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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 2024

Total revenue for the Year increased by approximately 15.5% year-to-year to HK\$1,384.0 million, as compared with total revenue of HK\$1,198.5 million for the year ended 31 March 2023.

Net loss attributable to owners of the Company for the Year was approximately HK\$29.3 million, as compared with net loss of HK\$31.4 million for the year ended 31 March 2023.

Basic losses per share for the Year was HK2.93 cents as compared with basic losses per share of HK3.14 cent for the year ended 31 March 2023.

The Board does not recommend payment of a final dividend for the Year (2023: 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 2024 (the “**Year**”), together with the comparative figures for the year ended 31 March 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	5	1,384,011	1,198,505
Cost of sales		<u>(1,266,936)</u>	<u>(1,069,635)</u>
Gross profit		117,075	128,870
Other income and gains, net	5	7,062	1,312
Selling and distribution costs		(38,535)	(42,563)
Administrative expenses		(89,985)	(94,333)
Finance costs	6	<u>(28,586)</u>	<u>(27,599)</u>
LOSS BEFORE TAX	7	(32,969)	(34,313)
Income tax credit	8	<u>3,708</u>	<u>2,915</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>(29,261)</u>	<u>(31,398)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents)	10	<u>(2.93)</u>	<u>(3.14)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
LOSS FOR THE YEAR	<u>(29,261)</u>	<u>(31,398)</u>
OTHER COMPREHENSIVE LOSS:		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of a foreign operation	(1,090)	(2,636)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Net gain/(loss) on equity investment at fair value through other comprehensive income	<u>(1,401)</u>	<u>2,278</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR	<u>(2,491)</u>	<u>(358)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	<u><u>(31,752)</u></u>	<u><u>(31,756)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		43,110	42,607
Intangible asset		6,497	–
Financial assets at fair value through profit or loss		19,165	18,804
Equity investment at fair value through other comprehensive income		10,663	12,064
Prepayments and deposits		244	10,379
Deferred tax assets		8,194	4,124
		<hr/>	<hr/>
Total non-current assets		87,873	87,978
CURRENT ASSETS			
Inventories		226,997	287,571
Trade and bills receivables	<i>11</i>	336,187	139,973
Financial assets at fair value through profit or loss		–	9,112
Prepayments, deposits, other receivables and other assets		25,640	20,131
Pledged bank deposits		107,081	108,615
Cash and cash equivalents		64,101	64,827
		<hr/>	<hr/>
Total current assets		760,006	630,229
CURRENT LIABILITIES			
Trade payables	<i>12</i>	272,178	66,447
Other payables, accruals and contract liabilities		65,846	35,268
Interest-bearing bank borrowings		22,491	120,783
Trust receipt loans		258,258	241,092
Lease liabilities		3,978	2,718
Tax payable		2,295	2,194
		<hr/>	<hr/>
Total current liabilities		625,046	468,502
NET CURRENT ASSETS			
		<hr/> 134,960 <hr/>	<hr/> 161,727 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 222,833 <hr/>	<hr/> 249,705 <hr/>

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities		3,979	416
Deferred tax liabilities		672	741
		<hr/>	<hr/>
Total non-current liabilities		4,651	1,157
		<hr/>	<hr/>
Net assets		218,182	248,548
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		10,000	10,000
Reserves		208,182	238,548
		<hr/>	<hr/>
Total equity		218,182	248,548
		<hr/> <hr/>	<hr/> <hr/>

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 electronic components including commercial lasers and connectivity products which are used in telecom and datacom connectivity industry for different end applications such as telecom infrastructure, data centres, high performance computing, Internet of Things (“**IoT**”) and network connectivity products.

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**”) 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 HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 March 2024 and 2023.
- (d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the import and export of electronic components including commercial lasers and connectivity products which are used in telecom and datacom connectivity industry for different end applications such as telecom infrastructure, data centres, high performance computing, IoT and network connectivity products.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	217,961	224,083
Chinese Mainland	1,032,207	827,198
Other countries/regions	<u>133,843</u>	<u>147,224</u>
Total revenue	<u><u>1,384,011</u></u>	<u><u>1,198,505</u></u>

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

(b) *Non-current assets*

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	34,806	32,637
Chinese Mainland	15,045	12,780
Taiwan	<u>–</u>	<u>326</u>
Total non-current assets	<u>49,851</u>	<u>45,743</u>

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:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	246,670	N/A*
Customer B	<u>218,656</u>	<u>224,743</u>
Total	<u>465,326</u>	<u>224,743</u>

* Revenue from sales to Customer A accounted for less than 10% of the total revenue of the Group for the year ended 31 March 2023.

