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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1473)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

Total revenue for the Year decreased by approximately 2.1% year-to-year to HK$1,198.5 million, as compared with total revenue of HK$1,223.8 million for the year ended 31 March 2022.

Net loss attributable to owners of the Company for the Year was approximately HK$31.4 million, as compared with net profit of HK$3.7 million for the year ended 31 March 2022.

Basic losses per share for the Year was HK3.14 cents as compared with basic earnings per share of HK0.37 cent for the year ended 31 March 2022.

The Board does not recommend payment of a final dividend for the Year (2022: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Pangaea Connectivity Technology Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2023 (the "**Year**"), together with the comparative figures for the year ended 31 March 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2023

	Notes	**2023** ***HK$'000***	2022 *HK$'000*
REVENUE	*5*	**1,198,505**	1,223,791
Cost of sales		**(1,069,635)**	(1,068,339)
Gross profit		**128,870**	155,452
Other income and gains, net	*5*	**1,312**	7,052
Selling and distribution costs		**(42,563)**	(39,082)
Administrative expenses		**(94,333)**	(98,095)
Finance costs	*6*	**(27,599)**	(15,025)
PROFIT/(LOSS) BEFORE TAX	*7*	**(34,313)**	10,302
Income tax credit/(expense)	*8*	**2,915**	(6,567)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**(31,398)**	3,735
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents)	*10*	**(3.14)**	0.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(31,398)**	3,735
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of a foreign operation	**(2,636)**	782
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Net gain on equity investment at fair value through other comprehensive income	**2,278**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(358)**	782
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(31,756)**	4,517

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**42,607**	43,062
Financial assets at fair value through profit or loss		**18,804**	28,001
Equity investment at fair value through other comprehensive income		**12,064**	9,786
Prepayments and deposits		**10,379**	–
Deferred tax assets		**4,124**	392
Total non-current assets		**87,978**	81,241
CURRENT ASSETS			
Inventories		**287,571**	300,414
Trade and bills receivables	*11*	**139,973**	134,007
Financial assets at fair value through profit or loss		**9,112**	–
Prepayments, deposits, other receivables and other assets		**20,131**	12,723
Pledged bank deposits		**108,615**	104,511
Cash and cash equivalents		**64,827**	161,195
Total current assets		**630,229**	712,850
CURRENT LIABILITIES			
Trade payables	*12*	**66,447**	87,946
Other payables, accruals and contract liabilities		**35,268**	17,351
Interest-bearing bank borrowings		**120,783**	95,930
Trust receipt loans		**241,092**	303,913
Lease liabilities		**2,718**	5,188
Tax payable		**2,194**	6,548
Total current liabilities		**468,502**	516,876
NET CURRENT ASSETS		**161,727**	195,974
TOTAL ASSETS LESS CURRENT LIABILITIES		**249,705**	277,215

	Notes	**2023**	2022
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**416**	2,286
Deferred tax liabilities		**741**	340
Total non-current liabilities		**1,157**	2,626
Net assets		**248,548**	274,589
EQUITY			
Equity attributable to owners of the parent			
Share capital		**10,000**	10,000
Reserves		**238,548**	264,589
Total equity		**248,548**	274,589

NOTES

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.

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.

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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *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 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

- 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.

4. 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

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**224,083**	147,628
Mainland China	**827,198**	889,638
Other countries/regions	**147,224**	186,525
	1,198,505	1,223,791

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

(b) Non-current assets

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**32,637**	33,464
Mainland China	**12,780**	9,598
Taiwan	**326**	–
	45,743	43,062

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

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:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**224,743**	240,981

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

5. REVENUE AND OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**1,197,283**	1,222,939
Rendering of services	**1,222**	852
	1,198,505	1,223,791

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

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**1,684**	287
Other interest income from financial assets at fair value through profit or loss	**312**	156
Exchange differences, net	**(2,200)**	(195)
Fair value gains/(losses) on financial assets at fair value through profit or loss	**(85)**	4,231
Government subsidy*	**136**	–
Gain on disposal of fixed asset	**17**	14
Sundry income, net	**1,448**	2,559
	1,312	7,052

* During the year ended 31 March 2023, government grants of HK$15,000 and HK$27,000, which represented subsidies for employee training scheme and stabilising employment, respectively, were received from the government authorities in the PRC. The remaining balance of HK$94,000 were granted by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There were no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on bank borrowings	**27,302**	14,624
Interest on lease liabilities	**297**	401
Total finance costs	**27,599**	15,025

