nomination Committee

The Nomination Committee was established on 25 January 2021 with specific terms of reference setting out the committee's authority and duties. The Nomination Committee comprises one executive Director namely Mr. Fung Yui Kong and two independent non-executive Directors namely Mr. Chan Hiu Fung Nicholas (Chairman) and Mr. Ling Kwok Fai Joseph. The Nomination Committee is responsible for, among other matters, the following:

- To review the structure, size and composition (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with due regard to the diversity of the Board;

- To identify and nominate qualified individual for appointment as additional Director or to fill any casual vacancy on the Board for the Board's approval as and when the circumstances arise. In identifying suitable individual, it shall consider individual on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

- To assess the independence of independent non-executive Directors and to review the independent non-executive Directors' annual confirmations with respect to their independence; and make disclosure of its review results in the Corporate Governance Report;

- To make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and chief executive;

- To ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly the key terms and conditions of their appointment;

- To review the Board Diversity Policy as appropriate and review the measurable objectives (if any) that the Company has set for implementing the Board Diversity Policy, the progress on achieving the objectives and disclose the Board Diversity Policy or a summary of the same in the Corporate Governance Report annually;

- To review the policy for the nomination of Board members which includes the nomination procedures and the process and criteria adopted by the Nomination Committee to identify, select and recommend candidates for directorship during the year and make disclosure of such policy in the Corporate Governance Report annually;

- To do such things to enable the Nomination Committee to discharge its duties conferred on it by the Board; and

- To conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or imposed by the Listing Rules or applicable laws.

As the Company was only listed on 19 February 2021, no meeting of the Nomination Committee was held during the year ended 31 March 2021. Since the Listing Date and up to the date of this report, 1 meeting of the Nomination Committee was held. The attendance of each member of the Nomination Committee is set out in the above paragraph headed "Board Meeting" in this Corporate Governance Report. The following is a summary of works performed by the Nomination Committee since the Listing Date and up to the date of this report:

- Reviewed the structure, size, composition and diversity of the Board, and made recommendation to the Board;

- Reviewed the board diversity policy and the nomination policy;

- Reviewed the independence of independent non-executive Directors; and

- Made recommendations to the Board on the retirement and re-appointment of Directors by rotation at the annual general meeting of the Company.

The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

2. Remuneration Committee

The Remuneration Committee was established on 25 January 2021 with specific terms of reference setting out the committee's authority and duties. The Remuneration Committee comprises one executive Director namely Ms. Leung Kwan Sin Rita and two independent non-executive Directors namely Mr. Ling Kwok Fai Joseph (Chairman) and Mr. Sze Wing Chun. The Remuneration Committee is responsible for, among other matters, the following:

- To advise the Board on and to review the remuneration policy and structure for all remuneration of the Directors and senior management;
- To make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- To make recommendations to the Board on the remuneration of non-executive Directors;
- To approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment;
- To review and approve compensation arrangements relating to dismissal or removal of Directors or misconduct;
- To do such things to enable the Remuneration Committee to discharge its duties conferred on it by the Board; and
- To ensure that no Director nor any of his/her associates is involved in deciding his/her own remuneration.

Emolument Policy

The Directors are paid fees in line with market practice. The Group adopted the following main principles of determining the Directors' remuneration:

- No individual should determine his/her own remuneration;
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources; and
- Remuneration should reflect performance and responsibility with a view to attract, motivate and retain high performing individuals and promoting the enhancement of the value of the Company to its shareholders.

In addition to the basic salaries, a share option scheme is adopted for rewarding good performers as well as retaining talented staff for the continual operation and development of the Group.

Remuneration Paid to Members of Senior Management

Details of remuneration paid to members of senior management (excluding the Directors) fell within the following bands:

Remuneration band	Number of individuals
Nil–HK$1,000,000	4
HK$1,000,001–HK$1,500,000	1
HK$1,500,001–HK$2,000,000	2
HK$2,000,001–HK$2,500,000	0
HK$2,500,001–HK$3,000,000	0

Particulars relating to Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 7 and 8, respectively, to the consolidated financial statements as set out on pages 101 to 103 of this annual report.

As the Company was only listed on 19 February 2021, no meeting of the Remuneration Committee was held during the year ended 31 March 2021. Since the Listing Date and up to the date of this report, 2 meetings of the Remuneration Committee were held. The attendance of each member of the Remuneration Committee is set out in the above paragraph headed "Board Meeting" in this Corporate Governance Report.

The following is a summary of works performed by the Remuneration Committee since the Listing Date and up to the date of this report:

— Reviewed and approved the terms of the grant of share options to the Directors;

— Reviewed the remuneration policy and structure for all remuneration of the Directors and senior management of the Group;

— Assessed the performance of the executive Directors and senior management of the Group; and

— Made recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Group.

The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

3. Audit Committee

The Audit Committee was established on 25 January 2021 with specific terms of reference setting out the committee's authority and duties. The Audit Committee comprises one non-executive Director namely Mr. Kam Eddie Shing Cheuk and two independent non-executive Directors namely Mr. Sze Wing Chun (Chairman), who possesses the appropriate professional qualifications or accounting or related financial management expertise, and Mr. Ling Kwok Fai Joseph. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include, among other matters, the following:

(a) to review the financial statements and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function, internal audit, compliance or external auditors before submission to the Board;

(b) to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

As the Company was only listed on 19 February 2021, no meeting of the Audit Committee was held during the year ended 31 March 2021. Since the Listing Date and up to the date of this report, 1 meeting of the Audit Committee was held. The attendance of each member of the Audit Committee is set out in the above paragraph headed "Board Meeting" in this Corporate Governance Report. Following is a summary of works performed by the Audit Committee since the Listing Date and up to the date of this report:

- Reviewed the 2021 annual results of the Group and related announcement including the related disclosures, integrity of financial reporting and the accounting policies adopted by the Group prior to the submission to the Board's approval;

- Reviewed the effectiveness and adequacy of the internal control and risk management systems of the Group;

- Reviewed the status of compliance by the controlling shareholders of the Company with the undertakings in the deed of non-competition dated 25 January 2021 during the year ended 31 March 2021;

- Considered the independence and the re-appointment of the external auditor; and

- Reviewed the financial reporting system, compliance procedures, internal control and risk management systems of the Group.

The Audit Committee also had a meeting with Ernst & Young, the independent external auditor of the Company. The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

4. Risk Management Committee

The Risk Management Committee was established on 25 January 2021 with specific terms of reference setting out the committee's authority and duties. The Risk Management Committee comprises three executive Directors namely Mr. Fung Yui Kong (Chairman), Ms. Leung Kwan Sin Rita and Dr. Wong Wai Kong. The main duties of the Risk Management Committee include, among other matters, the following:

(a) to monitor the Company's exposure to sanctions law risks and its implementation of the related internal control procedures, with particular emphasis on the Company's risk management policies and standards and supervise and monitor the Company's exposure to sanctions law risks;

(b) to review and approve all relevant potential business transactions between the Group and its customers/distributors or potential customers/distributors from sanctioned countries and with sanctioned persons and identify if any trade restrictions are imposed by any countries against any customers/distributors or potential customers/distributors;

(c) to conduct periodic review of the information (such as identity and nature of business as well as ownership) relating to the counterparty to the contract along with the draft business transaction documentation;

(d) to check or delegate to nominated staff of the Group to check the counterparty (including but not limited to suppliers and customers of the Group) against the various lists of restricted parties and countries maintained by the United States of America, the European Union, the United Nations, the United Kingdom or Australia;

(e) to periodically review the Company's internal control policies and procedures with respect to sanctions law matters; and

(f) to monitor new applicable sanctions laws and trade restrictions or any change to existing sanctions law and trade restrictions and seek advice from international trade sanction consultants or international trade sanction legal advisers on the Group's compliance with applicable sanction laws where necessary.

As the Company was only listed on 19 February 2021, no meeting of the Risk Management Committee was held during the year ended 31 March 2021. Since the Listing Date and up to the date of this report, 2 meetings of the Risk Management Committee were held. The attendance of each member of the Risk Management Committee is set out in the above paragraph headed "Board Meeting" in this Corporate Governance Report. Following is a summary of works performed by the Risk Management Committee since the Listing Date and up to the date of this report:

- Monitored the Company's exposure to sanctions law risks and its implementation of the related internal control procedures;

- Reviewed and approved all relevant potential business transactions between the Group and its customers/distributors or potential customers/distributors and conducted periodic review of the information (such as identity and nature of business as well as ownership) relating to the counterparty to the contract; and

- Reviewed the Company's internal control policies and procedures with respect to sanctions law matters.

Since the Listing Date and up to the date of this report, there were no irregular findings made by the Risk Management Committee which were required to be reported to the independent non-executive Directors.

AUDITOR'S REMUNERATION

For the year ended 31 March 2021, the remuneration paid/payable to the Company's external auditor, Ernst & Young in respect of their audit and non-audit services (if any) is set out as follows:

Type of services	Fees paid/payable
Audit services:	
Audit of annual financial statements	1,500,000
Non-audit services:	
Acting as reporting accountant for the Listing	800,000
Other non-audit services (such as tax related matters)	96,000

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group that give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flows in accordance with applicable accounting standards and the Hong Kong Companies Ordinance.

The Directors also acknowledge their responsibilities to ensure that the announcements in relation to the consolidated financial statements on annual and interim results of the Group are published in a timely manner, within three months and two months respectively of the year end and the half-year period end. The responsibilities of the external auditor of the Company on the consolidated financial statements of the Group are set out in "Independent Auditor's Report" on pages 63 to 67.

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The Directors are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its overall responsibilities for maintaining sound and effective risk management and internal control systems including an annual review on their effectiveness for achieving long-term sustainable development of the Group. The risk management and internal control systems, under a defined management structure with limits of authority, are designed for the Group to identify and manage the significant risks to pursue its business objectives, safeguard its assets against unauthorised use or disposition, enhance effectiveness and efficiency of its operations, ensure the maintenance of proper accounting records for reliable financial reporting, and ensure compliance with relevant laws and regulations. Such systems are designed to manage rather than eliminate risks of failure in the achievement of the Group's business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss.

The Board is responsible for the determination of the Group's risk profile within its acceptable tolerance levels in business operation, oversight of management in the design, implementation and monitoring of overall risk management process from risk identification, risk assessment, establishment of appropriate risk responses and regular risk evaluation and monitoring, so as to ensure the systems are effectively established and maintained.

The risk management process is structured from management of the Group from respective business functions at execution level to the Board, together assisted by the Audit Committee in decision-making and monitoring level. Management of the Group identifies, assesses and prioritises the key existing and potential risks through a detailed assessment process and determines the appropriate mitigation strategies and control measures in response of the identified risks. Ongoing evaluation and monitoring of the identified risks, respective measures, and results are carried out and reported to the Board regularly. The Board at decision-making level, assisted by the Audit Committee, reviews the risk appetite, risk management process and strategies and also the internal control systems and provide recommendations for any improvement on the systems on an ongoing basis to ensure risk management effectiveness.

The Group has formulated and adopted effective risk management policies to provide guidelines in identifying, evaluating and managing risks. On an annual basis, the management will identify and assess the risks that may adversely affect the Group's objective and operations, then a set of criteria will be used to identify and prioritise the risks. Risk mitigation plans for those risks considered to be significant are then established and risk owners are assigned accordingly.

The internal control function promotes the importance and construction of the compliance into the corporate culture, monitor the effectiveness of the existing internal controls system of the Group, and provide reasonable assurance to the Board for oversight of the internal control system operated by the management. The internal control function conducts regular internal control review across principal divisions of the Group, and, on a regular basis reports their finding results with improvements directly to the Audit Committee to ensure the internal controls are in place and adopted properly and effectively as intended. The scope of internal control review included principal divisions from finance department, risk management department, treasury department and purchasing department, etc. to ensure material controls have been covered during the internal control review process. Any matter or areas of improvement shall be communicated to the divisional management and had them followed up on a timely basis.

In addition, the Group will also engage independent professional advisor(s) to assist the Board and the Audit Committee with ongoing monitoring of the risk management and internal control systems where necessary. Deficiencies in the internal control systems will be identified and recommendations are proposed for improvement. Significant internal control deficiencies will be reported to the Audit Committee and the Board on a timely basis. Then, rectification plan will be established and risk owners will be assigned to ensure prompt remediation actions are taken.

Upon review of the annual risk management and internal control system report concluded by the external consultant and the management, the Audit Committee and the Board reviews and evaluate the effectiveness of the Group's risk management and internal control system, on a regular basis, at least once a year. The Board's annual review in respect of the year ended 31 March 2021 has considered, among other things, (i) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal control and financial reporting functions; (ii) the scope and quality of the management's ongoing monitoring of risks and of the internal control systems; (iii) the effectiveness of the risk management and internal control systems (including the extent and frequency of monitoring results to the Board or the Audit Committee); and (iv) the effectiveness of the Company's processes for financial reporting and the Listing Rules compliance.

During the year ended 31 March 2021, the Board was not aware of any significant internal control or risk management issues that would have an adverse impact on the financial position or operations of the Group. The Board, through the review of the Audit Committee, considered that risk management and internal control systems of the Group are effective and adequate. The Board, through the Audit Committee, also satisfied itself that the accounting and financial reporting of the Group are adequately resourced with staffs of appropriate qualifications and experience.