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of goods	1,379,466	1,197,283
Rendering of services	<u>4,545</u>	<u>1,222</u>
Total	<u><u>1,384,011</u></u>	<u><u>1,198,505</u></u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank interest income	5,141	1,684
Other interest income from financial assets at fair value through profit or loss	312	312
Exchange differences, net	97	(2,200)
Fair value gains/(losses) on financial assets at fair value through profit or loss	361	(85)
Government subsidies*	25	136
Gain on disposal of items of property, plant and equipment	1	17
Sundry income, net	721	1,448
Gain on disposal of a convertible bond	<u>404</u>	<u>–</u>
Total other income and gains, net	<u><u>7,062</u></u>	<u><u>1,312</u></u>

* During the year ended 31 March 2024, government grants of HK\$25,000, which represented subsidies for employment stabilisation, were received from the government authorities in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

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 employment stabilisation, respectively, were received from the government authorities in the PRC. The remaining balance of HK\$94,000 was 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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on bank borrowings	28,217	27,302
Interest on lease liabilities	369	297
	<hr/>	<hr/>
Total	28,586	27,599
	<hr/> <hr/>	<hr/> <hr/>

7. LOSS BEFORE TAX

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories sold	1,266,574	1,061,066
Cost of services provided	16	157
Depreciation	10,365	10,300
Research and development costs [#]	9,630	11,372
Gain on disposal of items of property, plant and equipment	(1)	(17)
Impairment/(reversal of impairment) of trade receivables [^]	1,747	(1,389)
Provision for inventories ^{^^}	346	8,412
Staff costs (excluding directors' remuneration):		
Wages and salaries	38,882	44,942
Equity-settled share option expense	1,017	4,070
Pension scheme contributions [*]	5,864	5,706
	<hr/>	<hr/>
Total	45,763	54,718
	<hr/> <hr/>	<hr/> <hr/>
Lease payments not included in the measurement of leases liabilities	416	196
Foreign exchange differences, net	(97)	2,200
Fair value loss/(gain) on financial assets at fair value through profit or loss	(765)	85
	<hr/> <hr/>	<hr/> <hr/>

[#] Research and development costs include HK\$9,396,000 (2023: HK\$9,998,000) 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 is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

^{^^} Provision for inventories is included in "Cost of sales" on the face of the consolidated statement of profit or loss.

^{*} There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. INCOME TAX

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current — Hong Kong		
Overprovision in prior years	–	(155)
Current — PRC		
Charge for the year	447	580
Current — Taiwan		
Charge for the year	–	24
Deferred tax	<u>(4,155)</u>	<u>(3,364)</u>
Total tax charge for the year	<u><u>(3,708)</u></u>	<u><u>(2,915)</u></u>

9. DIVIDENDS

The Board does not recommend payment of any dividend for the year ended 31 March 2024 (2023: Nil).

10. 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\$29,261,000 (2023: HK\$31,398,000) and the weighted average number of ordinary shares of 1,000,000,000 (2023: 1,000,000,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2024 and 2023 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2024 and 2023.

11. TRADE AND BILLS RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	338,769	126,458
Less: Impairment of trade receivables	<u>(3,340)</u>	<u>(1,595)</u>
Net carrying amount	335,429	124,863
Bills receivable	<u>758</u>	<u>15,110</u>
Total	<u><u>336,187</u></u>	<u><u>139,973</u></u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	275,841	134,412
1 to 3 months	36,119	4,879
3 to 6 months	23,442	515
Over 6 months	<u>785</u>	<u>167</u>
Total	<u><u>336,187</u></u>	<u><u>139,973</u></u>

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	131,465	23,690
31 to 90 days	121,154	42,734
Over 120 days	<u>19,559</u>	<u>23</u>
Total	<u><u>272,178</u></u>	<u><u>66,447</u></u>

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

Currently, the semiconductor industry is facing numerous challenges, including global economic uncertainty, fluctuating and weak market demand on some of the projects, high inventory, high financial costs and geopolitical issues arising from trade tensions between the United States and China which have led to rising inflation and interest rates. To remain profitable and competitive, semiconductor companies must know how to overcome these various obstacles, including effectively managing their research and development, supply chain, and talent cultivation.