7. PROFIT/(LOSS) BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
Depreciation	**10,300**	9,788
Research and development costs	**11,372**	11,616
Gain on disposal of items of property, plant and equipment	**(17)**	(14)
Reversal of impairment of trade receivables^	**(1,389)**	(1,568)
Provision/(write-back of provision) for inventories^^	**8,412**	(2,762)
Staff costs (excluding directors' remuneration):		
Wages and salaries	**44,942**	45,008
Equity-settled share option expense	**4,070**	10,603
Pension scheme contributions	**5,706**	5,644
	54,718	61,255
Lease payments not included in the measurement of leases liabilities	**196**	366
Foreign exchange differences, net	**2,200**	195
Fair value loss/(gain) on financial assets at fair value through profit or loss	**85**	(4,231)

8. INCOME TAX

	2023	2022
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**–**	4,070
Overprovision in prior years	**(155)**	(128)
Current — Mainland China		
Charge for the year	**580**	2,231
Underprovision in prior years	**–**	208
Current — Taiwan		
Charge for the year	**24**	–
Deferred tax	**(3,364)**	186
Total tax charge/(credit) for the year	**(2,915)**	6,567

9. DIVIDENDS

The Board does not recommend payment of any dividend for the year ended 31 March 2023 (2022: Nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share attributable to ordinary equity holders of the parent is based on the loss for the year attributable to ordinary equity holders of the parent of HK$31,398,000 (2022: profit for the year of HK$3,735,000) and the weighted average number of ordinary shares of 1,000,000,000 (2022: 1,000,000,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 March 2023 as the Company had no potentially dilutive ordinary shares in issue during the year ended 31 March 2023.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 March 2022 in respect of a dilution as the exercise price of the share options of the Company outstanding during the year was higher than the average market price of the Company's ordinary shares and, accordingly, such share options held have no dilutive effect on the basic earnings per ordinary shares.

11. TRADE AND BILLS RECEIVABLES

	2023 *HK$'000*	2022 *HK$'000*
Trade receivables	**126,458**	129,264
Less: Impairment on trade receivables	**(1,595)**	(3,189)
	124,863	126,075
Bills receivable	**15,110**	7,932
	139,973	134,007

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

	2023 *HK$'000*	2022 *HK$'000*
Within 1 month	**134,412**	105,275
1 to 3 months	**4,879**	26,068
3 to 6 months	**515**	2,505
Over 6 months	**167**	159
	139,973	134,007

12. 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:

	2023 *HK$'000*	2022 *HK$'000*
Within 30 days	**23,690**	78,080
31 to 90 days	**42,734**	9,866
Over 120 days	**23**	–
	66,447	87,946

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Market Review

The semiconductor industry is facing a multitude of challenges in the current market, including geopolitical issues from the Russia-Ukraine war and the US-China trade conflict, which have inflicted rising inflation and interest rates, and created serious supply chain disruption. These factors have forged an uncertain environment for semiconductor players, who must navigate these obstacles to remain profitable and competitive in the market.

Despite those challenges, the semiconductor industry remains a key player in the global economy. Demand for semiconductor will remain strong, particularly in areas such as the strategic development of telecommunication infrastructure, the continuous deployment of 5G networks and development of 6G, the further expansion and upgrade of data centres from 400Gb/s to 1.6Tb/s, the advancement of wireless connectivity of WiFi 7 and router, the new industrial application of commercial laser, the increasing use of artificial intelligence, and the emergence of autonomous vehicles etc. Many companies are investing heavily in research and development to stay ahead of the competition, while others are exploring new markets and partnerships to diversify their revenue streams. As the global economy continues to recover from the pandemic, the semiconductor industry will play a key role in driving growth and innovation, making the long-term viability of the semiconductor market stay more positive and stronger. Our Group remains optimistic about the revenue growth in long-term.

Business Review

During the year under review, quite a number of factors affected the performance of the Group. Some of them asserted huge pressure on the overall industrial demand for semiconductors and thus created a certain level of impact to our Group. Notwithstanding this, our Group managed to stay at a decent level of sales performance as the previous year. However, consistent with the general market performance, the Group's annual profitability of the year appeared to be an issue that need to be addressed in the coming time. The high financing cost inflicted by the rising interest rate influenced the overall profitability of the year under review. Uncertainty persists amid the unstable macro-economic environment, the imbalance in the global supply/demand status and the ongoing worldwide geo-political risks and the strong-dollar monetary policy of US.

