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PAX GLOBAL TECHNOLOGY LIMITED

百富環球科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 327)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS			
	2020	2019	
	HK\$'000	HK\$'000	+/(–)
RESULTS			
Revenue	5,650,619	4,925,733	+14.7%
Gross profit	2,337,309	1,944,833	+20.2%
Operating profit	1,067,172	761,626	+40.1%
Profit before income tax	1,052,841	754,673	+39.5%
Profit for the year	903,850	624,864	+44.6%
Profit attributable to the owners of the Company	900,123	623,873	+44.3%
	2020	2019	+/(–)
	HK\$	HK\$	
Earnings per share			
– Basic	0.828	0.567	+46.0%
– Diluted	0.823	0.567	+45.1%
Proposed final dividend per ordinary share	0.10	0.06	+66.7%
	2020	2019	+/(–)
	HK\$'000	HK\$'000	
KEY BALANCE SHEET ITEMS			
Total current assets	6,955,116	6,196,703	+12.2%
Total assets	7,637,059	6,719,223	+13.7%
Net current assets	5,000,797	4,321,049	+15.7%
Total equity	5,573,572	4,739,352	+17.6%

* For identification purpose only

The board of directors (the “Board”) of PAX Global Technology Limited (the “Company” or “PAX”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020, with comparative figures for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Analysis and Industry Trends

In 2020, the emergence of the COVID-19 pandemic brought unprecedented shock to every country on the planet. The economic environment and consumption patterns have transpired into a “new normal”, resulting in a radical reshaping of the traditional payment market. As countries implemented stringent pandemic control and prevention measures, people drastically reduced the use of physical cash. Contactless payment quickly became the preferred payment transaction method of consumers. Governments’ uplift of transaction limits for contactless payment has further accelerated customers’ shift from using cash to electronic payment methods such as NFC-enabled bank card or QR (Quick Response) code payment. Contactless payments have become an irreversible trend.

Riding on the rapid development of the global E-payment terminals industry, the Group continues to strengthen closer partnerships with acquiring banks and payment service providers around the world. Leveraging on our extensive sales network and excellent payment products, the Group has seized the development opportunities and achieved a new high in results performance. In 2020, the Group achieved a record high revenue of HK\$5,650.6 million, representing a year-on-year growth of 14.7%. Revenue from overseas markets accounted for over 90% of the total revenue of the Group. In the face of the challenges posed by the pandemic, PAX demonstrated strong enterprise-wide resilience and business competence, achieving a 44.6% growth of net profit for the year.

As a pioneer of the E-payment terminal industry, PAX succeeded in turning the challenging year of 2020 into a surging growth opportunity. Over the past few years, the Group has been strategically sowing the seeds of product innovation, cultivating a new generation of payment terminal solutions. PAX’s full range of Android SmartPOS, SmartECR, SmartKiosk models and unattended solutions, caters to the diverse needs of integrated multilane retailers (supermarkets and chain stores), SMB merchants (Small & Medium-sized Businesses) and the self-service sector. PAX’s all-in-one Android solutions enable merchants to analyse customer behaviours, create automated marketing campaigns, manage inventory, etc., hence strengthen their operational management and marketing efficiency. Through PAXSTORE, payment service providers are empowered to manage terminal estate in real-time and deliver new value-added application services to merchants. In the second half of 2020, sales of Android terminal solutions increased substantially compared to the first half of the year. Android solutions accounted for over 30% of the Group’s total revenue in 2020.

PAXSTORE has become a boosting force in driving the roadmap of PAX's smart payment terminal products portfolio. Today, PAXSTORE is running in more than 80 countries with close to 2 million devices connected, providing merchants with over 4,000 innovative value-added applications, covering payment, food ordering, ticketing, loyalty reward schemes, inventory control, marketing, tax refund, etc. PAXSTORE can also connect to other branded Android terminals, as well as non-Android PAX terminals in the near future.

OVERSEAS MARKETS

LACIS

In Latin America and the CIS countries (the latter including Russia and the Commonwealth of Independent States), Brazil continued to be the key market for PAX. During the year, Brazil's fintech maintained robust growth, generating strong market demand for new-generation Android smart payment terminals. Driven by multiple strategic partnerships and the rich diversity of the Android product line, PAX continued to uphold its leading position as the E-payment terminal brand of choice in Brazil. PAX's Android smart terminals enable merchants to operate the business and manage payments in a smarter and more efficient manner, as well as perfectly integrate diverse business applications of merchants. These advantages are gaining market traction. During the year, the sales of the Android POS A50 and A930 recorded substantial growth.