Despite these challenges, the semiconductor industry remains a key player in the global economy. To support the industry's growth, China is encouraging companies to implement innovative concepts including sustainable and green development that boost green production and lifestyles. In its 14th Five-Year Plan, released in 2021, it identified key strategic industries that will be accelerated to achieve China's carbon neutrality goals including new generation information technology, biotechnology, new energy, new materials, high-end equipment, new energy vehicles, and green environmental protection among other advancements. The improvements in industrial green and low-carbon standard systems and the promotion of tens of thousands of green products have created a solid foundation for green manufacturing in key industries and regions. The Group expects that national policies will further drive growth in our AI-related and green business.

With the strategic development in high performance computing and renewal energy, the advancement of wireless connectivity of WiFi7, the deployment of 5G networks and development of 6G, demand for semiconductors used in AI-enabled technology remains strong. Moreover, as the global economy continues to recover from the pandemic, the semiconductor industry is expected to play a key role in driving growth and innovation, which will further strengthen the market's long-term viability. As a result of these positive trends, the Group remains optimistic about our ability to continue to grow the business over the long term.

Business Review

During the Year, industry pressures impacted the Group's progress as well as overall demand for semiconductors. Notwithstanding these developments, sales performance for the Year improved compared with the corresponding period last year. However, an increase in financing costs due to rising interest rates negatively affected overall profitability. Additionally, continued volatility in the current macroeconomic environment, unbalanced global supply and demand conditions, ongoing global geopolitical risks and the monetary policy tightened by the United States continue to weigh on the near-term industry outlook.

To mitigate the impact of these issues the Group is proactively implementing several strategies. Firstly, the Group is seizing opportunities created by the growing demand for semiconductors that meet AI-enabled requirements. Increasing demand for AI enabled high performance transmission technology is driven by its ability to enhance data processing and analyse performance, expand bandwidth capability, solve the increasing problems of system power consumption and heat dissipation of high-density modules, as well as reduce cost.

Secondly, the Group is capturing opportunities created by the growing Green sector. With demand for renewable energy increasing, the Group is investing in supporting cutting-edge laser technologies tailored for solar photovoltaic panel development and production. This strategic move has resulted in the Group becoming the leading provider in the China market.

Furthermore, the Group is exploring new market segments, adopting additional new product lines, broadening its supplier and customer base, and developing strategic partnerships with key players in the region. By diversifying the Group's offerings, the Group is bolstering its market reach and tapping into previously untapped business partners and customer segments. This expansion not only has the potential to boost the Group's revenue streams but also strengthen the Group's overall competitive advantage. In addition, to address the global shift in supplier and customer dynamics the Group is expanding to South-East Asia. Recognizing the region's emerging market potential and cost advantages, the Group has established a robust presence in key locations to optimize supply chains and ensure operations remain smooth.

The Group's 4 key market sectors, AI HPC (High Performance Computing), Green Energy (Industrial Lasers), Wi-Fi and IoT Connectivity, and Telecommunication Infrastructure, performed invariably within the market and within the Group's expectations during the Year. The Group intends to continue to drive growth and innovation in this dynamic business landscape as it maintains its resilience, adaptability, and commitment to the valued shareholders.

Prospects

Looking forward, our Group will stay committed to AI-related participation. Our determination remains strong, as we keep on forging partnerships with leading companies in the AI sector. The prospected collaborations will enable the Group to leverage our cutting-edge AI-enabled technologies, enhancing our product offerings and driving transformative solutions for our customers. We recognize the growing demand for AI-enabled communications devices, particularly in data centers and HPC (High-Performance Computing) environments. To meet these requirements, we are investing more to deliver superior performance, efficiency, and scalability.