The above risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures and internal controls for the handling and dissemination of inside information

The Group complied with requirements of the Securities and Futures Ordinance and the Listing Rules in relation to inside information during the year. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the Securities and Futures Ordinance. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of disclosure of inside information in a balanced, adequate and effective way. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules and its own policy;
- The Group has implemented and disclosed events or matters on fair disclosure by non-exclusive distributions of information to the public through channels such as financial reporting, public announcements and its website;
- The Group has strictly prohibited unauthorised use of confidential or inside information; and
- The Group has established procedures for responding to external enquiries about the Group's affairs so that only the executive Directors, company secretary and other person duly authorised by the Board are authorised to communicate with parties outside the Group.

COMPANY SECRETARY

Mr. Ng Yuet Kong was appointed as the Company Secretary by the Board on 17 June 2019. He plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary has day-to-day knowledge of the Company's affairs. All Directors may have access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters.

The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

During the year ended 31 March 2021, Mr. Ng Yuet Kong has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board recognises the importance of effective communication with the shareholders and investors. The Company communicates with its shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and publications which are all available on the websites of the Stock Exchange and the Company. Corporate communications issued by the Company have been provided to the shareholders in both English and Chinese versions for better understanding.

Designated executive Director(s) and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

In order to provide shareholders with information about the Company, to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner, the Company has a shareholders' communication policy which is available on the Company's website. The Board shall review the policy regularly to ensure its effectiveness and efficiency.

At general meetings, each substantially separate issue will be considered by a separate resolution, including the election of individual Director. The chairman of the Board, chairmen of the respective Board committees, senior management and the external auditor are normally available to answer questions at the shareholders' meetings.

As the Company was only listed on 19 February 2021, no general meeting was held from the Listing Date to 31 March 2021. The 2021 annual general meeting will be held on 25 August 2021.

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended memorandum (the "Memorandum") and articles of association (the "Articles") of the Company on 25 January 2021 which was effective upon the Listing Date. During the period from the Listing Date to 31 March 2021, there was no change to the Company's constitutional documents. The Memorandum and Articles are available on the websites of the Company and the Stock Exchange.

DIVIDEND POLICY

The Board considers stable dividend payment to the shareholders of the Company to be one of the main objectives of the Company. The declaration and payment of dividends of the Company shall be determined at the discretion of the Board and subject to all applicable laws and regulations in the Cayman Islands and Hong Kong and the Articles. The Company has adopted a dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

According to the dividend policy, the aggregate amount of dividend payment per year shall not exceed 25% of the distributable net profits (excluding extraordinary items, if any) attributable to the Shareholders, taking into consideration the criteria below.

When considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- current and future results of operations of the Group;
- cash flow situation;
- financial conditions;
- future prospects;
- any regulatory restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any final dividend for a financial year will be subject to shareholders' approval.

The Company will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Procedures for Shareholders to convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may by written requisition to the Board or the Secretary of the Company to require an EGM to be convened and stating the subjects to be considered at the meeting by written requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders enquiries to the Board

Shareholders may send their enquiries to the Board in writing with contact details, including registered name, address, telephone number and email address, to the Company Secretary as follows:

Address: Rooms 902–6, 9/F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong
Telephone: (852) 2836 3301
Fax: (852) 2834 7340

Any matter in relation to the transfer of shares, change of name or address, loss of share certificates should be addressed to the Company's Hong Kong branch share registrar and transfer agent as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2861 0285

Procedures for Putting Forward Proposals at Shareholders' Meetings

Proposal for election of a person other than a Director as a Director: Pursuant to Article 85, a Shareholder who wishes to propose a person other than a retiring Director for election to the office of Director at any general meeting should lodge (i) a notice in writing by him/her/it (other than the person to be proposed) of his/her/its intention to propose that person for election as a Director; and (ii) a notice in writing by that person of his/her willingness to be elected, at either (a) the principal place of business of the Company in Hong Kong (presently at Rooms 902–6, 9/F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong), or (b) the Company's branch share registrar and transfer office in Hong Kong at Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The period for lodgement of the notices mentioned above will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Other proposals: If a Shareholder wishes to make other proposals (the "Proposal(s)") at a general meeting, he/she/it may lodge a written request, duly signed, at the principal place of business of the Company in Hong Kong presently at Rooms 902–6, 9/F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong marked for the attention of the Company Secretary.

The identity of the Shareholder and his/her/its request will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order, and is made by a Shareholder, the Board will in its sole discretion decide whether the Proposal(s) may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal(s) made by the Shareholders concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal(s) require(s) approval in an AGM.

(2) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal(s) require(s) approval by way of an ordinary resolution in an EGM.

Disclaimer

The contents of the section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the Shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as Shareholders. The Company disclaims all liabilities and losses incurred by the Shareholders in reliance on any contents of the section headed "Shareholders' Rights".

REPORT OF THE DIRECTORS

The directors of the Company (the "Board" or the "Directors") are pleased to present to the shareholders of the Company (the "Shareholders") their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2021.

SHARE OFFER AND CAPITALISATION ISSUE

The Company was incorporated on 5 July 2018 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. A total of 250,000,000 shares with nominal value of HK$0.01 per share (each a "Share") were issued at HK$0.56 each by way of public offer and placing on 18 February 2021 and on 19 February 2021 (the "Listing Date"), the issued Shares were listed on the Main Board of the Stock Exchange. Further, the Company allotted and issued a total of 749,900,000 Shares, credited as fully paid at par, to Generous Horizon Limited (formerly named Generous Team Limited) on 19 February 2021 by way of capitalisation of the sum of HK$7,499,000 standing to the credit of the share premium account of the Company pursuant to the resolutions of the sole shareholder passed on 25 January 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in import and export of connectivity products which are used in telecom and datacom connectivity industry. Details of the principal activities and other particulars of the subsidiaries of the Company are shown in note 1 to the consolidated financial statements.

BUSINESS REVIEW

The business review as required by Schedule 5 to the Hong Kong Companies Ordinance is set out as below:

Overview

A fair review of the business of the Group for the year ended 31 March 2021 is set out in the section headed "Chairman's Statement" on pages 5 to 6 of this annual report.

Key financial and business performance indicators

An analysis of the Group's performance during the year using key financial and business performance indicators comprising revenue, gross profit margin and gearing ratio is set out in the section headed "Management Discussion & Analysis" on pages 7 to 13 of this annual report.

Environmental policies and performance

As a responsible corporate entity, the Group is committed to preserving the environment. We have adopted environmental, social and governance policy, with the aim to achieve sustainable development, and are committed to conducting our activities in a manner consistent with the above objective. With the implementation of various environmental initiatives and practices in our business segments, the Group strives to reduce waste production, implement effective proper waste management and optimise resource efficiency, in order to minimise the adverse impacts on the environment and continually improve our environmental performance. The Group also ensures that all our businesses operations are in strict compliance with all applicable environmental laws and regulations.

For further details of the ESG initiatives, practices and performance of the Group, please refer to the section headed "Environmental, Social and Governance Report" on pages 51 to 62 of this annual report.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance which could have a significant impact on the conduct of our business and our prospects. The Group has employed suitable personnel and engaged appropriate professional advisers to keep itself informed of the latest legislative changes and industry developments and ensure its operations are in line with the applicable laws, rules and regulations. We also maintain cordial working relationships and communication with local governments and relevant departments.

During the year, the Group's principal operations are carried out in Hong Kong. As far as the Directors are aware, there was no material impact on the Group resulting from non-compliance with any relevant laws and regulations.

The Company has complied with the Securities and Futures Ordinance (Chapter 571) ("SFO"), the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange, the Hong Kong Companies Ordinance (Chapter 622), the Codes on Takeovers and Mergers and Share Buy-backs and other relevant rules and regulations during the year.

Details on the compliance with applicable laws and regulations are set out in the section headed "Environmental, Social and Governance Report" on pages 51 to 62 of this annual report.

Principal risks and uncertainties

During the year under review, the Group's businesses, financial conditions, results of operations or growth prospects faced the following principal risks and uncertainties:

Impact of COVID-19 pandemic

The Group has implemented a series of precautionary and control measures since the outbreak of COVID-19 to ensure business continuity. In order to protect our workforce from outbreak, the Group has provided clear and timely guidelines to all staffs; maintained a close monitoring on all staff's health status, travel history and potentially infectious contacts; provided extra sanitization products to all sites.

The trade war between the U.S. and the PRC and trade restrictions imposed by the U.S. and other countries

The Group has set up a risk management committee to coordinate, respond to and to tackle the possible risks. The risk management committees have developed strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly.

Strong market positions of our major suppliers and major customers

As a distributor, our success relies on our ability to source and procure components from brand name manufacturer suppliers and then sell the components to our customers on favourable terms. The purchase prices offered by our suppliers and selling prices offered to our customers are generally determined on an order-by-order basis. As most of our major suppliers and major customers are key players in their respective industries with a strong market position, we may have limited bargaining power when negotiating with them and may need to concede to certain requests made by these suppliers and customers in order to maintain good relations with them. We cannot guarantee that we could be able to negotiate favourable pricing or terms in our transactions with our major suppliers and major customers in the future. If we fail to negotiate terms that are favourable or acceptable to us, our financial performance and results of operations may be adversely affected.

Business relationships with major suppliers

Our success depends on our ability to maintain a good and continued business relationship with our major suppliers and our ability to source and procure components from brand name manufacturer suppliers on favourable terms. During the year under review, we sourced components from manufacturers and to a less extent, their authorised distributors, and supplied them to our customers. Although we generally enter into distribution agreements with our major suppliers, the distribution rights granted to us thereunder are on a non-exclusive basis and our purchase of components are only made on individual orders basis. If any of our major suppliers materially reduce the amount of supplies to us or our business relationship with our major suppliers are terminated, interrupted or modified in any way adverse to us, there can be no assurance that we would be able to procure from alternative suppliers for replacement in time or that the products we procured from such alternative suppliers would be on terms and conditions acceptable to us and/or in sufficient quantity to meet our imminent demands.

Appointment as authorised distributor of manufacturer suppliers or as approved supplier of potential customers

We generally need to meet certain requirements set by manufacturers to become their authorised distributor. In determining whether to approve a distributor as an authorised distributing channel, a manufacturer may consider factors such as a distributor's customer coverage, technical capabilities, field coverage, financial capabilities and whether the distributor's existing product offering from other manufacturers will complement or compete with its products. Some of our potential customers may require products of which we are not an authorised distributor. If we anticipate strong demand for a manufacturer's products, we may consider obtaining approval to become authorised distributor of such products from the relevant manufacturer. However, there is no assurance that we can be appointed as an authorised distributor by these manufacturers.

Delay in the supplies and/or insufficient supplies from our suppliers

We rely on our suppliers to supply us with the quality components at competitive prices. We generally require a much shorter lead time to deliver the components to our customers we sourced than the lead time required by our suppliers to deliver the same to us. In the event that our suppliers fail to deliver their products to us on time or in our demanded quantity and we are unable to procure supplies from alternative suppliers in a timely manner, we may not be able to meet our customers' demand or offer them sufficient quantities at competitive prices, which may result in compensation to our customers, damage to our reputation and our operations and financial performance may be adversely affected.

Decrease or loss of business from customers

Sales to our customers are generally based on individual purchase orders from time to time. We therefore generally sell components to our customers on an order-by-order basis based on the purchase orders placed by our customers from time to time. Our customers are not subject to any purchase commitment. Without a regular purchase commitment, it is difficult for us to forecast future order quantities and revenue so as to plan for efficient and optimal resource allocation. As such, there is no assurance that our customers will continue to place orders with us on a regular basis in terms of quantities, pricing and time intervals. Our profitability, financial condition and results of operations may therefore be affected. Market demand for components in the telecom and datacom connectivity industry are affected by factors such as market of the end applications, demand for the components from customers, intensity of competition and availability of substitutes and new technological development. Our results of operations may therefore vary from period to period, and period to period comparison of financial performance may become less meaningful and our operating results may, for some periods, be below market expectation.

Business relationship with our customers

We provide application support, sourcing and other technical services to our customers primarily in the telecom and datacom connectivity industry. Our revenue is derived from charging a mark-up on top of the components we re-sell to our customers, which factor in our cost in providing value-added services to our customers. Our Directors consider that the provision of application support and other technical services is crucial to our customers as this reduces the time and effort for our customers to identify and source suitable components and lower their research and development costs. If we fail to maintain our business relationship with our customers in the future or if our customers directly procure components from our suppliers, our business, financial condition and results of operations may be adversely affected.

Disruption to technology of end products

Our customers incorporate the components procured from us into their products which primarily address end applications in the telecom and datacom connectivity industry. These end applications are normally associated with the latest technology and we may not be able to effectively integrate or apply these new technologies in a timely manner. Any disruption to technology of end products, such as displacement of certain established technology may adversely affect demand of certain end products, and thus affect demand for our products and in turn affect our business, financial condition and results of operations.

This is not an exhaustive statement of all relevant risks and uncertainties. Matters which are not currently known to the Board or events which the Board considers to be immaterial may also have a material adverse effect on our businesses, financial conditions, results of operations or growth prospects.

Relationships with key stakeholders

The Company is committed to upholding a positive image for the Group and its success also depends on the support from key stakeholders which comprise employees, customers, shareholders, business partners and suppliers. The Board considers that the Group has maintained good relationships with its key stakeholders, which is beneficial to the long-term development of the Group. Such relationship is further discussed in the section headed "Environmental, Social and Governance Report" on pages 51 to 62 of this annual report.