The Group continued to expand its presence in other markets and further deployed PAX terminals in Russia, Argentina and Mexico. In Ukraine, the largest acquirer has partnered with the Group to launch a facial recognition payment service, using the PAX A930 Android terminal for authentication and allow customers to pay in-store without having to bring cash, bank card or smartphone.

EMEA

In Europe, the Middle East and Africa, the Group achieved a robust sales growth of 36.8% year-on-year, primarily due to the up-take of PAX Android smart solutions by a growing base of payment service providers and acquiring banks.

Since March 2020, a number of European countries have successively raised the transaction limits for contactless payment in response to the changing consumer payment habits during the pandemic. In Europe, strong demand for Android terminals contributed to significant sales growth in Italy and Eastern Europe. Other markets such as the United Kingdom, Scandinavia, Spain, France and Turkey have also begun accelerating the deployment of Android terminals.

In response to the COVID-19 outbreak, PAX partnered with a British retail solution software company to carry out contact tracing of in-store customers through PAX Android terminals, in compliance with the NHS (National Health Service) Test and Trace program.

In the Middle East and Africa, PAX achieved significant growth in shipments to Egypt, Nigeria, Saudi Arabia, as well as other Gulf Cooperating Council (GCC) countries, in light of the growing trend of customers shifting towards PAX's Android payment solutions. In the second half of 2020, the Group increased its exposure in the South African market and being designated as a new supplier to a majority of the country's large acquiring banks.

APAC

In the Asia-Pacific region, the promotion of cashless initiatives by various governments, coupled with the increasingly advanced electronic payment systems in emerging markets, have fostered the continuous growth of electronic payment users. In 2020, the pandemic has further driven the adoption of smart payment terminals that support contactless payment technology and value-added applications in the retail and catering industries across the Asia Pacific.

As one of the Android product suppliers to mainstream acquiring banks and institutions in Asia Pacific countries, the Group has achieved breakthroughs in multiple markets. In India, there is a growing demand for the Group's full range of Android payment products. PAX strengthened its partnerships with leading banks and financial institutions and further gained a larger market share. In Japan, PAX deployed payment terminals for chain convenience stores, theme parks, as well as local financial institutions.

In Southeast Asia, where E-payment is flourishing, PAX will continue to seize the huge growth potential and partner with leading acquiring banks and payment service providers to accelerate the roll-out of smart Android payment solutions in countries such as Indonesia, the Philippines, Malaysia, Thailand and Vietnam.

USCA

In the United States and Canada, more payment service providers ("PSPs") shifted to PAX's terminal solutions, driving a revenue growth of 46.9% in 2020. The Group entered into strategic cooperation with major payment processing companies in the United States and deployed more innovative Android terminals through its nationwide network of Independent Sales Organizations ("ISOs"). In 2020, the sales of PAX's flagship Android A920 more than doubled when compared to 2019. In addition to the growing revenue contribution from PSPs and ISOs, PAX solutions are now being deployed by more top U.S. retail and quick service restaurant chains. The Group partnered with a U.S. payment service provider, to comply with the April 2021 mandate that payment terminals at gas stations shall be upgraded to accept EMV payments, driving further sales growth for PAX's unattended product line.

In response to the COVID-19 pandemic, PAX partnered with AxiaMed, an industry leader in healthcare payment technology, to provide healthcare institutions with NFC contactless-enabled Android payment terminal solutions, handling patient payment in a more hygienic and convenient way.

China market

In 2020, the Group continued to optimize resources and focus on serving reputable and financially solid clients, resulted in an improved gross profit margin of its China business. As financial technology evolves in China, electronic payment application scenarios are becoming more diversified and the market has an eager demand for Android smart terminal solutions. PAX will continue to strengthen cooperation with reputable acquiring banks and payment service providers in China to accelerate the deployment of PAX's Android series.

Management strategy

Focus on R&D to develop innovative and diversified terminals and software solutions

PAX adheres to a corporate culture of “pursuing excellence and innovation” with a focus on smart terminals and software solutions. The flagship SmartPOS, SmartECR and SmartKiosk series are attracting prominent interest globally and expected to become the Group's main growth engine going forward.