We are excited about the prospects of WiFi 6 and the upcoming WiFi 7 standards. As the demand for high-speed, reliable wireless connectivity continues to surge, we are well-positioned to capitalize on this trend. Our focus lies in supporting the development of next-generation WiFi solutions that provide higher data rates, lower latency, and improved network capacity. These advancements will not only meet the increasing requirements of AI applications but also support the proliferation of IoT devices, enabling seamless connectivity in smart homes, cities, and industries. The rapid expansion of AI applications necessitates robust IoT infrastructure to accommodate the growing capacity demands. At our Group, we are actively working with different suppliers to support the development of IoT solutions that integrate seamlessly with AI systems. By harnessing the power of IoT, we can support the massive data influx generated by AI-driven processes and enable efficient data management, analysis, and decision-making. Our focus is on creating scalable IoT platforms that provide reliable connectivity, security, and interoperability.

In addition, our persistent involvement in solar PV panel development aligns with our green energy initiatives. Our industrial laser processing know-how has put us at the top among competitions when it enhances the high efficiency and affordability of solar PV panels production against others. Our Group will continue to contribute to the worldwide solar PV panel market and leverage our advantages to foster the competitive edge of our customers.

As 5G networks become the mainstream, our Group is actively exploring opportunities to advance optical and wireless communications technologies. Our focus is to collaborate and develop solutions that enable faster data transfer rates, improved network reliability, and enhanced coverage. By staying at the forefront of optical and wireless communication advancements, we aim to maintain the support of the evolving requirements of 5G and beyond, connecting individuals, businesses, and industries with seamless and efficient communication networks.

Overall, our Group remains committed to driving innovation and capitalizing on emerging technologies. Our strategic focus on AI-related business, WiFi 6 and coming WiFi 7 prospects, IoT, green energy initiatives, and optical and wireless communications networks positions us for continued growth and success. We are confident that our dedication to these areas will enable us to meet the evolving needs of our customers and thrive in the dynamic market landscape. The Group is positive in its ability to return to profitability in the short coming future.

FINANCIAL REVIEW

Revenue

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

Revenue from sales of goods accounted for approximately 99.7% 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\$1,197.3 million in the year ended 31 March 2023 to approximately HK\$1,379.5 million for the Year mainly due to the increase in sale of products in relation to artificial intelligence (AI) and green technology. Revenue from rendering of services increased from approximately HK\$1.2 million for the year ended 31 March 2023 to approximately HK\$4.5 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 the cost of products purchased from suppliers; and (ii) cost of service which represents staff costs associated with the provision of services.

Gross profit margin

Sales of goods

Gross profit margin derived from sales of goods decreased from approximately 10.7% for the year ended 31 March 2023 to approximately 8.5% for the Year, mainly due to the slowdown of the 5G development in the PRC market which decreased market price.

Rendering of services

Gross profit margin derived from rendering of services was approximately 99.6% for the Year, representing an increase of approximately 12.4% from approximately 87.2% for the year ended 31 March 2023. 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 the services provided.

Other income and gains, net

Other income and gains, net of approximately HK\$7.1 million (2023: approximately HK\$1.3 million) mainly represents bank interest income, exchange gain/(loss), loss on investment, fair value gain/(loss) on financial assets at fair value through profit or loss, and sundry income. The increase in other income and gains of approximately HK\$5.8 million is mainly due to the combined effect of (i) an increase in bank interest income of approximately HK\$3.4 million for the Year; (ii) a decrease in exchange loss of approximately HK\$2.3 million for the Year; and (iii) a gain on disposal of financial assets of approximately HK\$0.4 million for the Year.

Selling and distribution costs

The selling and distribution costs of approximately HK\$38.5 million (2023: approximately HK\$42.6 million) mainly include staff salaries, transportation, freight charges, declaration, consultancy expenses and research and development (R&D) expenses. The selling and distribution costs decreased by approximately HK\$4.1 million or 9.6% from last year, which is mainly due to the decrease in salaries and R&D expenses resulting from cost control measure imposed amid the slowdown of the 5G development in the PRC market.