Future business developments

An indication of future development of the Group's business is presented in the section headed "Chairman's Statement" on pages 5 to 6 of this annual report.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss on page 68.

The Board has recommended the payment of a final dividend for the year ended 31 March 2021 of HK1.3 cents per Share to those shareholders whose names appeared on the Company's register of members on 3 September 2021. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting, the final dividend is expected to be paid in cash on or about 4 October 2021.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

CHARITABLE DONATION

The Group did not make any charitable donation during the year ended 31 March 2021.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last four financial years is set out on page 134. The summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 August 2021 to Wednesday, 25 August 2021 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company (the "2021 AGM") to be held on Wednesday, 25 August 2021. In order to qualify for attending and voting at the 2021 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 19 August 2021.

The register of members of the Company will be closed from Wednesday, 1 September 2021 to Friday, 3 September 2021 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to receive the proposed final dividend. In order to be entitled to receive the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 31 August 2021.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

SHARE OPTION SCHEME

No share options had been granted under the share option scheme before 31 March 2021. Details of the share option scheme of the Company are set out in note 24 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 71 and note 34 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2021, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to approximately HK$353.7 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Fung Yui Kong *(Chairman)*
Ms. Leung Kwan Sin Rita
Dr. Wong Wai Kong

Non-executive Director

Mr. Kam Eddie Shing Cheuk

Independent non-executive Directors

Mr. Chan Hiu Fung Nicholas (appointed on 25 January 2021)
Mr. Ling Kwok Fai Joseph (appointed on 25 January 2021)
Mr. Sze Wing Chun (appointed on 25 January 2021)

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 18 in this annual report.

Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for a term up to two years from the Listing Date.

The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles.

In accordance with Article 84(1), all the directors will retire from office and, being eligible, offer themselves for re-election at the 2021 AGM. None of the Directors proposed for re-election at the 2021 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

Save for service contracts, no other contracts, relating to the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the year ended 31 March 2021.

RETIREMENT BENEFIT SCHEME

The Group has joined a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

FUND RAISING ACTIVITIES DURING THE YEAR

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date with a total of 250,000,000 Shares issued at HK$0.56 each by way of public offer and placing, raising net proceeds of approximately HK$88.1 million after deducting underwriting commissions and all related expenses. During the year ended 31 March 2021, save as disclosed herein and in the Share Offer and Capitalisation Issue, the Company had not undertaken any fund-raising activity.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the year ended 31 March 2021, almost all of the income and expenditure of the Group were denominated in Renminbi, Hong Kong dollars and/or United States dollars. The Group had no significant exposure to foreign exchange fluctuations and, therefore, had not taken any financial instruments for hedging purpose.

SIGNIFICANT INVESTMENTS

During the year ended 31 March 2021, the Group did not acquire or hold any significant investments.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance, in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year ended 31 March 2021.

No contract of significance was entered into between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries during or at the end of the year ended 31 March 2021.

INDEMNITY PROVISION

Subject to applicable laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, pursuant to the Articles. Such provisions were in force throughout the year ended 31 March 2021 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 March 2021, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DEED OF NON-COMPETITION

Each of Generous Horizon Limited (formerly named Generous Team Limited) and Mr. Fung Yui Kong (together as the "Controlling Shareholders") had entered into a deed of non-competition dated 25 January 2021 (the "Deed of Non-competition") in favor of the Company (for itself and as trustee for the benefit of each of the members of our Group from time to time) that with effect from the Listing Date and during the term of the Deed of Non-competition (the "Restricted Period"), among other matters, he/it shall not, and shall procure that their respective close associates (other than any member of our Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, (i) engage in, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venturer, employee, consultant or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group (including but not limited to the distribution of connectivity products, being devices built with electronics or optoelectronics, sensors and software for network connections, which enable these devices to transmit and receive signal or data, sourcing and distribution of components and provision of solution and application support which includes identification of customers' specifications, technical design support, and multiple functions integration and technical analysis and support to customers throughout their design and production cycle or any other ancillary businesses in relation thereto in Hong Kong, the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the "Restricted Business")); and (ii) take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, solicitation of our Group's customers, service providers or personnel of any member of our Group.

In order to ensure each of the Controlling Shareholders has complied with the Deed of Non-competition, the following actions have been taken:

(1) the Company has enquired with each of the Controlling Shareholders, from time to time, on whether he/it or any of his/its associates has engaged in any Restricted Business or is given any business opportunity relating to the Restricted Business;

(2) the Company has required each of the Controlling Shareholders to give a written confirmation to the Company on an annual basis as to whether he/it and his/its associates have complied with the Deed of Non-competition;

(3) each of the Controlling Shareholders has provided to the Company such written confirmation in respect of the compliance with the Deed of Non-competition by him/it and his/its associates for the year ended 31 March 2021; and

(4) the independent non-executive Directors have reviewed the status of compliance by the Controlling Shareholders with the undertakings in the Deed of Non-competition during the year ended 31 March 2021 and confirmed that, so far as they can ascertain, each of the Controlling Shareholders has complied with the Deed of Non-competition.

The Company is not aware of any other matters regarding the compliance of the Deed of Non-competition that are required to be brought to the attention of the Shareholders, and there has not been any change in terms of the Deed of Non-competition for the year ended 31 March 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code") as its own code of conduct governing securities transactions by the Directors. All Directors, after specific enquiries by the Company, had confirmed to the Company their compliance with the required standards set out in the Model Code during the Year.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 31 March 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in the shares and underlying shares of the Company

Name of Directors	Nature of interest	Interest in shares	Total interests	Approximate percentage of issued share capital
Mr. Fung Yui Kong	Interest in controlled corporation	750,000,000 (Note)	750,000,000	75

Note: These Shares are held by Generous Horizon Limited (formerly named Generous Team Limited), a company incorporated in the British Virgin Islands with limited liability the entire issued share capital of which is legally and beneficially owned by Mr. Fung Yui Kong. As such, Mr. Fung Yui Kong is deemed to be interested in the Shares in which Generous Horizon Limited is interested under Part XV of the SFO.

(ii) Long positions in the shares of associated corporation(s) of the Company

Name of Director	Name of associated corporation	Capacity	Number of share(s) held in the associated corporation	Percentage of issued share capital
Mr. Fung Yui Kong	Generous Horizon Limited	Beneficial owner	1	100

Save as disclosed above, as at 31 March 2021, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial shareholders

As at 31 March 2021, so far as is known to the Directors, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Nature of interest	No. of shares/ underlying shares held	Percentage of issued share capital
Generous Horizon Limited	Beneficial owner	750,000,000 (Note 1)	75
Ms. Lam Esther W.	Interest of spouse	750,000,000 (Note 2)	75

Notes:

1. Generous Horizon Limited (formerly named Generous Team Limited) is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is legally and beneficially owned by Mr. Fung Yui Kong.

2. Ms. Lam Esther W. is the spouse of Mr. Fung Yui Kong. As such, she is deemed to be interested in the Shares in which Mr. Fung Yui Kong is interested under Part XV of the SFO.

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the year ended 31 March 2021 and at the end of the financial year was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

The emoluments of the Directors are decided by the Board as recommended by the Remuneration Committee having regard to the Group's operating results, the individual performance of the Directors and the comparable market statistics. The Directors' fees are in line with market practice. No individual Director should determine his/her own remuneration.

Emolument package includes, as the case may be, fees, basic salaries, housing allowances, contribution to pension schemes, discretionary bonus relating to the financial results of the Group and individual performance, ad hoc rewards, share options and other competitive fringe benefits such as medical and life insurances. Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 7 and note 8, respectively, to the consolidated financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, sales to the Group's largest customer accounted for approximately 32.2% of the total revenue and the aggregate sales to its five largest customers in aggregate accounted for approximately 55.4% of the total revenue.

During the year ended 31 March 2021, purchases from the Group's largest supplier accounted for approximately 36.2% of the total purchase cost and the aggregate purchases from its five largest suppliers in aggregate accounted for approximately 96.8% of the total purchase cost.

To the best knowledge of the Directors, none of the Directors, their associates or any Shareholder (who to the Directors' knowledge was interested in or owned more than 5% of the issued share capital of the Company) had any interest in the customers or suppliers referred to above.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company, or existed during the year ended 31 March 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the Year are set out in note 27 to the consolidated financial statements. None of these related party transactions fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of the Company's shares.

AUDITOR

Ernst & Young will retire at the conclusion of the forthcoming 2021 AGM, and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming 2021 AGM to reappoint Ernst & Young as auditor of the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, there was sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules since the Listing Date and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 35 to the consolidated financial statements, no significant subsequent event was undertaken by the Group after 31 March 2021 and up to the date of this annual report.

On behalf of the Board

Fung Yui Kong
Chairman

Hong Kong, 28 June 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

We are pleased to present this Environmental, Social and Governance ("ESG") Report in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide"), as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The information stated in this report covers the period from 1 April 2020 to 31 March 2021 (the "Reporting Period") which aligns with the financial year as the 2021 annual report of the Group.

CORE BUSINESS OF THE GROUP

In the year under review, the Group's main activities are sourcing and disturbing the connectivity products and components, and providing solution and application support to customers. The customers mainly include communications module manufacturers, network system equipment providers, providers of Internet of Things ("IoT") and connectivity solutions and products, and other distributors in the Peoples' Republic of China ("PRC" or "China").

ESG APPROACH

This report demonstrates Pangaea Connectivity Technology Limited's (hereinafter referred to as "Pangaea Connectivity", the "Company") and its subsidiaries' (the "Group") policy, approach and performance in terms of sustainable development for the financial year ended on 31 March 2021.

The scope of this ESG report mainly includes the data and activities of the Hong Kong and Shenzhen offices, which are the major operating locations of the Group.

In view of the nature of the business of the Group, the Group does not pose significant environmental risks in its operation as compared to other engineering or manufacturing focused companies. As such, the scope of this report focuses mainly on the Group's management approach in the areas of labour practices, employee benefits, supply chain management, product responsibility, anti-corruption and anti-money laundering activity and community investment.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY

Our approach to stakeholder engagement is designed to ensure that our stakeholders' perspectives and expectations are fully understood to help define our current and future sustainability strategies.

The Group believes that the interests of all stakeholders must be taken in account in order to strengthen relationship with our shareholders, employees, customers, suppliers, government authorities and the society as a whole.

The Group proactively engaged with the key stakeholder groups in a variety of ways to ensure effective communication of our objective and progress in relation to the following areas of concern.

Major Stakeholder	Major Communication Channels	Major Concerns
Shareholders and Investors	• Press Release, Corporate Announcements and Circulars • Annual and Interim Reports • Annual General Meetings	• Profitability • Financial Stability • Development Opportunity
Employees	• Trainings and Gathering Activities • Business Meetings and Briefings • Performance Appraisals	• Compensation & Benefits • Health & Safety Work Environment • Career Path
Suppliers	• Procurement Meetings • Phone Calls, WhatsApp, WeChat, Emails, Site Visit	• Quality of Products and Services • Integrity
Customers	• Customer Complaint Hotlines • Meetings and Correspondences	• Quality of Products and Services • Privacy Protection
Public Community	• Charitable and Volunteering Activities • Community Interactions	• Corporate Social Responsibilities • Community Investment and Charitable Activities
Government and Supervisory Institutions	• Major Meeting and Policy Consultation • Information Disclosures • Institutional Visits	• Compliance Operation • Environmental Protection • Corporate Responsibility

In the Reporting Period, through a wide range of communication channels, we found that ESG compliance and how the Group benefits the customers are the major concerns of our stakeholders. Important aspects vary from environmental emissions to privacy protection and community involvement.

A. ENVIRONMENT PROTECTION

As far as environmental management is concerned, though businesses of the Group in providing the telecom and datacom connectivity product distribution services and the solution and application support do not pose significant environmental risks, the Group has actively paid attention to reduce the use of natural resources in operations, and implement environmental control measures wherever practicable towards minimising its impact on the environment.

A.1 Emissions

In order to seek long-term sustainability of the environment, the Group is prudent in controlling its emissions, and complies with relevant environmental laws and regulations in Hong Kong and China during its daily operations.

Given the nature of the business of the Group, the largest contributor of the Group's carbon footprint is the Indirect Greenhouse Gas ("GHG") emissions. The Group's GHG emissions are mainly due to electricity consumption during the operation at the workplace and the consumption of fuel for transportation by employees.

In order to achieve energy conservation and reduce GHG emissions, the Group has adopted a number of energy conservation measures to ensure the most efficient use of electricity and fuel consumption, reduce emission of GHG and demonstrate our determination to protect our environment, including but not limited to the below:

- Turn off the idling engines of vehicles when waiting;
- Advise employees to put their computers in hibernation mode and turn off all other office equipment when not in use;
- Switch off air conditioning systems and lighting after office hours;
- Keep all the doors and windows closed when the air conditioners are running; and
- Teleconference and internet-meeting practices are also encouraged to avoid unnecessary business travel.

The Group will continue to improve the efficiency of resource utilization and gradually establish the quantitative targets for future electricity consumption based on the use of resource in the Reporting Period.

As far as waste management is concerned, due to our business nature, no significant hazardous waste was generated from our operations during the Reporting Period.