In addition, following the Made in China 2025 initiative and the CHIPS and Science Act in the US and the proposed European Chips Act, which have given a widespread implication on supply chain disruption, all has become an issue for our customers in China. Thankfully, some of our Chinese customers have made arrangements to lessen the impact.

At last, the Group's 4 key market sectors — Telecommunication Infrastructure, Data Centre, IoT and Network Connectivity Applications, and Commercial Laser performed consistently with the general market during the year under review as compared with the previous year. With regards to the Commercial Laser sector, the Group has been investing tremendous resources in supporting the development of solar photovoltaic application segment and this has exhibited enormous potential for the Group's future growth.

Prospects

International conflicts that give rise to more nationalization of technology and restrictive trade policies have put threats on the resilience of semiconductor supply chain. The challenges across the semiconductor industry and its ecosystem have apparently arisen in the past year. It is now becoming more essential for our Group to stay ahead of the technology curve and keep up with the latest development trends. Therefore, our Group has not only increased the geographical diversity, but also diversified the supply source and customer base to improve our supply chain agility and resilience. To further achieve this, our Group has continued, on a long-term basis, to invest in finding new potential source of supply partners, expanding and extending our product lines and applications, and exploring opportunities from new technologies and markets globally and potential source of supply from China locally. Additionally, it is vital that our Group can provide the best fit solutions to meet the evolving needs of our customers by maintaining our focuses on the recent developments and the new emerging markets and application segments.

Collaborating with new business partnerships, developing new product lines and creating new area of applications are critical to diversify our Group's offerings and increase our Group's product and market coverage. For instance, our Group's Commercial Lasers sector is expected to reach a substantial advancement in the solar photovoltaic application segment. The promising incremental growth is largely arising from the contribution of the high performance femtosecond laser technology, the support of our advanced laser laboratory as well as our technical proficiency which can speed up the uptick of new use in potential market. In addition, the industry-shifting linear technology in supporting GPU development catering for AI application will become a potential growth engine for the Group as we have started the collaboration and been working proactively with both the supplier side and customer side. Despite the recent slowdown of market demand, our Group stays positive about overturning the current profitability performance.

The structural drivers for our industry are still intact. China has a rapidly expanding economy and is home to many manufacturers and suppliers. Our Group will seize every opportunity to strengthen the collaboration with the source of supply in China to improve our profit-making performance. We will continue to boost the price to performance value of products in serving our customers locally and gain access to new technologies and resources that are not available elsewhere. Our Group will come to meet our shareholders' expectation as we are in the trajectory to make ourselves more versatile and competitive, have ourselves better risk controllable, stay financially healthy and maintain our strategic focus to drive for excellence and long-term sustainable growth.

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 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.

Furthermore, the rise of artificial intelligence (AI) has created tremendous opportunities, especially in the newest connectivity technology and demand for data center which can collaborate with the AI technology to operate in the most efficient manner. To optimise the Group's experience and strength in these areas, the Group will strive to look for investment opportunities in these potential areas to strive for the best potential in the newest technological arena.

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 decreased from approximately HK$1,222.9 million in the year ended 31 March 2022 to approximately HK$1,197.3 million for the Year mainly due to the adverse impacts of the pandemic including supply chain disruptions and lockdown measures which led to slowdown of the 5G development in the PRC market. Revenue from rendering of services increased from approximately HK$0.9 million for the year ended 31 March 2022 to approximately HK$1.2 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 decreased from approximately 12.7% for the year ended 31 March 2022 to approximately 10.8% for the Year, mainly due to the slowdown of the PRC market and disruption of supply chain amidst the effect of pandemic lockdown which decreased market demand and market price.

Rendering of services

Gross profit margin derived from rendering of services was approximately 87.2% for the Year, representing an increase of approximately 6.4% from approximately 80.8% for the year ended 31 March 2022. 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, net of approximately HK$1.3 million (2022: approximately HK$7.1 million) mainly represents bank interest income, exchange loss, fair value gain/(loss) on financial assets, and sundry income. Decrease in other income and gains of approximately HK$5.8 million is mainly due to the combined effect of (i) the decrease in fair value gain on financial assets of approximately HK$4.3 million for the Year; (ii) the increase in exchange loss of approximately HK$2.0 million for the Year; and (iii) the decrease in sundry income of approximately HK$1.1 million for the Year, which is partially offset by the increase in bank interest income of approximately HK$1.4 million for the Year.