In face of the challenges of the pandemic, whether large-scale chain retailers or small and medium-sized businesses, will accelerate to embrace new technologies and adopt business digitization to keep up with market developments. Through PAXSTORE, our all-in-one solutions can fulfill market demand and provide value-added services.

The Group will continue to keep up with the pace of technological development, strengthening investment in research and development of innovative solutions, upgrading Android payment products whilst continuously enhancing the PAXSTORE platform.

Strengthen PAX's global sales network to enhance its leading international position

PAX will capitalise on its global reach advantage to strengthen closer partnerships with channel partners, acquiring banks, payment service providers and merchants to expand our market share and explore potential new markets. Meanwhile, the Group will continue to explore merger and acquisition opportunities and other investment projects which offer good prospects in the payment sector. With a view to further capturing global market share and enhancing its leading international position, the Group will continue to expand diversified solutions and innovative payment-related technologies.

Monitor the situation of COVID-19 and grasp the opportunities of accelerated cashless adoption

Despite the multiple waves of COVID-19 outbreaks which severely impacted the global economy and people's daily livelihood in 2020, PAX management is convinced that as the world accelerates the launch of vaccination programs, economic activity across countries will gradually recover. PAX's solid business foundation and capital structure, as well as innovative product portfolio and loyal customer base, have empowered the Group with sufficient resilience to cope with challenges brought by the pandemic.

The Group's supply chains experienced a temporary interruption at the beginning of the COVID-19 outbreak, outsourced assembly lines for our products resumed full capacity shortly and production activity throughout the year progressed as planned. The Group has implemented efficient social distancing measures in our offices worldwide and a flexible work from home policy. Customer communication was effectively maintained through various virtual platforms. The Group will closely monitor the market conditions and continue to assess the impact of the outbreak on PAX's operations and financial performance.

Under the pandemic, the global electronic payment market is skyrocketing as customers have accelerated to adopt contactless electronic payments. We are expecting acquiring banks and payment service providers globally to gear up for the recovery of the retail and catering markets. PAX's payment terminals can support mobile payments such as NFC contactless and QR code, bringing consumers and merchants a more secure and convenient payment experience. Leveraging on our diversified solutions portfolio and extensive global sales network, PAX is poised to embrace the huge market opportunities presented by the increasingly cashless world.

FINANCIAL REVIEW

The key financial figures for the year ended 31 December 2020 are extracted as follows:

	For the year ended 31 December		
	2020	2019	
	<i>HK\$'000</i>	<i>HK\$'000</i>	+/(%)
Revenue	5,650,619	4,925,733	+14.7%
Gross profit	2,337,309	1,944,833	+20.2%
Other income	77,838	79,056	-1.5%
Selling expenses	(499,321)	(465,657)	+7.2%
Administrative expenses	(781,456)	(743,466)	+5.1%
Net impairment losses on financial assets	(65,083)	(65,914)	-1.3%
Profit before income tax	1,052,841	754,673	+39.5%
Income tax expense	(148,991)	(129,809)	+14.8%
Profit for the year	903,850	624,864	+44.6%
Profit attributable to the owners of the Company	900,123	623,873	+44.3%
Research and development costs (included in administrative expenses)	(460,772)	(398,759)	+15.6%
Share-based payment expenses (included in selling and administrative expenses)	(38,805)	(38,686)	+0.3%
	As at 31 December		
	2020	2019	
	<i>HK\$'000</i>	<i>HK\$'000</i>	+/(%)
Total current assets	6,955,116	6,196,703	+12.2%
Total non-current assets	681,943	522,520	+30.5%
Total assets	7,637,059	6,719,223	+13.7%
Total current liabilities	1,954,319	1,875,654	+4.2%
Total non-current liabilities	109,168	104,217	+4.8%
Total liabilities	2,063,487	1,979,871	+4.2%
Net current assets	5,000,797	4,321,049	+15.7%
Total equity	5,573,572	4,739,352	+17.6%

	For the year ended 31 December		
	2020	2019	+/(−)
PER SHARE (IN HK\$)			
Earnings per share for the profit attributable to the owners of the Company			
– Basic	0.828	0.567	+46.0%
– Diluted	0.823	0.567	+45.1%

For the year ended 31 December		
2020	2019	

FINANCIAL RATIOS

Gross profit margin	41.4%	39.5%
Net profit margin	16.0%	12.7%

Revenue

Turnover increased by 14.7% or HK\$724.9 million to HK\$5,650.6 million for the year ended 31 December 2020 from HK\$4,925.7 million for the year ended 31 December 2019 mainly due to the increase in turnover generated from overseas markets.