Due to the nature of the operation of the Group, the non-hazardous waste generated are mainly paper waste and waste generated from the daily operating activities in offices and laboratories. The Group has implemented several paper conservation measures to minimize the production of non-hazardous waste, which are mentioned in section A.2 below.

During the Reporting Period, the Group has complied with relevant laws and regulations regarding the use of natural resources in operation and has not received any notice of violation from government authorities.

A.2 Use of Resources

The main resources consumed by the Group are electricity, water and paper. The water consumption of the Group is minimal while electricity is consumed during daily business operations in our offices and laboratories through the use of indoor lighting, air-conditioning, functioning of office equipment and equipment related to the products testing etc. As mentioned in Section A.1, the Group has adopted energy conservation measures to help reduce the use of resources.

Paper

In order to enhance environment protection, the Group has also adopted a number of resource savings and efficiency measures to promote paperless office, including but not limited to the paper conservation measures as follows:

- Use printers that can print on both sides of the paper; try to look into this option when replacing old printers;
- Use recycled paper for intra-group informal documents and draft papers;
- Send electronic greetings over email or other forms of electronic applications, such as WhatsApp or WeChat, rather than faxing or writing; and
- Engage third parties for collection and handling of waste paper after shredding.

Water

As the Group does not conduct any business relating to engineering or manufacturing, it does not encounter any issue in sourcing water that is fit for the purpose. Our key water usage arises from the normal consumption in offices and laboratories, including water tap and drinking water. The Group operates in the premises of which water supply and discharges are solely controlled by the building management, who considered provision of water usage data to individual occupant not feasible.

In order to promote the better utilization and conservation of water resources, the Group has executed the following measures during our daily operation:

- Remind staff to turn off the water taps after use; and
- Endeavour to promote water conservation in the offices and laboratories.

Packaging

Packaging materials are prepared by the vendors. During the course of the Group's business operation, it involved only the use of minimal packaging materials and thus its impacts on the environment are considered to be minimal.

A.3 Environment and Natural Resources

This aspect is not applicable to the Group's operations, as the Group's environmental impact and use of natural resources is minimal.

2021 Key Performance Indicators

These tables present a quantitative overview of our 2021 environmental aspect performance:

A.1. Emission — GHG	Units	2020	2021	Percentage Increase (+) or Decrease (-)
Total GHG emission	tonnes	157.82	**124.47**	–21.13%
Total GHG emission per floor area	tonnes/m²	0.0700	**0.0552**	–21.13%
GHG emission for air travel per number of air travel	tonnes/no. of air travel	0.2872	**0.1346**	–53.12%
Indirect emission				
Electricity	tonnes	117.25	**108.58**	–7.39%
Air travel	tonnes	27.57	**2.96**	–89.26%
Paper consumption	tonnes	12.96	**12.89**	–0.56%
Car usage	tonnes	0.0366	**0.0367**	0.25%

A.2. Use of resources	Units	2020	2021	Percentage Increase (+) or Decrease (-)
Total energy consumption	kWh	220,096	**212,643**	–3.39%
Total energy consumption per floor area	kWh/m²	97.6538	**94.3470**	–3.39%
Total paper consumption	kilograms	2,700	**2,685**	–0.56%
Total paper consumption per floor area	kilograms/m²	1.1980	**1.1913**	–0.56%

Notes to KPI:

1. The above KPI are calculated based on the Hong Kong and Shenzhen offices' data which are the key operation sites of the Group.

2. The indirect GHG, carbon dioxide is calculated based on Hong Kong and Shenzhen offices' electricity usage and business travel. Figures are calculated based on the offices' electricity usage, the flying distance and frequency of business travels of all staff in Hong Kong and Shenzhen offices.

During the Reporting Period, the GHG emissions were 124.47 tonnes with an intensity of 0.0552 tonnes per square foot. This figure represents a decrease of approximately 33.35 tonnes, or 21.13%, compared to the total GHG emissions in 2020. The Group will continue to control GHG emissions and closely monitor other environmental data annually for comparison purpose in the future. The Group is keen to achieve emission reduction targets.

A.4 Climate Change

In view of the nature of the business of the Group, the Group does not have any significant impacts on or by the climate-related issues.

B. SOCIAL COMMITMENT

The Group always treats its employees as the most valuable asset to the Group. Through providing employees with competitive remuneration, welfare and career path to encourage them not only reach their own career goal but also company's. The Group complies with labour laws and regulations to protect the rights of employees and to keep good relationship with them.

B.1 Employment and Labour Practices

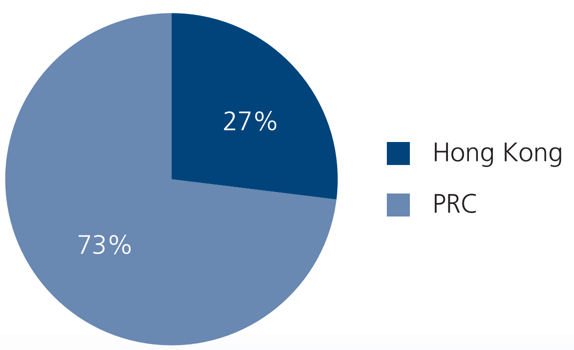
As demonstrated in policies adopted by the Group, the Group is an equal opportunity employer. It celebrates diversity and is committed to creating an inclusive environment for all employees.

Any form of discrimination against our potential or current employees on the ground of nationality, age, gender, sexual orientation, gender identity, ethnicity, disability, pregnancy, political inclination is strongly prohibited. The Group also forbids unlawful harassment, harassment and victimisation of any type at workplace.

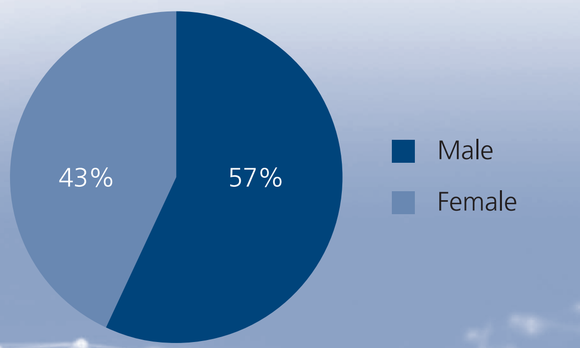
The Group has formulated "Human Resource Policy" and "Compensation and Benefits Management Policy" as guidelines for employment, termination, business conduct, social security funds, compensation, employee benefits, leave benefits, working hours/overtime and performance benefits to ensure all the process complies with the Labour Law of the PRC and the Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

For the Reporting Period, the Group had a total of 112 employees, and the employee turnover rate is below 9%. Below figures are the detail composition of the Group's workforce:

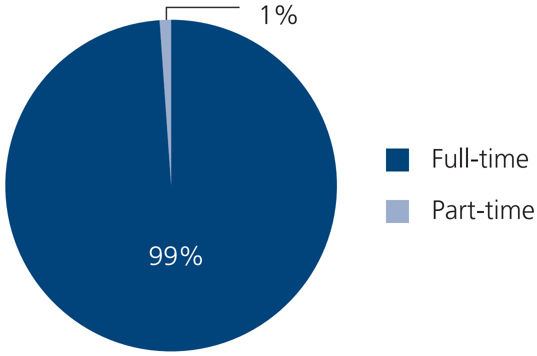
Total Workforce by Region



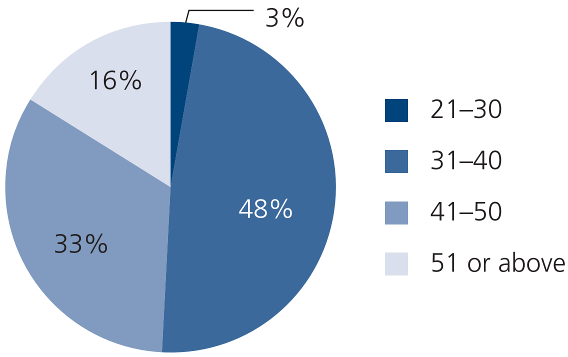
Total Workforce by Gender



Total Workforce by Employment Type



Total Workforce by Age Group



The Group provides a wide range of incentives, including competitive remuneration and benefits packages, which are based on individual performances and qualifications of employees and benchmarked against our industry peers on an annual basis. Benefits to full-time employees include social insurance (endowment insurance, medical insurance, work-related injury insurance, unemployment insurance, childbirth insurance), housing provident fund and annual leave benefits. In addition, the Group also provides additional supplementary benefits to full-time employees, including but not limited to the following:

1. Year-end bonus and double pay;
2. Festive occasion benefit (monetary benefits for all statutory holiday, marriage, childbirth);
3. Design-in bonus (encourage the front-line staff to complete the design-in report for every four months to apply);
4. Staff career development program (provide the promotion opportunity to staff with potential after review, to upgrade and advance themselves in their career path); and
5. Other benefits (training subsidy program, compassionate leave and allowance, employee referral bonus)

During the Reporting Period, the Group implemented different measures to reduce employee turnover rate, such as expanding communication channel between employee and management when doing the company gathering, so that the applicants can communicate more effectively and efficiently with management regard their working stuff. The Group also strengthen the staff trainings system to meet the career development requirement of employees at all levels; focus on the work pressure of employees, expand the development prospects of the Group so that competitive career platform can be provided to the employees.

During the Reporting Period, the Group was not involved in any cases of illegality related to employment.

B.2 Health and Safety

The Group is concerned about the health and safety of its employees and is committed to reduce the occurrence of dangerous accidents.

The Group has established "Employee Code of Conduct" and "Office Safety Policy", requiring all employees to strictly abide by all safety rules and regulations during their work in the office.

During the Reporting Period, the Group did not notice any violations of Hong Kong health and safety laws and regulations.

B.3 Development and Training

The development of employee professional skills is one of the Group's priorities. Adequate and different levels of internal and external trainings are provided to employees to enhance their professional skills.

New hires are provided with orientation programmes to get familiarized with the culture and structure of the Group and relevant department(s). For front-line employees, technical trainings are provided with the aim to achieve operational excellence and to enrich the employees' knowledge in relation to the businesses and services of the Group.

The Group also offers trainings to employees based on departmental or functional needs. For instance, related employees will receive the trainings related to the specific products provided by the suppliers to ensure they can have the adequate knowledge to fulfil their job needs.

The Group evaluates the training objectives, training arrangements, training content according to the business needs each year and make changes when necessary. The results of the training and the performance of each individual will also be assessed and monitored closely to ensure that all employees benefit from the training.

B.4 Labour Standards

In line with the local employment laws and relevant provisions of the International Labour Organisation, the Group prohibits the employment of child labour or any other form of forced and illegal labour.

According to the recruitment procedure, the Group requires all candidates to provide identification documents to determine if their age meets the legal age requirements. The Group strictly abides by the relevant labour regulations in China and Hong Kong regarding working hours and holidays to ensure the physical and mental health of all employees.

Employees are not encouraged to work beyond working hours. Overtime hours, if necessary, must not exceed legal time and the meal and travelling allowances in overtime hours will be paid in accordance with the relevant standards.

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations which have a significant impact on employment and labour practices, or occupational health and safety.

B.5 Supply Chain Management

Based on the business needs, the Group will mainly procure connectivity components from the manufacturer suppliers in the telecom and datacom connectivity market and to a less extent, their authorised distributors when the manufacturer suppliers do not have sufficient stock due to the shortage of production capacity.

The Group needs to meet certain requirements set by the manufacturers to become their authorised distributor to ensure the stable supply of the components. The manufacturers may consider the following factors for determination:

- Distributor's customer coverage;
- Technical capabilities;
- Field coverage and financial capabilities; and
- Whether the distributor's existing product offering from other manufacturers will complement or compete with its products.

When there is shortage of supplies or when the relevant component manufacturer cannot deliver orders in time, the Group will endeavour to source similar products to replace the original products required by customers and to secure new projects that require the use of other products that are available, if the Group is not able to source alternative supplies within a short period of time.

According to the current procurement policy, the purchase of components is only made on individual orders basis, but not the bulk order. The Group will place the separate purchase orders to suppliers for each purchase. Also, the purchase prices are determined after arm-length negotiations when an order is placed.

B.6 Product Responsibility

Sales of Goods

The Group sells the end applications to the customers, and the end applications can primarily be categorised into: (i) telecom infrastructure; (ii) data centres; (iii) IoT and network connectivity products; and (iv) commercial lasers. The components procured from the Group are primarily applied to address these end applications in the telecom and datacom connectivity market, and the types and combination of components required by customers vary on a case-by-case basis depending on the end applications and specification of the Group's customers' projects.

The Group recognizes the importance working with its business partners. Before deciding to work with the potential manufacturer suppliers, the Group has taken rigorous procedures to assess their reputation. With a comprehensive procurement policy, the Group is able to select and evaluate the manufacturer suppliers based on:

- Whether their products will complement the Group's existing production line;
- Whether their products match with the Group's strategic development plan;
- The suppliers' track record and reliability;
- Long term technological development potential of the components supplied by the supplier;
- Sales and distribution channel management of the suppliers;
- Product quality; and
- Stock availability of the components

The Group is committed to working with environmentally conscious companies; and make efforts to reduce energy use, waste and pollution. The Group seeks socially responsible companies that work with high-quality suppliers who have high ethical standards, are able to exceed customers' expectation and planning, interact with the government and regulators with integrity, make sound operational decisions to maximise positive impacts while minimising negative impacts on community. The Group evaluates these manufacturer suppliers and focuses on their transparency and accountability, corporate governance and their performance in environmental, social and worker rights.