Selling and distribution costs

The selling and distribution costs of approximately HK$42.6 million (2022: approximately HK$39.1 million) mainly include staff salaries, transportation, freight charges, declaration and consultancy expenses. The selling and distribution costs increased by approximately HK$3.5 million or 8.9% from last year, which is mainly due to the increase in consultancy fee for market related support services and transportation cost resulting from disruption of logistic service from the COVID-19 pandemic.

Administrative expenses

Administrative expenses of approximately HK$94.3 million (2022: approximately HK$98.1 million) primarily consist of salaries and staff benefits (including directors' emoluments), share based expenses for share options, insurance, operating lease and other premise fee, bank charges, entertainment, professional fee, office supplies and depreciation expenses. The administrative expenses decreased by approximately HK$3.8 million or 3.8% for the Year mainly as a result of (i) a decrease in share based expenses for share options of approximately HK$9.2 million, which was partly offset by (ii) the increase in salaries and staff benefits (including directors' remuneration) in aggregate of approximately HK$4.9 million mainly due to annual salary increment.

Finance costs

The Group's finance costs of approximately HK$27.6 million (2022: approximately HK$15.0 million) mainly represented interest expenses on its bank borrowings during the Year. The Group incurred interest on bank borrowings of approximately HK$27.3 million for the Year as compared to approximately HK$14.6 million for the year ended 31 March 2022. The increase in interest on bank borrowings was mainly due to the increase in interest rate and utilisation of borrowing facilities during the Year.

Taxation

Taxation of the Group for the Year mainly comprised current income tax credit of approximately HK$2.9 million (2022: income tax expenses of HK$6.6 million) which included deferred tax credit to statement of profit or loss of approximately HK$3.4 million (2022: expense of HK$0.2 million) recognised for the provision for inventories and impairment loss of trade receivable as well as tax losses for the Year.

Net loss for the year

Net loss for the Year amounted to approximately HK$31.4 million (2022: net profit of HK$3.7 million). The net loss was principally attributable to the net effect of the factors mentioned above, including (a) decrease in revenue and gross profit margin; (b) decrease in other income and gains, net; (c) increase in selling and distribution expenses; (d) increase in finance costs; which was partly offset by (e) decrease in administrative expenses; and (f) decrease in taxation expenses due to decrease in taxable profit.

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 2023 were approximately HK$64.8 million (2022: HK$161.2 million). The Group's cash on hand including pledged bank deposits were approximately HK$173.4 million (2022: HK$265.7 million). They were mainly denominated in Hong Kong dollar and Renminbi.

As at 31 March 2023, the Group's total outstanding bank borrowings amounted to HK$361.9 million (2022: HK$399.8 million) which comprised mainly bank factoring loans, trust receipts loans and revolving loans. Certain bank borrowings of the Group were secured by the pledge of the Group's bank deposits and investments in insurance policies. 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 and pledged bank deposits divided by total equity and multiplied by 100%) increased from approximately 48.9% as at 31 March 2022 to approximately 75.7% as at 31 March 2023 mainly due to (i) increase in bank borrowing net of cash and cash equivalents; and (ii) decrease in total equity resulting from loss of the Year.

The Group had 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed 117 employees (2022: 119 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 maintains a good relationship with its employees.

USE OF PROCEEDS FROM LISTING

The net proceeds received by the Company from the initial public offering in 2021 (the "**Listing**") in the amount of approximately HK$88.1 million 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 19 February 2021 (the "**Listing Date**") up to 31 March 2023 as follows:

	Application of net proceeds as stated in the Prospectus	Actual use of net proceeds	Unused net proceeds	Unused net proceeds
	HK$'million	*HK$'million*	*HK$'million*	*%*
Strengthening design and technical capabilities	57.8	7.2	50.6	87.5
Broadening customer base by expanding the geographic reach of sales and technical support coverage	14.4	11.3	3.1	21.5
Strengthening back office operational supports by enhancing information technology management system and recruiting IT staff	7.2	7.2	–	–
General working capital	8.7	8.7	–	–
	88.1	34.4	53.7	61.0