i) Sales by Geographical Region

	For the year ended 31 December		
	2020	2019	
	HK\$'000	HK\$'000	+/(−)
Overseas markets			
– Latin America and the Commonwealth of Independent States (“LACIS”)	2,723,604	2,514,700	+8.3%
– Europe, Middle East and Africa (“EMEA”)	1,268,916	927,562	+36.8%
– Asia Pacific Region (Except for Mainland China) (“APAC”)	826,313	740,373	+11.6%
– United States of America and Canada (“USCA”)	508,346	345,974	+46.9%
	5,327,179	4,528,609	+17.6%
China Market	323,440	397,124	-18.6%
	5,650,619	4,925,733	+14.7%

Turnover generated from overseas markets increased by 17.6% to HK\$5,327.2 million for the year ended 31 December 2020 from HK\$4,528.6 million for the year ended 31 December 2019. Turnover generated from overseas markets accounted for 94.3% of total revenue for the year ended 31 December 2020, growing from 91.9% for the year ended 31 December 2019. All overseas business units recorded growth, especially the EMEA, LACIS and USCA regions. The increase was mainly driven by the increase in market penetration and sales of Android terminals. Turnover generated from the China Market decreased by 18.6% to HK\$323.4 million for the year ended 31 December 2020, from HK\$397.1 million for the year ended 31 December 2019. The decrease was mainly due to the continuously keen competition.

ii) Sales by Product Category

	For the year ended 31 December		
	2020	2019	
	HK\$'000	HK\$'000	+ / (-)
E-payment Terminals products	5,532,211	4,837,042	+14.4%
Services	118,408	88,691	+33.5%
Total	<u>5,650,619</u>	<u>4,925,733</u>	<u>+14.7%</u>

E-payment Terminals products

E-payment Terminals products include smart E-payment Terminals, all-in-one smart electronic cash register solution, traditional E-payment Terminals, mobile E-payment Terminals, QR code E-payment Terminals and other accessory items.

Turnover from the sales of E-payment Terminals products increased by 14.4% to HK\$5,532.2 million for the year ended 31 December 2020 from HK\$4,837.0 million for the year ended 31 December 2019. The growth is attributed to the increase in sales in the overseas markets during the year.

Services

Services income includes the income generated from the provision of maintenance and installation services in Italy and Hong Kong and payment solutions services, e.g. platform solutions services and other software value-added services.

Turnover from services increased by 33.5% to HK\$118.4 million for the year ended 31 December 2020 from HK\$88.7 million for the year ended 31 December 2019. The increase in services income was mainly driven by the growth in payment solutions services.

Gross Profit Margin

Gross profit margin for the year ended 31 December 2020 was 41.4%, representing an increase of 190 basis points as compared to 39.5% for the year ended 31 December 2019. The increase was mainly driven by the change in sales mix.

Other Income

Other income comprises primarily interest income from time deposit, subsidy income and value-added tax refund. It decreased slightly by 1.5% to HK\$77.8 million for the year ended 31 December 2020 from HK\$79.1 million for the year ended 31 December 2019, due to the decrease in the service income from a joint venture.

Selling Expenses

Selling expenses increased by 7.2% to HK\$499.3 million for the year ended 31 December 2020 from HK\$465.7 million for the year ended 31 December 2019. Selling expenses grew generally in line with the turnover growth.

Administrative Expenses

Administrative expenses increased by 5.1% to HK\$781.5 million for the year ended 31 December 2020 from HK\$743.5 million for the year ended 31 December 2019. The increase was mainly due to the increase in R&D expenses.

Net Impairment Losses on Financial Assets

The Group has recognised a provision for net impairment of receivables of HK\$65.1 million and HK\$65.9 million for the years ended 31 December 2020 and 2019 respectively. The amount recognised during the year consisted of the provision for the expected credit losses on collective basis of HK\$14.2 million and on individual basis of HK\$50.9 million mainly related to the trade receivables of customers in the USCA region. Detail is set out in Note 9 in this announcement.

Profit for the Year and Profit Attributable to the Owners of the Company

As a result of the foregoing, profit for the year was HK\$903.9 million, representing an increase of 44.6% compared to HK\$624.9 million in 2019. In 2020, profit for the year attributable to the owners of the Company was HK\$900.1 million, representing an increase of 44.3% as compared to HK\$623.9 million in 2019.