Rendering of Services

The Group renders the services to customers, and the scope of services rendered varies depending on the customers' needs and the terms of the contract the Group entered into with the relevant customers. The scope of services may include rendering administrative, sales and support services to customers and/or customers designated by such manufacturer suppliers for the purposes of developing and promoting their business.

In additions, the Group's manufacturer suppliers may request the Group to provide the support services to them or their designated customers, in view of the Group's strong design and technical capabilities.

Protection of Customer's Data

The Group handles a large amount of corporate data and credit information of its customers and regards the maintenance of customer privacy as an important area for maintaining good corporate governance. To protect the confidentiality of customer data, the Group has implemented rigorous policy and procedures ensure a high degree of alertness among staff members in protecting customer data.

The Group has established the "Confidentiality and Non-Disclosure Agreement", which the employees are required to sign when commencing employment with the Company. In addition, as specified in the "Employee Code of Conduct", the Group's employees are required to sign a "Confidentiality Letter" acknowledging their rights and obligations under data protection and to provide employees with an understanding of confidentiality and clear guidelines regarding handling of confidential information.

In addition, access to confidential information or documents is restricted and granted on a need-to-know basis. During the Reporting Period, the Group did not receive any complaints from customers regarding the confidentiality of personal information.

Handling of Complaints

The Group has established policies and procedures for the handling complaints in relation to logistics operations. The Group's Chief Operating Officer ("COO"), the Senior Logistics Manager and the Logistic Manager will have the corresponding responsibilities on the complaints handling, including but not limited to propose and properly implement the corrective action plan, communicate with Chief Executive Officer ("CEO") on special and major cases, and conduct the internal process to ensure all the measures are being taken place.

During the Reporting Period, the Group has not been notified of any violation of law regarding product or services responsibility.

B.7 Anti-Corruption and Anti-Money Laundering

The Group stands against any form of bribery, extortion, fraud, and has a zero-tolerance policy towards misconduct.

To achieve this, the Group has specified the "Illegally Receipt of Benefits" section in the "Employee Code of Conduct" and established "Whistle Blowing Channel", in accordance with the relevant regulatory laws and standards to promote anti-corruption principles and consistent organisational behaviours by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

A whistle blowing channel has been in place for our employees to raise any concerns in good faith if they have their concerns and address in proper manner without any fear of receiving any negative impacts. Employees are also required to sign a statement of acknowledgement and agreement to their obligation and responsibility regarding to anti-corruption policy to ensure that all staff have been notified that no bribery, extortion or fraud would be tolerated. The Group encourages the reporting of suspected business irregularities and provides clear channels specifically for this purpose. The Company is committed to creating a corporate culture of integrity and justice by accepting internal complaints and whistleblowing. All employees may directly contact the COO and the senior management in charge of such matters for lodging a complaint or whistleblowing. The current whistleblowing procedures of the Company include direct mails to the senior management of the Company and direct communication with the COO in the company gatherings, for reporting any misconduct or dishonest activities such as suspected corruption, fraud and other forms of crime. The Group is committed to adhering to the highest integrity and ethical standards.

The directors and senior management will also receive the annual listing and regulation trainings including anti-corruption and anti-money laundering provided by the company lawyer, to ensure the parties will have adequate and up-to-date knowledge and information to handle the corresponding situations.

The Group was not involved in any cases of violations related to corruption during the Reporting Period, nor was it involved in any anti-corruption litigation cases related to the Group and the employees.

B.8 Community Investment

The Group is committed to exert available resources to support our community and encourage our employees to participate in various charitable and voluntary activities. Also, the Group encourage the staff to participate the social and charitable activities on their own initiative.

The Group will continue to uphold the principle of being responsible for its shareholders and investors, employees, suppliers, customers, public community and will seek further development opportunities to maintain a harmonious relationship with its stakeholders.

To the shareholders of
Pangaea Connectivity Technology Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pangaea Connectivity Technology Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 133, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Inventory provision	
As at 31 March 2021, the Group had net inventories of HK$235,896,000, which represented 35% and 32% of the Group's current assets and total assets, respectively. The estimation of the inventory provision requires significant management judgement and estimates, which includes the ageing of inventories, expected future sales of inventories, market demand and technological changes. Related disclosures about inventories are included in notes 2.6, 6 and 14 to the consolidated financial statements.	We recalculated the inventory provision under the Group's policy and assessed the assumptions used in the inventory provision calculation by assessing the basis and the consistency of the inventory provision policy, checking the inventory ageing information and the sales orders on hand and subsequent sales information, on a sample basis. We also observed physical inventory counts at selected locations and checked the conditions of selected samples of inventories.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chung Yuk Man.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

28 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	4	**1,549,284**	970,866
Cost of sales		**(1,351,537)**	(805,304)
Gross profit		**197,747**	165,562
Other income and gains, net	4	**4,838**	2,255
Selling and distribution costs		**(39,259)**	(33,077)
Administrative expenses		**(84,155)**	(77,860)
Finance costs	5	**(15,496)**	(13,685)
PROFIT BEFORE TAX	6	**63,675**	43,195
Income tax expense	9	**(13,546)**	(9,747)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**50,129**	33,448
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents)	11	**6.5**	4.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2021

	2021 **HK$'000**	2020 HK$'000
PROFIT FOR THE YEAR	**50,129**	33,448
OTHER COMPREHENSIVE INCOME/(EXPENSE):		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of a foreign operation	**1,778**	(1,076)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**1,778**	(1,076)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**51,907**	32,372

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**43,003**	41,219
Financial assets at fair value through profit or loss	13	**15,970**	15,382
Deferred tax assets	22	**416**	–
Total non-current assets		**59,389**	56,601
CURRENT ASSETS			
Inventories	14	**235,896**	140,430
Trade and bills receivables	15	**183,058**	215,938
Prepayments, deposits, other receivables and other assets	16	**54,148**	10,868
Pledged bank deposits	17	**55,901**	34,542
Cash and cash equivalents	17	**146,809**	33,137
Total current assets		**675,812**	434,915
CURRENT LIABILITIES			
Trade payables	18	**178,607**	88,438
Other payables, accruals and contract liabilities	19	**19,870**	17,940
Interest-bearing bank borrowings	20	**39,777**	65,525
Trust receipt loans	20	**212,725**	188,721
Lease liabilities	21	**4,344**	2,984
Tax payable		**7,895**	4,831
Total current liabilities		**463,218**	368,439
Net current assets		**212,594**	66,476
Total assets less current liabilities		**271,983**	123,077
NON-CURRENT LIABILITIES			
Lease liabilities	21	**3,598**	1,362
Deferred tax liabilities	22	**190**	172
Total non-current liabilities		**3,788**	1,534
Net assets		**268,195**	121,543
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	**10,000**	–
Reserves	25	**258,195**	121,543
Total equity		**268,195**	121,543

Fung Yui Kong
Director

Wong Wai Kong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

	Attributable to owners of the parent					
	Share capital HK$'000	**Share premium*** HK$'000	**Contributed surplus*** HK$'000	**Exchange fluctuation reserve*** HK$'000	**Retained profits*** HK$'000	**Total** HK$'000
At 1 April 2019	–	–	625	(630)	109,334	109,329
Profit for the year	–	–	–	–	33,448	33,448
Other comprehensive expense for the year:						
Exchange differences on translation of a foreign operation	–	–	–	(1,076)	–	(1,076)
Total comprehensive income/(expense) for the year	–	–	–	(1,076)	33,448	32,372
Acquisition of a subsidiary under common control pursuant to the Reorganisation (as defined in note 2.1)	–	–	1	–	–	1
Dividend declared (note 10)	–	–	–	–	(20,159)	(20,159)
At 31 March 2020 and 1 April 2020	–	–	626	(1,706)	122,623	121,543
Profit for the year	–	–	–	–	50,129	50,129
Other comprehensive income for the year:						
Exchange differences on translation of a foreign operation	–	–	–	1,778	–	1,778
Total comprehensive income for the year	–	–	–	1,778	50,129	51,907
Issue of new shares pursuant to the Reorganisation (note 23)	1	–	(1)	–	–	–
Issue of new shares pursuant to the share offer (note 23)	2,500	137,500	–	–	–	140,000
Capitalisation issue of shares (note 23)	7,499	(7,499)	–	–	–	–
Share issue expenses (note 23)	–	(24,855)	–	–	–	(24,855)
Dividends declared (note 10)	–	–	–	–	(20,400)	(20,400)
At 31 March 2021	10,000	105,146	625	72	152,352	268,195

* These reserve accounts comprise the consolidated reserves of HK$258,195,000 (2020: HK$121,543,000) in the consolidated statements of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**63,675**	43,195
Adjustments for:			
Finance costs	5	**15,496**	13,685
Depreciation of property, plant and equipment	6	**9,196**	8,940
Loss on write-off of property, plant and equipment	6	**–**	121
Impairment/(reversal of impairment) of trade receivables	6	**(585)**	4,188
Write-down of inventories to net realisable value	6	**11,017**	11,097
Fair value gain on financial assets at fair value through profit or loss	4	**(588)**	(640)
Interest income	4	**(370)**	(832)
		97,841	79,754
Increase in inventories		**(106,483)**	(21,724)
Decrease in trade and bills receivables		**33,465**	5,764
Increase in prepayments, deposits, other receivables and other assets		**(43,280)**	(1,769)
Increase in trade payables		**90,169**	4,018
Increase in other payables, accruals and contract liabilities		**1,930**	2,890
Exchange realignment		**556**	(381)
Cash generated from operations		**74,198**	68,552
Hong Kong profits tax paid		**(9,706)**	(13,654)
Overseas tax paid		**(1,154)**	(1,168)
Net cash flows from operating activities		**63,338**	53,730
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**370**	832
Purchase of owned items of property, plant and equipment		**(1,343)**	(2,307)
Purchase of financial assets at fair value through profit or loss		**–**	(14)
Proceeds from disposal of a subsidiary		**–**	1
Increase in pledged bank deposits		**(21,359)**	(628)
Net cash flows used in investing activities		**(22,332)**	(2,116)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	23	**140,000**	–
Share issue expenses	23	**(24,855)**	–
Increase in trust receipt loans, net		**24,004**	23,157
New other bank loans		**1,018,373**	350,179
Repayment of other bank loans		**(1,044,121)**	(378,428)
Interest paid		**(15,496)**	(13,685)
Dividend paid		**(20,400)**	(20,159)
Repayment of the principal portion of lease liabilities		**(5,226)**	(5,630)
Net cash flows from/(used in) financing activities		**72,279**	(44,566)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**113,285**	7,048
Cash and cash equivalents at beginning of year		**33,137**	26,238
Effect of foreign exchange rate changes, net		**387**	(149)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**146,809**	33,137
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows	17	**146,809**	33,137

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 5 July 2018. The registered office of the Company is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is located at Room 902–906, 9/F Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong.

During the year, the Company made an offer to the public for subscription of its new shares (the "Share Offer") in connection with the listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dealings of the Company's shares on the Stock Exchange commenced on 19 February 2021.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the import and export of connectivity products which are used in the telecom and datacom connectivity industry.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Generous Horizon Limited (formerly known as Generous Team Limited), which is a limited liability company incorporated in the British Virgin Islands (the "BVI") and wholly-owned by Mr. Fung Yui Kong ("Mr. Fung"), the Chairman and one of the executive directors of the Company.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Esteem Brilliant Limited ("Esteem Brilliant")	BVI	US$1	100	Investment holding
Indirectly held				
Pangaea (H.K.) Limited ("Pangaea HK")	Hong Kong	HK$624,001	100	Import and export of connectivity products
Pangaea Telecom Technology (Shenzhen) Company Limited ("Pangaea SZ") (note (a))	People's Republic of China ("PRC")	US$500,000	100	Trading of connectivity products
Pangaea Consultants Limited	BVI	US$100	100	Provision of consultancy services

Note:

(a) Pangaea SZ is registered as a wholly-foreign-owned enterprise under PRC law.

2.1 BASIS OF PRESENTATION

In preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent a group reorganisation (the "Reorganisation"), further details of which are set out in the Company's prospectus dated 30 January 2021. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 25 January 2021 by issuing 99,999 ordinary shares of the Company in exchange for the entire issued share capital of Esteem Brilliant. The companies now comprising the Group were under the common control of the controlling shareholder before and after the Reorganisation. Accordingly, these financial statements have been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the financial period presented.

The consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 March 2021 and 2020 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2020 has been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder's perspective. No adjustments have been made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for certain investments and financial assets which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.2 BASIS OF PREPARATION *(Continued)*

Basic of consolidation *(Continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The adoption of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs has had no significant financial effect on these financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions* beyond 30 June 2021[2]
Amendments to HKAS 1	*Disclosure of Accounting Policies*[4]
Amendments to HKAS 8	*Definition of Accounting Estimates*[4]
HKFRS 17	*Insurance Contracts*[4]
Amendments to HKFRS 17	*Insurance Contracts*[4, 7]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[4, 6]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[3]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 No mandatory effective date yet determined but available for adoption
6 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
7 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 April 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 April 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate as at 31 March 2021. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 April 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 April 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 April 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 April 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations under common control

As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting.