Administrative expenses

Administrative expenses of approximately HK\$90.0 million (2023: approximately HK\$94.3 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\$4.3 million or 4.6% for the Year mainly as a result of (i) a decrease in share-based expenses for share options of approximately HK\$4.3 million; (ii) a decrease in salaries and staff benefits (including directors' remuneration) in aggregate of approximately HK\$1.8 million mainly due to cost control measure imposed amid the slowdown of the 5G development in the PRC market; (iii) a decrease in professional expenses of approximately HK\$1.1 million resulting from reduction of professional advisory services due to cost control measure imposed, which was partially offset by the increase in provision for bad debt of approximately HK\$3.1 million for the Year.

Finance costs

The Group's finance costs of approximately HK\$28.6 million (2023: approximately HK\$27.6 million) mainly represented interest expenses on its bank borrowings during the Year. The Group incurred interest on bank borrowings of approximately HK\$28.2 million for the Year as compared to approximately HK\$27.3 million for the year ended 31 March 2023. The increase in interest on bank borrowings was mainly due to the increase in interest rate and utilization of borrowing facilities during the Year.

Taxation

Taxation of the Group for the Year mainly comprised current income tax credit of approximately HK\$3.7 million (2023: income tax credit of approximately HK\$2.9 million) which included deferred tax credit to statement of profit or loss of approximately HK\$4.2 million (2023: credit of HK\$3.4 million) recognized 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\$29.3 million (2023: HK\$31.4 million). The net loss was principally attributable to the net effect of the factors mentioned above, including (a) a decrease in gross profit margin; and (b) an increase in finance costs, which was partially offset by (c) an increase in other income and gains, net; (d) a decrease in selling and distribution expenses; (e) a decrease in administrative expenses; and (f) an increase in tax credit due to increase in tax losses.

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 2024 were approximately HK\$64.1 million (2023: HK\$64.8 million). The Group's cash on hand including pledged bank deposits were approximately HK\$171.2 million (2023: HK\$173.4 million). They were mainly denominated in Hong Kong dollar and Renminbi.

As at 31 March 2024, the Group's total outstanding bank borrowings amounted to HK\$280.7 million (2023: HK\$361.9 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%) decreased from approximately 75.7% as at 31 March 2023 to approximately 50.2% as at 31 March 2024 mainly due to decrease in bank borrowing net of cash and cash equivalents.

The Group had no significant contingent liabilities as at the end of the Year. 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 2024, the Group employed 114 employees (2023: 117 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 2024 as follows:

	Application of net proceeds as stated in the Prospectus <i>HK\$'million</i>	Actual use of net proceeds <i>HK\$'million</i>	Unused net proceeds <i>HK\$'million</i>	Unused net proceeds %
Strengthening design and technical capabilities	57.8	10.1	47.7	82.5
Broadening customer base by expanding the geographic reach of sales and technical support coverage	14.4	14.4	–	–
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	–	–
	<u>88.1</u>	<u>40.4</u>	<u>47.7</u>	<u>54.1</u>

As at 31 March 2024, the amount of unused net proceeds amounted to approximately HK\$47.7 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 utilizing 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 impacts of COVID-19, together with the restrictions and rules on border controls, lockdowns and quarantine measures as well as the trade tension between United States and China during the Year and the prior years. However, 5G adoption will trigger the surge of development and application of correlated communication infrastructure 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 2024, 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 2024, the Group invested approximately HK\$1.1 million (2023: approximately HK\$8.6 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 2024 (2023: 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 2024, the Group did not have any material contingent liabilities (2023: 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\$107,081,000 (2023: HK\$108,615,000) at the end of the reporting period;
- (ii) the pledge of investments in life insurance policies of Mr. Fung, amounting to HK\$19,165,000 (2023: HK\$18,804,000) at the end of the reporting period; and
- (iii) corporate guarantees from the Company.

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.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event affecting the Group subsequent to 31 March 2024 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 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 (2023: 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 C3 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 C1 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 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), 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 three independent non-executive Directors namely Mr. Kam Eddie Shing Cheuk (Chairman), Mr. Ling Kwok Fai Joseph and Mr. Chan Hiu Fung Nicholas 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, 16 August 2024. 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, 13 August 2024 to Friday, 16 August 2024 (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, 12 August 2024.

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 2024 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, 26 June 2024

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. Chan Hiu Fung Nicholas, Mr. Ling Kwok Fai Joseph, and Mr. Kam, Eddie Shing Cheuk as independent non-executive Directors.