Other Event

Reference is made to the announcement of the Company dated 16 November 2017 and the relevant disclosure in the Company's 2017 annual report concerning Shanghai New Kashuo Information Technology Company Limited ("Shanghai Kashuo") and its subsidiaries.

In July 2018, a court of competent jurisdiction in Shanghai rendered a civil ruling in acceptance of Shanghai Kashuo's application for bankruptcy liquidation in accordance with the Enterprise Bankruptcy Law of the People's Republic of China. As at 31 December 2020, the liquidation process of Shanghai Kashuo was still underway. Should Shanghai Kashuo liquidate, the Group is expected to recognise a potential gain of up to approximately HK\$60 million in reversal of its existing liabilities.

Liquidity and Financial Resources

During the years of 2020 and 2019, the main source of funding to the Group was the proceeds generated from operating activities in the Group's usual course of business. Certain financial data is summarised as follows:

	As at 31 December	
	2020	2019
Current ratio (times)	3.6	3.3
Quick ratio (times)	2.7	2.6

As at 31 December 2020, the Group had cash and cash equivalents and short-term bank deposits in an aggregate amount of HK\$3,805.8 million (2019: HK\$3,233.0 million) and no borrowings (2019: HK\$2.3 million). As at 31 December 2020, the Group reported net current assets of HK\$5,000.8 million, as compared with HK\$4,321.0 million as at 31 December 2019. For the year ended 31 December 2020, net cash generated from operating activities was HK\$735.0 million, as compared with HK\$1,206.9 million for the year ended 31 December 2019. The gearing ratio is calculated as total debt divided by total capital. As at 31 December 2020, the Group had no borrowings and the gearing ratio is not applicable (2019: 0.05%). The gearing ratio is considered healthy and suitable for the continuous growth of the Group's business.

Capital Structure and Details of Charges

As at 31 December 2020, the Group had no borrowings (2019: HK\$2.3 million) and no banking facilities (2019: same). As at 31 December 2019, the borrowings were used in the operation in Korea and denominated in Korean Won and all borrowings were unsecured. There was no charge on any assets of the Group.

As at 31 December 2020 and 2019, the Group's cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi ("RMB")	2,529,613	2,095,391
US dollar ("US\$")	884,286	973,745
Hong Kong dollar ("HK\$")	223,603	34,418
European dollar ("EUR")	111,167	72,968
Indian Rupee ("INR")	25,602	23,687
Others	28,470	29,796
	<u>3,802,741</u>	<u>3,230,005</u>

Significant Investment

The Group had no significant investment as at 31 December 2020 (2019: Nil).

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2020 (2019: Nil).

Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 31 December 2020 (2019: Nil).

Exchange Rates Exposure

The Group derives its turnover, makes purchases and incurs expenses denominated mainly in RMB, HK\$, US\$, EUR and INR. The majority of assets and liabilities are denominated in RMB, HK\$, US\$, EUR and INR and there are no significant assets and liabilities that are denominated in other currencies. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of HK\$ or RMB may have an impact on the operating results of the Group.

The management considers that the foreign exchange risk with respect to US\$ is not significant as HK\$ is pegged to US\$ and transactions denominated in US\$ are mainly carried out by entities with the same functional currency. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2020 (2019: Nil).

Human Resources and Remuneration Policies

The total number of employees of the Group as at 31 December 2020 was 1,677. The following table shows a breakdown of employees of the Group by functions as at 31 December 2020:

Management	12
Sales and after-sales services and marketing	384
Research and development	817
Quality assurance	81
Administration and human resources	55
Accounting	36
Production, procurement and inventory control	292
	<hr/>
	1,677

The Group ensures that its remuneration packages are comprehensive and competitive from time to time. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. Share options are granted to certain employees of the Group to reward their contributions under share option schemes, details of which are set out in the Company's 2020 annual report. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's business.