Under the merger method of accounting, the net assets of the combining entities or businesses are combined using their existing book value from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the year in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Owned assets

Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Motor vehicles	20%
Office equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the leases (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	41 to 44 years
Leasehold buildings	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group's right-of-use assets are included in property, plant and equipment.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the leases at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the year in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change in future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and trust receipt loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first in first out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Provision of agency and consultancy services

Revenue from the provision of agency and consultancy services is recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration of the interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised as a liability when they are proposed and declared.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the overseas subsidiary is a currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of this entity are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and its statement of profit or loss is translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiary which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 15 to the financial statements.

Allowance for obsolete inventories

The management of the Group reviews the inventories' aged analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the allowance for obsolete and slow-moving inventory items based primarily on the latest invoice prices and current market conditions. Further details are included in note 6 to the financial statements.

Fair value of investments in life insurance policies

The investments in life insurance policies have been valued with reference to the quoted surrender values of the policies at the date of withdrawal, which were the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics, from the insurance companies. This valuation requires the Group to make estimates about credit risk and hence they are subject to uncertainty. The fair value of the investments in life insurance policies at 31 March 2021 was HK$15,970,000 (2020: HK$15,382,000). Further details are included in note 13 to the financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the import and export of connectivity products which are used in the telecom and datacom connectivity industry. Almost all of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single reportable operating segment.

Geographical information

(a) *Revenue from external customers*

	2021 **HK$'000**	2020 HK$'000
Hong Kong	**153,592**	165,877
Mainland China	**1,310,028**	780,106
Other countries/regions	**85,664**	24,883
	1,549,284	970,866

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	2021 **HK$'000**	2020 HK$'000
Hong Kong	**37,791**	33,823
Mainland China	**5,212**	7,396
	43,003	41,219

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue derived from sales to individual customers which contributed over 10% of the total revenue of the Group during the year is as follows:

	2021	2020
	HK$'000	HK$'000
Customer A	**143,767**	121,044
Customer B	**498,947**	169,485
	642,714	290,529

The above amounts include sales to a group of entities which are known to be under common control with these customers.

4. REVENUE AND OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2021	2020
	HK$'000	HK$'000
Revenue from contracts with customers		
Sale of goods	**1,547,990**	970,335
Rendering of services	**1,294**	531
	1,549,284	970,866

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	HK$'000	HK$'000
Timing of revenue recognition		
At a point in time	**1,547,990**	970,335
Over time	**1,294**	531
	1,549,284	970,866

4. REVENUE AND OTHER INCOME AND GAINS, NET *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information (Continued)

Set out below is the amount of revenue recognised in the current reporting report that was included in contract liabilities at the beginning of the reporting period:

	2021 **HK$'000**	2020 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of goods	**12,582**	9,910

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 120 days from delivery for such transfer.

Agency and consultancy services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of service and customer acceptance.

An analysis of other income and gains, net is as follows:

	2021 **HK$'000**	2020 HK$'000
Bank interest income	**370**	832
Exchange differences, net	**(1,272)**	(483)
Fair value gain on financial assets at fair value through profit or loss	**588**	640
Government subsidies*	**2,460**	–
Sundry income, net	**2,692**	1,266
	4,838	2,255

* Government subsidies were granted by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

5. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	**15,139**	13,386
Interest on lease liabilities	**357**	299
Total finance costs	**15,496**	13,685

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2021 HK$'000	2020 HK$'000
Cost of inventories sold	**1,340,313**	794,012
Cost of services provided	**207**	195
Depreciation	**9,196**	8,940
Research and development costs#	**11,122**	10,020
Loss on write-off of property, plant and equipment^	**–**	121
Auditor's remuneration		
— annual audit	**1,500**	560
— acting as reporting accountant*	**2,490**	2,300
Impairment (reversal of impairment) of trade receivables^	**(585)**	4,188
Write-down of inventories to net realisable value^^	**11,017**	11,097
Listing expenses*	**11,779**	8,492
Staff costs (excluding directors' remuneration — note 7):		
Wages and salaries	**46,554**	44,608
Pension scheme contributions	**3,572**	4,768
	50,126	49,376
Lease payments not included in the measurement of leases liabilities	**359**	451
Foreign exchange differences, net	**1,272**	483
Fair value gain on financial assets at fair value through profit or loss	**(588)**	(640)

Research and development costs include HK$9,154,000 (2020: HK$8,576,000) relating to staff costs for research and development activities, which are also included in the total amounts disclosed above for staff costs for the year.

^ Impairment/(reversal of impairment) of trade receivables and loss on write-off of property, plant and equipment are included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

^^ Write-down of inventories to net realisable value is included in "Cost of sales" on the face of the consolidated statement of profit or loss.

* Auditor's remuneration for acting as reporting accountant is also included in listing expenses.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 HK$'000	2020 HK$'000
Fees	**108**	–
Other emoluments:		
Salaries, allowances, benefits in kind and performance related bonuses*	**8,934**	8,100
Pension scheme contributions	**425**	411
	9,467	8,511

* The market rental of the Group's property, which was used by Mr. Fung at nil consideration, was HK$1,336,000 (2020: HK$1,265,000) during the year.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 HK$'000	2020 HK$'000
Mr. Sze Wing Chun*	**27**	–
Mr. Ling Kwok Fai, Joseph*	**27**	–
Mr. Chan Hiu Fung, Nicholas*	**27**	–
	81	–

* Appointed on 25 January 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

7. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2021					
Executive directors:					
Mr. Fung#	–	2,678	1,380	247	4,305
Ms. Leung Kwan Sin^	–	1,889	715	87	2,691
Dr. Wong Wai Kong^	–	1,974	298	91	2,363
	–	6,541	2,393	425	9,359
Non-executive director:					
Mr. Kam, Eddie Shing Cheuk^	27	–	–	–	27
	27	6,541	2,393	425	9,386

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2020					
Executive directors:					
Mr. Fung#	–	2,600	966	240	3,806
Ms. Leung Kwan Sin^	–	1,791	542	83	2,416
Dr. Wong Wai Kong^	–	1,917	284	88	2,289
	–	6,308	1,792	411	8,511
Non-executive director:					
Mr. Kam, Eddie Shing Cheuk^	–	–	–	–	–
	–	6,308	1,792	411	8,511

Mr. Fung also act as chief executive officer and chairman of the Group.

^ Appointed with effect from 17 June 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2020: three directors), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining two (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries, allowances and benefits in kind	**2,583**	2,529
Performance related bonuses	**1,187**	1,007
Pension scheme contributions	**119**	92
	3,889	3,628

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**2**	2
	2	2

During the year, no remuneration was paid by the Group to any of the non-director, non-chief executive and highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). The Company's subsidiary operating in Mainland China is subject to the prevailing PRC income tax rate of 25%.

	2021 HK$'000	2020 HK$'000
Current — Hong Kong		
Charge for the year	**11,217**	8,208
Underprovision in prior years	**568**	–
Current — Mainland China		
Charge for the year	**2,354**	1,539
Overprovision in prior years	**(215)**	–
Deferred tax (note 22)	**(378)**	–
Total tax charge for the year	**13,546**	9,747

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the countries (or jurisdictions) in which the Company and the majority of subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2021 HK$'000	2020 HK$'000
Profit before tax	**63,675**	43,195
Tax charge at the applicable rates	**10,581**	7,261
Adjustments in respect of current tax of prior years	**353**	–
Income not subject to tax	**(503)**	(5)
Expenses not deductible for tax	**3,115**	2,491
Tax charge at the effective rate	**13,546**	9,747

10. DIVIDENDS

	2021 **HK$'000**	2020 HK$'000
Proposed final — HK1.3 cents (2020: Nil) per ordinary share	**13,000**	–

The proposed final dividend of the Company for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The dividends declared by Pangaea HK and Esteem Brilliant to their then shareholder during the years ended 31 March 2021 and 2020 and before the completion of the Reorganisation were as follows:

	2021 **HK$'000**	2020 HK$'000
Dividends declared during the year	**20,400**	20,159

Investors who became the shareholders of the Company after the listing on the Stock Exchange were not entitled to such dividends.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share attributable to ordinary equity holders of the parent is based on the profit for the year attributable to ordinary equity holders of the parent of HK$50,129,000 (2020: HK$33,448,000) and the weighted average number of ordinary shares of 776,712,329 (2020: 750,000,000) in issue during the year, on the assumption that the capitalisation issue in connection with the listing of the Company had been completed on 1 April 2019 for calculating the basic earnings per share amount.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2021 and 2020.

12. PROPERTY, PLANT AND EQUIPMENT

	Owned assets						Right-of-use assets			
	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Sub-total HK$'000	Land HK$'000	Buildings HK$'000	Sub-total HK$'000	Total HK$'000
31 March 2021										
Cost:										
At 1 April 2020	**10,246**	**11,411**	**3,926**	**3,579**	**7,410**	**36,572**	**30,483**	**20,259**	**50,742**	**87,314**
Additions	**–**	**76**	**480**	**–**	**787**	**1,343**	**–**	**8,822**	**8,822**	**10,165**
Exchange realignment	**305**	**283**	**74**	**46**	**355**	**1,063**	**222**	**512**	**734**	**1,797**
At 31 March 2021	**10,551**	**11,770**	**4,480**	**3,625**	**8,552**	**38,978**	**30,705**	**29,593**	**60,298**	**99,276**
Accumulated depreciation:										
At 1 April 2020	**2,455**	**8,200**	**3,187**	**2,578**	**5,039**	**21,459**	**8,616**	**16,020**	**24,636**	**46,095**
Provided during the year	**254**	**1,326**	**227**	**227**	**796**	**2,830**	**849**	**5,517**	**6,366**	**9,196**
Exchange realignment	**6**	**203**	**28**	**23**	**226**	**486**	**258**	**238**	**496**	**982**
At 31 March 2021	**2,715**	**9,729**	**3,442**	**2,828**	**6,061**	**24,775**	**9,723**	**21,775**	**31,498**	**56,273**
Net book value:										
At 31 March 2021	**7,836**	**2,041**	**1,038**	**797**	**2,491**	**14,203**	**20,982**	**7,818**	**28,800**	**43,003**

	Owned assets						Right-of-use assets			
	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Sub-total HK$'000	Land HK$'000	Buildings HK$'000	Sub-total HK$'000	Total HK$'000
31 March 2020										
Cost:										
At 1 April 2019	10,446	10,609	3,865	2,910	7,269	35,099	30,605	17,296	47,901	83,000
Additions	–	1,147	98	700	362	2,307	–	3,377	3,377	5,684
Write-off	–	(150)	–	–	–	(150)	–	–	–	(150)
Exchange realignment	(200)	(195)	(37)	(31)	(221)	(684)	(122)	(414)	(536)	(1,220)
At 31 March 2020	10,246	11,411	3,926	3,579	7,410	36,572	30,483	20,259	50,742	87,314
Accumulated depreciation:										
At 1 April 2019	2,297	7,054	3,012	2,434	4,324	19,121	7,888	10,849	18,737	37,858
Provided during the year	307	1,240	186	153	819	2,705	789	5,446	6,235	8,940
Write-off	–	(29)	–	–	–	(29)	–	–	–	(29)
Exchange realignment	(149)	(65)	(11)	(9)	(104)	(338)	(61)	(275)	(336)	(674)
At 31 March 2020	2,455	8,200	3,187	2,578	5,039	21,459	8,616	16,020	24,636	46,095
Net book value:										
At 31 March 2020	7,791	3,211	739	1,001	2,371	15,113	21,867	4,239	26,106	41,219

As at 31 March 2021, the Group's owned buildings and right-of-use land situated in Hong Kong with an aggregate net book value of approximately HK$25,935,000 (2020: HK$26,944,000) were pledged to secure general banking facilities granted to the Group (note 20).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	HK$'000	HK$'000
Investments in life insurance policies, at fair value	**15,970**	15,382

Note:

In prior years, the Group entered into three life insurance policies with insurance companies to insure Mr. Fung. Under the policies, the beneficiary and policy holder is the Group.

The Group was required to pay annual premium up to 2019 for one of the life insurance policies and one-off premium payments of US$543,000 and US$850,000, respectively, (equivalent to approximately HK$10,868,000 in total) for the remaining two life insurance policies. The Group can terminate the policies at any time and receive cash back based on the surrender values of the policies at the date of withdrawal (the "Surrender Values").

The investments in the life insurance policies are denominated in United States dollars ("US$") or Hong Kong dollars ("HK$") and the fair values were determined with reference to the Surrender Values of the policies provided by the insurance companies. In the opinion of the directors, the Surrender Values of the policies provided by the insurance companies were the best approximation of their fair values, which were categorised within Level 3 of the fair value hierarchy.

The investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

As at 31 March 2021 and 2020, the life insurance policies were pledged to banks to secure banking facilities granted to the Group (note 20).