As at 31 March 2023, the amount of unused net proceeds amounted to approximately HK$53.7 million. The unused net proceeds from the Listing are expected to be used in accordance with the Company's plan as disclosed in the Prospectus except that the original timeline for utilising the remaining net proceeds as disclosed in the Prospectus has been delayed due to, among others, the business environment being affected by the worldwide semiconductor shortage and the continuing impacts of COVID-19, together with the restrictions and rules on border controls, lockdowns and quarantine measures during the Year. However, 5G adoption will trigger the surge of development and application of correlated communication infra-structure in the coming years. Therefore, the Group shall regularly evaluate the market conditions for the fulfillment of the Group's future plan.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year.

SIGNIFICANT INVESTMENT

As at 31 March 2023, the Group had no significant investment with a value of 5% or more of the Group's total assets.

CAPITAL EXPENDITURE

As at 31 March 2023, the Group invested approximately HK$8.6 million (2022: approximately HK$4.5 million) in capital expenditure mainly for office equipment, furniture and fixtures, motor vehicles and leasehold improvements.

The Group did not have any material capital commitments as at 31 March 2023 (2022: Nil).

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 is 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 2023, the Group did not have any material contingent liabilities (2022: Nil).

PLEDGE OF ASSETS

Certain bank borrowings of the Group are secured by:

(i) the pledge of the Group's bank deposits amounting to HK$108,615,000 (2022: HK$104,511,000) at the end of the reporting period;

(ii) the pledge of investments in life insurance policies of Mr. Fung, amounting to HK$18,804,000 (2022: HK$18,076,000) at the end of the reporting period; and

(iii) corporate guarantees from the Company of up to HK$1,563,690,000 (2022: HK$1,016,130,000).

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.

POSSIBLE RISKS

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

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 staff, maintained a close monitoring on all staff's health status, travel history and potentially infectious contacts, and provided extra sanitization products to all sites.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event affecting the Group and requiring disclosure that has been taken place subsequent to 31 March 2023 and up to the date of this announcement.

PROSPECTS

The rise of artificial intelligence (AI) has created tremendous opportunities, especially in the newest connectivity technology and demand for data center which can collaborate with the AI technology to operate in the most efficient manner. To optimise the Group's experience and strength in these areas, the Group will strive to look for investment opportunities in these potential areas to strive for the best potential in the newest technological arena.

DIVIDEND

In view of the overall economic and business environment and the results of the Company for the Year, the Board considers that it is more beneficial to the Company and its shareholders as a whole for the Company to adopt a prudent approach. As such, the Board does not recommend payment of a final dividend for the Year (2022: Nil). Subject to the overall economic and business environment and the results of the Company next year, the Company will earnestly consider the recommendation of an interim or a final dividend next year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (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 of Hong Kong Limited (the "**Listing Rules**") 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.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good corporate governance practices. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The Company has applied the principles and complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the Year, with the exception of Code Provision C.2.1, which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

C.2.1

Mr. Fung Yui Kong is currently performing the roles of chairman and chief executive officer. 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.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures set out in the preliminary announcement in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for the Year have been agreed by the Company's auditor, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors and a non-executive Director namely Mr. Sze Wing Chun (Chairman), Mr. Kam Eddie Shing Cheuk and Mr. Ling Kwok Fai Joseph respectively. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and risk management systems of the Group, and financial reporting matters including a review of the Group's annual results for the Year. The Audit Committee was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Friday, 11 August 2023. The notice of the AGM will be published and despatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 8 August 2023 to Friday, 11 August 2023 (both days inclusive) during which period no transfers of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 7 August 2023.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

The final results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pangaea.com.hk). The 2023 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Pangaea Connectivity Technology Limited
Mr. Fung Yui Kong
Chairman

Hong Kong, 28 June 2023

As at the date of this announcement, the Board comprises Mr. Fung Yui Kong, Ms. Leung Kwan Sin Rita and Dr. Wong Wai Kong as executive Directors; Mr. Kam, Eddie Shing Cheuk as non-executive Director; and Mr. Chan Hiu Fung Nicholas, Mr. Ling Kwok Fai Joseph, and Mr. Sze Wing Chun as independent non-executive Directors.