Disclaimer:

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Year ended 31 December	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	5,650,619	4,925,733
Cost of sales	5	(3,313,310)	(2,980,900)
Gross profit		2,337,309	1,944,833
Other income	3	77,838	79,056
Other (losses)/gains, net	3	(2,115)	12,774
Selling expenses	5	(499,321)	(465,657)
Administrative expenses	5	(781,456)	(743,466)
Net impairment losses on financial assets	5	(65,083)	(65,914)
Operating profit		1,067,172	761,626
Finance costs		(8,285)	(5,155)
Share of results of investments accounted for using the equity method		(6,046)	(1,798)
Profit before income tax		1,052,841	754,673
Income tax expense	6	(148,991)	(129,809)
Profit for the year		903,850	624,864
Profit attributable to:			
Owners of the Company		900,123	623,873
Non-controlling interests		3,727	991
		903,850	624,864
		<i>HK\$</i>	<i>HK\$</i>
		<i>per share</i>	<i>per share</i>
Earnings per share for the profit attributable to the owners of the Company:			
– Basic	7(a)	0.828	0.567
– Diluted	7(b)	0.823	0.567

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Profit for the year	903,850	624,864
Other comprehensive income/(loss), net of tax		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	184,195	(46,105)
Release of exchange reserve upon disposal of a subsidiary	(756)	–
<i>Items that will not be reclassified to profit or loss</i>		
Change in value of a financial asset at fair value through other comprehensive income	(7,966)	(2,240)
Remeasurement of post-employment benefit obligation	<u>59</u>	<u>(445)</u>
Total comprehensive income for the year, net of tax	<u>1,079,382</u>	<u>576,074</u>
Total comprehensive income attributable to:		
Owners of the Company	1,079,198	573,222
Non-controlling interests	<u>184</u>	<u>2,852</u>
	<u>1,079,382</u>	<u>576,074</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 31 December	
		2020	2019
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		129,240	69,610
Right-of-use assets		291,137	221,347
Intangible assets		39,964	55,939
Financial assets at fair value through profit or loss		130,120	104,707
Financial asset at fair value through other comprehensive income		2,467	10,433
Investments accounted for using the equity method		21,702	15,949
Loan to an investment accounted for using the equity method		4,781	4,196
Other non-current assets		4,966	4,368
Deferred income tax assets		57,566	35,971
Total non-current assets		681,943	522,520
Current assets			
Inventories		1,629,901	1,301,459
Other current assets		47,707	17,389
Other financial assets at amortised cost	9	22,087	15,579
Trade and bills receivables	9	1,434,253	1,513,374
Restricted cash		15,345	115,877
Short-term bank deposits		3,082	3,020
Cash and cash equivalents		3,802,741	3,230,005
Total current assets		6,955,116	6,196,703
Total assets		7,637,059	6,719,223

		As at 31 December	
		2020	2019
	Notes	HK\$'000	HK\$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		109,284	110,019
Reserves		5,492,658	4,655,926
		<u>5,601,942</u>	<u>4,765,945</u>
Non-controlling interests		(28,370)	(26,593)
		<u>(28,370)</u>	<u>(26,593)</u>
Total equity		<u>5,573,572</u>	<u>4,739,352</u>
LIABILITIES			
Non-current liabilities			
Borrowings		–	2,254
Lease liabilities		93,811	88,213
Deferred income tax liabilities		7,953	7,240
Other non-current liabilities		7,404	6,510
		<u>7,404</u>	<u>6,510</u>
Total non-current liabilities		<u>109,168</u>	<u>104,217</u>
Current liabilities			
Trade and bills payables	10	1,371,267	1,382,487
Other payables and accruals	10	485,459	299,057
Current tax liabilities		68,817	170,381
Lease liabilities		28,776	23,729
		<u>28,776</u>	<u>23,729</u>
Total current liabilities		<u>1,954,319</u>	<u>1,875,654</u>
Total liabilities		<u>2,063,487</u>	<u>1,979,871</u>
Total equity and liabilities		<u><u>7,637,059</u></u>	<u><u>6,719,223</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

PAX Global Technology Limited (the “Company”) is an investment holding company and together with its subsidiaries (collectively referred to as the “Group”) are principally engaged in the development and sales of electronic funds transfer point-of-sale (“E-payment Terminals”) products, provision of maintenance and installation services (collectively, the “E-payment Terminals solutions business”).

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 December 2010.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for financial asset at fair value through other comprehensive income (“FVOCI”), financial assets at fair value through profit or loss (“FVPL”) and post-employment benefit obligation, which are measured at fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3

- Interest Rate Benchmark Reform – amendments to HKAS 39, HKFRS 7 and HKFRS 9
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. The Group is in the process of assessing the impact of adopting these new accounting standards and interpretations on its current or future reporting periods and on foreseeable future transactions.