14. INVENTORIES

	2021	2020
	HK$'000	HK$'000
Finished goods	**235,896**	140,430

15. TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**168,084**	196,570
Bills receivable	**14,974**	19,368
	183,058	215,938

The Group's trading terms with its customers are mainly on credit with terms of one month, extending up to three months for major customers. Overdue balances are reviewed regularly by senior management. As at 31 March 2021, the Group has certain concentration of credit risk that may arise from the exposure to its five largest customers and the largest customer which accounted for approximately 46.5% (2020: 56.5%) and 12.8% (2020: 13.8%) of the Group's total trade receivables, respectively. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables based on the invoice date and net of loss allowance, is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 month	**65,984**	114,433
1 to 3 months	**98,027**	50,647
3 to 6 months	**12,684**	33,076
Over 6 months	**6,363**	17,782
	183,058	215,938

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of year	**5,385**	1,220
Impairment losses/(reversal of impairment losses) (note 6)	**(585)**	4,188
Write-off of impairment losses	**–**	(23)
At end of year	**4,800**	5,385

15. TRADE AND BILLS RECEIVABLES *(Continued)*

The Group has applied the simplified approach in calculating impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2021

	Expected credit loss rate	**Gross carrying amount HK$'000**	**Expected credit losses HK$'000**
Current and past due within 1 month	**0.000%**	**158,592**	**–**
Past due 1 to 3 months	**3.764%**	**7,306**	**275**
Past due 3 to 6 months	**14.770%**	**1,916**	**283**
Past due over 6 months	**83.669%**	**5,070**	**4,242**
	2.776%	**172,884**	**4,800**

As at 31 March 2020

	Expected credit loss rate	Gross carrying amount HK$'000	Expected credit losses HK$'000
Current and past due within 1 month	0.002%	169,792	4
Past due 1 to 3 months	2.426%	8,284	201
Past due 3 to 6 months	4.530%	7,594	344
Past due over 6 months	29.696%	16,285	4,836
	2.666%	201,955	5,385

For bills receivable, based on historical data and management's analysis, loss on collection is not material and hence no provision is considered.

As at 31 March 2021, bills receivable of HK$9,649,000 (2020: HK$18,054,000) and trade receivables of HK$127,270,000 (2020: HK$68,278,000) were pledged to banks to secure banking facilities granted to the Group (note 20).

16. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2021 HK$'000	2020 HK$'000
Prepayments		**1,486**	6,085
Deposits and other receivables	(i)	**7,734**	4,783
Right-of-return assets	(ii)	**44,928**	–
		54,148	10,868

Notes:

(i) Deposits and other receivables mainly represent rental and utility deposits and deposits to suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

Deposits and other receivables that were neither individually nor collectively considered to be impaired were not past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

(ii) Balance represents the right to recover the goods to be returned by a customer at 31 March 2021. Such goods had defects and the Group has agreed with the customer for the return and with supplier for repairment without additional cost. The asset is measured at the original cost of the goods to be returned as the directors expect costs to recover the goods is minimal and there is no potential decrease in value of the returned goods.

17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**146,809**	33,137
Time deposits	**55,901**	34,542
	202,710	67,679
Less: Pledged bank deposits (note 20)	**(55,901)**	(34,542)
Cash and cash equivalents	**146,809**	33,137
Denominated in:		
HK$	**85,640**	1,403
RMB	**9,171**	5,359
US$	**107,841**	60,859
Others	**58**	58
	202,710	67,679

17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS *(Continued)*

Renminbi ("RMB") is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

18. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 **HK$'000**	2020 HK$'000
Within 30 days	**109,061**	49,441
31 to 90 days	**69,546**	34,398
Over 90 days	**–**	4,599
	178,607	88,438

The trade payables are non-interest-bearing and are normally settled on terms of one to two months.

19. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Other payables	**107**	69
Accruals	**8,842**	5,289
Contract liabilities (note)	**10,921**	12,582
	19,870	17,940

Other payables of the Group are non-interest-bearing and are normally settled within one to three months.

Note: Contract liabilities represented customers' deposits received to deliver connectivity products. Balance amounted to HK$9,910,000 at 1 April 2019. The decrease and increase in contract liabilities in 2021 and 2020 was mainly due to the decrease and increase, respectively, in advance received from customers in relation to sales of connectivity products.

20. INTEREST-BEARING BANK BORROWINGS AND TRUST RECEIPT LOANS

Interest-bearing bank borrowings

	2021			2020		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans — secured	**1.2–2.9**	**2021–2030**	**10,697**	2.3–5.2	2020–2030	26,125
Collateralised bank advances — secured (note 30)	**0.9–3.9**	**2021**	**29,080**	2.6–4.9	2020	39,400
Amount repayable within one year or on demand included in current liabilities			**39,777**			65,525

	2021 HK$'000	2020 HK$'000
Trust receipt loans	**212,725**	188,721

Notes:

(a) The average effective interest rate of the Group's borrowings was 2.68% (2020: 4.45%) per annum.

(b) Certain bank borrowings of the Group are secured by:

(i) the pledge of the Group's bank deposits amounting to HK$55,901,000 (2020: HK$34,542,000) at the end of the reporting period;

(ii) mortgages over the Group's owned buildings and right-of-use land situated in Hong Kong, which had an aggregate carrying value of HK$25,935,000 (2020: HK$26,944,000) at the end of the reporting period;

(iii) the pledge of investments in life insurance policies of Mr. Fung, amounting to HK$15,970,000 (2020: HK$15,382,000) at the end of the reporting period;

(iv) corporate guarantees from the Company of up to HK$962,700,000 (2020: Nil);

(v) personal guarantees from Mr. Fung in respect of the Group's banking facilities of up to HK$543,240,000 as at 31 March 2020; and

(vi) guarantee from Ample Chance International Limited, the then shareholder of Pangaea Hong Kong, of up to HK$27,300,000 as at 31 March 2020.

20. INTEREST-BEARING BANK BORROWINGS AND TRUST RECEIPT LOANS *(Continued)*

Interest-bearing bank borrowings *(Continued)*

Notes: *(Continued)*

(c)

	2021 **HK$'000**	2020 HK$'000
Interest-bearing bank borrowings and trust receipt loans		
Denominated in:		
HK$	**11,071**	18,584
US$	**241,431**	235,662
	252,502	254,246

(d) As at 31 March 2021, the collateralised bank advances are secured by the Group's bills receivable of HK$9,649,000 (2020: HK$18,054,000) and trade receivables of HK$127,270,000 (2020: HK$68,278,000).

(e) As further explained in note 32 to the financial statements, due to the adoption of HK Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan That Contains a Repayment on Demand Clause*, the Group's bank loans with the aggregate amounts of HK$10,697,000 as at 31 March 2021 (2020: HK$26,125,000) containing a repayment on demand clause have been classified as current liabilities. For the purpose of the above analysis, these bank loans are included within current interest-bearing bank loans and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans of the Group are analysed into:

	Within one year HK$'000	**In the second year** HK$'000	**In the third to fifth years, inclusive** HK$'000	**Beyond five years** HK$'000	**Total** HK$'000
2021					
Bank loans with a repayment on demand clause	**1,156**	**1,156**	**3,470**	**4,915**	**10,697**
Collateralised bank advances	**29,080**	**–**	**–**	**–**	**29,080**
	30,236	**1,156**	**3,470**	**4,915**	**39,777**
2020					
Bank loans with a repayment on demand clause	15,499	1,149	3,446	6,031	26,125
Collateralised bank advances	39,400	–	–	–	39,400
	54,899	1,149	3,446	6,031	65,525

21. LEASES

The Group as a lessee

The Group has lease contracts for various properties. Lump sum payments were made upfront to acquire the leasehold lands from the owners with lease periods of 41 to 44 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms of 2 to 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are disclosed in note 12.

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021	2020
	HK$'000	HK$'000
Carrying amount at beginning of the year	**4,346**	6,599
New leases	**8,822**	3,377
Accretion of interest recognised during the year	**357**	299
Payments	**(5,583)**	(5,929)
Carrying amount at end of the year	**7,942**	4,346
Analysed into payable:		
Within one year	**4,344**	2,984
In the second year	**3,151**	1,266
In the third to fifth years, inclusive	**447**	96
Carrying amount at the end of year	**7,942**	4,346
Less: Current portion	**(4,344)**	(2,984)
Non-current portion	**3,598**	1,362

The maturity analysis of lease liabilities is disclosed in note 32.

21. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) The amounts recognised in consolidated statement of profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**357**	299
Depreciation charge of right-of-use assets	**6,366**	6,235
Expense relating to short-term leases	**359**	451
Total amount recognised in profit or loss	**7,082**	6,985

(d) The total cash outflow for leases is disclosed in note 26.

22. DEFERRED TAX

Deferred tax assets

	Provision for inventories HK$'000	Impairment of trade receivables HK$'000	Total HK$'000
At 1 April 2019, 31 March 2020 and 1 April 2020	–	–	–
Deferred tax credited to statement of profit of loss during the year (note 9)	220	176	396
Exchange realignment	11	9	20
At 31 March 2021	231	185	416

22. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Accelerated tax depreciation HK$'000
At 1 April 2019	172
Deferred tax charged to statement of profit or loss during the year (note 9)	–
At 31 March 2020 and 1 April 2020	172
Deferred tax charged to statement of profit or loss during the year (note 9)	18
At 31 March 2021	190

23. SHARE CAPITAL

	2021 **HK$'000**	2020 HK$'000
Authorised:		
5,000,000,000 (2020: 38,000,000) ordinary shares of HK$0.01 each	**50,000**	380
Issued and fully paid:		
1,000,000,000 (2020: 1) ordinary shares of HK$0.01 each	**10,000**	–*

* The balance represented an amount of HK$0.01 at 31 March 2020.

23. SHARE CAPITAL *(Continued)*

The movements in the Company's share capital is as follows:

	Notes	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$'000
Authorised:			
At 1 April 2019, 31 March 2020 and 1 April 2020		38,000,000	380
Increase in authorised share capital on 10 February 2021	(a)	4,962,000,000	49,620
At 31 March 2021		5,000,000,000	50,000
Issued and fully paid:			
At 1 April 2019, 31 March 2020 and 1 April 2020		1	–*
Issue of new shares pursuant to the Reorganisation	(b)	99,999	1
Issue of new shares pursuant to the Share Offer	(c)	250,000,000	2,500
Capitalisation issue of shares	(d)	749,900,000	7,499
At 31 March 2021		1,000,000,000	10,000

Notes:

(a) On 10 February 2021, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$50,000,000 divided into 5,000,000,000 shares by the creation of additional 4,962,000,000 shares.

(b) On 25 January 2021, the Company allotted and issued 99,999 ordinary shares of HK$0.01 each to in exchange for acquisition of the entire issued share capital of Esteem Brilliant.

(c) On 18 and 19 February 2021, 250,000,000 ordinary shares of HK$0.01 each in aggregate were issued under the share offering and placing in connection with the listing of the shares of the Company on the Stock Exchange at a subscription price of HK$0.56 per share. Among the proceeds from the issue of new shares, before issuance expenses of HK$24,855,000, of HK$140,000,000, HK$2,500,000 and HK$137,500,000 were credited to issued share capital and share premium of the Company, respectively. Dealings on the Stock Exchange commenced on 19 February 2021.

(d) Pursuant to the authority given by the resolutions of the sole shareholder of the Company on 16 February 2021, an aggregate amount of HK$7,499,000 standing to the credit of the share premium of the Company was approved to be capitalised for paying in full at par of 749,900,000 ordinary shares of HK$0.01 each for allotment and issue on 19 February 2021.

24. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Company and its subsidiaries and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds an equity interest (the "Invested Entity"). Eligible participants of the Scheme include the Company's directors, including executive, non-executive and independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity, any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity eligible for options under the Scheme (the "Eligible Participant"). The Scheme became effective on 25 January 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not exceed 100,000,000 shares, being 10% of the total number of shares in issue unless the Company obtains the approval of the shareholders in general meeting for renewing the 10% limit (the "Scheme Mandate Limit") under the Scheme provided that options lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.

No option shall be granted to any Eligible Participant if any further grant of options would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including both exercised and outstanding options) in the 12-month period up to and including the date of such further grant exceeding 1% of the total number of shares in issue.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An offer of grant of an option may be accepted by an Eligible Participant within 21 days from the date upon which it is made or within such other period of time as may be determined by the Board pursuant to the Listing Rules, by which the Eligible Participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years after the date of adoption of the Scheme. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

24. SHARE OPTION SCHEME *(Continued)*

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 20 April 2021 (the "Date of Grant"), the Company granted share options to the eligible participants to subscribe for a total of 78,464,000 ordinary shares of HK$0.01 each of HK$0.60 per share. Among the 78,464,000 share options granted, a total of 17,700,000 share options were granted to certain of the directors of the Company in respect of their services to the Group in the forthcoming years. 38,464,000 options shall be exercisable as to 30%, 30% and 40% from the first anniversary of the Date of Grant, the second anniversary of the Date of Grant and the third anniversary of the Date of Grant, respectively, until the expiry of the validity period of the options. 40,000,000 options shall be exercisable as to 25%, 25%, 25% and 25% from the date falling 6 months, 12 months, 18 months and 24 months from the Date of Grant, respectively, until the expiry of the validity period of the options.

25. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Contributed surplus

The contributed surplus at 31 March 2020 represented the aggregate of the paid-up share capital of the subsidiaries now comprising the Group attributable to the controlling shareholder prior to the Reorganisation as detailed in note 2.1. The contributed surplus at 31 March 2021 represented the excess of the paid-up share capital of the subsidiaries acquired pursuant to the Reorganisation set out in note 2.1 over the nominal value of the Company's share issued in exchange therefor.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets of HK$8,822,000 (2020: HK$3,377,000) and lease liabilities of HK$8,822,000 (2020: HK$3,377,000), in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings HK$'000	**Trust receipt loans** HK$'000	**Lease liabilities** HK$'000
At 1 April 2019	93,774	165,564	6,599
Changes from financing cash flows	(28,249)	23,157	(5,929)
Lease commencement recognition	–	–	3,377
Finance cost for lease liabilities	–	–	299
At 31 March 2020 and 1 April 2020	65,525	188,721	4,346
Changes from financing cash flows	(25,748)	24,004	(5,583)
Lease commencement recognition	–	–	8,822
Finance cost for lease liabilities	–	–	357
At 31 March 2021	39,777	212,725	7,942

(c) Total cash outflow for leases

The total cash outflow for leases included in consolidated statement of cash flows is as follows:

	2021 **HK$'000**	2020 HK$'000
Within operating activities	**359**	451
Within financing activities	**5,583**	5,929
	5,942	6,380

27. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed in elsewhere in these financial statements, the Group had the following transactions with related parties:

(i) The then shareholder of Pangaea HK, Ample Chance International Limited, had guaranteed a bank loan made to the Group of HK$27,300,000 at 31 March 2020.

(ii) Mr. Fung had undertaken to indemnify the Group for all costs, losses and/or expenses for any taxation of the Group incurred with respect to the transfer pricing arrangement that arose prior to the Listing.

(b) Compensation of key management personnel of the Group:

	2021 **HK$'000**	2020 HK$'000
Short-term employee benefits	**16,088**	14,993
Post-employment benefits	**778**	835
	16,866	15,828

Further details of directors' emoluments are included in note 7 to the financial statements.

28. COMMITMENTS

The Group leases certain of its office premises under short-term operating lease arrangements.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**185**	178

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	15,970	–	15,970
Trade and bills receivables	122,140	–	60,918	183,058
Financial assets included in prepayments, deposits, other receivables and other assets	6,889	–	–	6,889
Pledged bank deposits	55,901	–	–	55,901
Cash and cash equivalents	146,809	–	–	146,809
	331,739	15,970	60,918	408,627

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	178,607
Financial liabilities included in other payables, accruals and contract liabilities	4,050
Interest-bearing bank borrowings	39,777
Trust receipt loans	212,725
Lease liabilities	7,942
	443,101

29. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2020

Financial assets

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	15,382	–	15,382
Trade and bills receivables	184,275	–	31,663	215,938
Financial assets included in prepayments, deposits, other receivables and other assets	2,002	–	–	2,002
Pledged bank deposits	34,542	–	–	34,542
Cash and cash equivalents	33,137	–	–	33,137
	253,956	15,382	31,663	301,001

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	88,438
Financial liabilities included in other payables, accruals and contract liabilities	3,729
Interest-bearing bank borrowings	65,525
Trust receipt loans	188,721
Lease liabilities	4,346
	350,759

30. TRANSFERRED FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

(a) The following table provides a summary of bills receivable that have been transferred in such a way that these transferred financial assets do not qualify for derecognition, together with the associated liabilities:

	2021 **HK$'000**	2020 HK$'000
Carrying amount of assets that continued to be recognised	**9,649**	18,054
Carrying amount of associated liabilities	**9,649**	18,054

As at 31 March 2021, the Group had transferred certain bills of exchange (the "Discounted Bills") to banks with recourse in exchange for cash. The proceeds from transferring the bills receivable were accounted for as collateralised bank advances until the bills are collected by the banks or the Group makes good of any losses incurred by the banks (note 20). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risk relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the respective bank loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including sale, transfer or pledge of the Discounted Bills to any other third parties.

(b) The following table provides a summary of trade receivables that have been transferred in such a way that these transferred financial assets do not qualify for derecognition, together with the associated liabilities:

	2021 **HK$'000**	2020 HK$'000
Carrying amount of assets that continued to be recognised	**19,431**	21,346
Carrying amount of associated liabilities	**19,431**	21,346

During the year ended 31 March 2021, the Group entered into a trade receivable factoring arrangement (the "Factoring Arrangement") and transferred certain trade receivables to banks. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risk relating to the trade receivables, and accordingly, it continued to recognise the full carrying amount of the trade receivables and the respective bank loans. Subsequent to the factoring, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties.

30. TRANSFERRED FINANCIAL ASSETS *(Continued)*

Transferred financial assets that are derecognised in their entirety

During the year ended 31 March 2021, the Group entered into another trade receivables factoring arrangement (the "Another Factoring Arrangement") and transferred certain trade receivables to a bank. Under the Another Factoring Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to the original credit period. The Group is not exposed to default risk of the trade debtors after the transfer of the respective trade receivables to the bank. Subsequent to the factoring, the Group does not retain any rights on the use of the trade receivables, including sale, transfer or pledge of the trade receivables to any other third parties. Accordingly, the Group has derecognised the trade receivables and the respective bank loans of HK$97,334,000 as at 31 March 2021 (2020: HK$36,927,000). In the opinion of the directors, the fair value of the associated liabilities arising from the risk of late payment from trade debtors is not considered to be significant.

31. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of trade and bills receivables at amortised cost, other receivables, deposits, pledged bank deposits, cash and cash equivalents, trade payables, interest-bearing bank borrowings, trust receipt loans, and other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumptions were used to estimate the fair values:

The fair value of the investments in life insurance policies is determined by reference to the Surrender Values provided by the insurance companies. When the Surrender Values are higher, the fair value of investments in life insurance policies will be higher. As at 31 March 2021, if the Surrender Values have been 5% higher/lower, the impact on the amount attributable to the shareholders of the Group would be HK$798,000 (2020: HK$769,000) higher/lower, respectively.

The fair value of trade receivables stated at fair value through other comprehensive income is determined by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

31. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's instruments:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
2021				
Financial assets at fair value through profit or loss:				
Investments in life insurance policies	**–**	**–**	**15,970**	**15,970**
Financial assets at fair value through other comprehensive income:				
Trade receivables	**–**	**60,918**	**–**	**60,918**
	–	**60,918**	**15,970**	**76,888**
2020				
Financial assets at fair value through profit or loss:				
Investments in life insurance policies	–	–	15,382	15,382
Financial assets at fair value through other comprehensive income:				
Trade receivables	–	31,663	–	31,663
	–	31,663	15,382	47,045

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

Interest rate risk

The Group's financial instruments, except for financial assets at fair value through profit or loss, are short-term in nature. Carrying amounts of these financial instruments reported at the end of the reporting period approximate to their fair values. There is no significant interest rate risk exposure in relation to these instruments.

As at 31 March 2021, if the interest rates on borrowings had been 50 basis points lower or higher, which was considered reasonably possible by management, with all other variables held constant, the profit after tax would have been HK$1,263,000 (2020: HK$1,271,000) higher or lower, respectively.

Foreign currency risk

The Group engages in minimal foreign currency transactions. It does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of business.

Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the respective carrying amounts.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March. The amounts presented are gross carrying amounts for financial assets.

2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	172,884	172,884
Bills receivable					
— Not yet past due	14,974	–	–	–	14,974
Financial assets included in prepayments, deposits, other receivables and other assets					
— Normal**	6,889	–	–	–	6,889
Pledged bank deposits	55,901	–	–	–	55,901
Cash and cash equivalents					
— Not yet past due	146,809	–	–	–	146,809
	224,573	–	–	172,884	397,457

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging *(Continued)*

2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	201,955	201,955
Bills receivable					
— Not yet past due	19,368	–	–	–	19,368
Financial assets included in prepayments, deposits,other receivables and other assets					
— Normal**	2,002	–	–	–	2,002
Pledged bank deposits	34,542	–	–	–	34,542
Cash and cash equivalents					
— Not yet past due	33,137	–	–	–	33,137
	89,049	–	–	201,955	291,004

* For trade receivables to which the Group applies the simplified approach for impairment.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Prepayments, deposits and other receivables and bills receivable at amortised cost

The Group provides for 12-month ECLs for all financial assets included in prepayments, deposits and other receivables and bills receivable at initial recognition. Where there is a significant deterioration in credit risk or when the financial asset is assessed to be credit-impaired, the Group provides for a lifetime ECL. The ECL incorporates forward-looking information, such as forecast of economic conditions. Based on historical data and management's analysis, loss on collection is not material and hence no provision is considered.

There were no financial assets included in prepayments, deposits and other receivables and bills receivable written off during the years ended 31 March 2021 and 2020.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group is not exposed to significant liquidity risk. It has surplus funds deposited with reputable banks and the directors do not anticipate any problems in obtaining additional funding in the foreseeable future if the need arises.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2021		
	On demand or less than 1 year HK$'000	**More than 1 year HK$'000**	**Total HK$'000**
Trade payables	**178,607**	**–**	**178,607**
Other payables and accruals	**4,050**	**–**	**4,050**
Interest-bearing bank borrowings*	**40,466**	**–**	**40,466**
Trust receipt loans	**212,725**	**–**	**212,725**
Lease liabilities	**4,543**	**3,694**	**8,237**
	440,391	**3,694**	**444,085**

	2020		
	On demand or less than 1 year HK$'000	More than 1 year HK$'000	Total HK$'000
Trade payables	88,438	–	88,438
Other payables and accruals	3,729	–	3,729
Interest-bearing bank borrowings*	67,104	–	67,104
Trust receipt loans	188,721	–	188,721
Lease liabilities	3,124	1,406	4,530
	351,116	1,406	352,522

* Included in interest-bearing bank borrowings are bank loans of HK$39,777,000 (2020: HK$65,525,000) containing a repayment on demand clause giving the lender the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, these amounts are classified as "on demand".

Notwithstanding the above repayment on demand clause, the directors do not believe that the bank loans will be called in their entirety within 12 months, and they consider that the bank loans will be repaid in accordance with the maturity dates as set out in the respective agreements. This evaluation was made considering: the financial position of the Group at the date of this financial statements and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the bank loans, the maturity terms as at 31 March 2021 are HK$30,376,000 (2020: HK$55,261,000) repayable in less than 12 months, HK$5,027,000 (2020: HK$5,417,000) repayable in one to five years, and HK$5,063,000 (2020: HK$6,426,000) repayable after five years.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of cash and cash equivalents, pledged bank deposits, interest-bearing bank borrowings and equity attributable to owners of the parent, which comprises issued capital and reserves.

The Group monitors capital using a debt to equity ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank borrowings and trust receipt loans, less cash and cash equivalents and pledged bank deposits.

The debt to equity ratio as at the end of the reporting period were as follows:

	2021 **HK$'000**	2020 HK$'000
Interest-bearing bank borrowings	**39,777**	65,525
Trust receipt loans	**212,725**	188,721
Less: Cash and cash equivalents	**(146,809)**	(33,137)
Less: Pledged bank deposits	**(55,901)**	(34,542)
Net debt	**49,792**	186,567
Total equity	**268,195**	121,543
Debt to equity ratio	**0.2**	1.5

33. DISPOSAL OF A SUBSIDIARY

On 3 June 2019, pursuant to the Reorganisation, the Group disposed of a 100% equity interest in Pangaea Telecommunication Company Limited to Mr. Fung for a cash consideration of HK$1,000. Since the carrying amount of the net assets of Pangaea Telecommunication Company Limited at the date of disposal was HK$1,000, no gain or loss on disposal of a subsidiary was resulted for the year ended 31 March 2020. Further details of the Reorganisation are set out in the Company's prospectus dated 30 January 2021.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 **HK$'000**	2020 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**254,954**	–
CURRENT ASSETS		
Amount due from a subsidiary	**33,668**	–
Other receivable	**–**	–*
Cash and cash equivalents	**75,111**	–
Total current assets	**108,779**	–
CURRENT LIABILITIES		
Accruals	**80**	–
Net current assets	**108,699**	–*
Net assets	**363,653**	–*
EQUITY		
Share capital	**10,000**	–*
Reserves (note)	**353,653**	–
Total equity	**363,653**	–*

* The balance represented an amount of HK$0.01.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated loss HK$'000	Total HK$'000
As 1 April 2019, 31 March 2020 and 1 April 2020	–	–	–	–*
Loss and total comprehensive expense for the year	–	–	(6,446)	(6,446)
Issue of new shares pursuant to the Reorganisation (note 23)	–	254,953	–	254,953
Issue of new shares pursuant to the Share Offer	137,500	–	–	137,500
Capitalisation issue of shares	(7,499)	–	–	(7,499)
Share issue expense	(24,855)	–	–	(24,855)
As at 31 March 2021	105,146	254,953	(6,446)	353,653

* The balance represents an amount of HK$0.01.

The Company's contributed surplus represents the excess of the carrying amount of net assets value of Esteem Brilliant acquired pursuant to the Reorganisation, over the nominal value of the Company's shares issued in exchange thereof. Pursuant to the Cayman Islands company law, a company may make distributions to its members out of the contributed surplus in certain circumstances.

35. EVENT AFTER THE REPORTING PERIOD

On 20 April 2021, 78,464,000 share options were granted to eligible participants, as further detailed in note 24 to the financial statements.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2021.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out below.

RESULTS

	Year ended 31 March			
	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**1,549,284**	970,866	871,336	843,123
PROFIT BEFORE TAX	**63,675**	43,195	34,622	40,658
Income tax	**(13,546)**	(9,747)	(6,974)	(5,712)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**50,129**	33,448	27,648	34,946

ASSETS AND LIABILITIES

	At 31 March			
	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**735,201**	491,516	484,814	433,254
TOTAL LIABILITIES	**(467,006)**	(369,973)	(375,485)	(345,317)
	268,195	121,543	109,329	87,937

Pangaea Connectivity Technology Limited
環聯連訊科技有限公司