3 REVENUE, OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

The Group is principally engaged in the sales of E-payment Terminals products and the provision of maintenance and installation services. Revenue, other income and other (losses)/gains, net recognised during the year are as follows:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Revenue		
Sales of E-payment Terminals products	5,532,211	4,837,042
Provision of services	118,408	88,691
	<u>5,650,619</u>	<u>4,925,733</u>
Other income		
Interest income (<i>note (i)</i>)	38,861	27,782
Subsidy income (<i>note (ii)</i>)	17,658	17,474
Value-added tax refund (<i>note (ii)</i>)	13,845	14,263
Others	7,474	19,537
	<u>77,838</u>	<u>79,056</u>
Other (losses)/gains, net		
Fair value (loss)/gain on financial assets at fair value through profit or loss	(5,241)	12,774
Gain on disposal of a subsidiary	3,126	–
	<u>(2,115)</u>	<u>12,774</u>

Notes:

- (i) The amounts represent HK\$247,000 interest income from a loan to a joint venture for the year ended 31 December 2020 (2019: HK\$153,000).

- (ii) The amounts mainly represent the Group's entitlement to value-added tax refund and government grants in relation to sales and research and development of self-developed software products in the People's Republic of China (the "PRC"). There are no unfulfilled conditions or other contingencies attaching to these grants.

4 SEGMENT INFORMATION

The management reviews the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on the internal reports reviewed by the Executive Directors to make strategic decisions. The Group is principally engaged in the E-payment Terminals solutions business, and the management considers that the Group operates in one single business segment.

The Group primarily operates in Hong Kong, the PRC (excluding Hong Kong, Macau and Taiwan), the United States of America (the "US") and Italy. The management assesses the performance of the Group from a geographic perspective based on the locations of the subsidiaries in which revenues are generated.

The management assesses the performance of the operating segments based on a measurement of segmental operating profit/(loss).

An analysis of the Group's turnover and results for the year by segment is as follows:

	Year ended 31 December 2020					
	PRC, excluding Hong Kong, Macau and Taiwan HK\$'000	Hong Kong and others HK\$'000	US HK\$'000	Italy HK\$'000	Elimination HK\$'000	Total HK\$'000
Turnover from external customers	652,424	4,219,244	508,347	270,604	–	5,650,619
Inter-segment turnover	3,700,974	497,671	–	–	(4,198,645)	–
Total turnover	<u>4,353,398</u>	<u>4,716,915</u>	<u>508,347</u>	<u>270,604</u>	<u>(4,198,645)</u>	<u>5,650,619</u>
Segmental earnings/(losses) before interest expense, taxes, depreciation and amortisation ("EBITDA"/"LBITDA"), excluding impairment of goodwill	594,986	696,493	(151,230)	19,293	(17,259)	1,142,283
Depreciation (Note 5)	(38,582)	(6,175)	(8,031)	(3,127)	–	(55,915)
Amortisation (Note 5)	–	(2,779)	–	(1,718)	–	(4,497)
Impairment of goodwill (Note 5)	–	–	–	(14,699)	–	(14,699)
Segmental operating profit/(loss)	556,404	687,539	(159,261)	(251)	(17,259)	1,067,172
Finance costs						(8,285)
Share of results of investments accounted for using the equity method						(6,046)
Profit before income tax						1,052,841
Income tax expense						(148,991)
Profit for the year						<u>903,850</u>

Year ended 31 December 2019

	PRC, excluding Hong Kong, Macau and Taiwan <i>HK\$'000</i>	Hong Kong and others <i>HK\$'000</i>	US <i>HK\$'000</i>	Italy <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover from external customers	950,668	3,393,373	345,962	235,730	–	4,925,733
Inter-segment turnover	2,876,861	332,932	–	–	(3,209,793)	–
Total turnover	<u>3,827,529</u>	<u>3,726,305</u>	<u>345,962</u>	<u>235,730</u>	<u>(3,209,793)</u>	<u>4,925,733</u>
Segmental EBITDA/(LBITDA), excluding impairment of goodwill	293,823	616,964	(47,312)	11,090	(42,317)	832,248
Depreciation (<i>Note 5</i>)	(35,383)	(4,461)	(4,815)	(3,023)	–	(47,682)
Amortisation (<i>Note 5</i>)	–	(2,840)	–	(1,708)	–	(4,548)
Impairment of goodwill (<i>Note 5</i>)	–	(18,392)	–	–	–	(18,392)
Segmental operating profit/(loss)	258,440	591,271	(52,127)	6,359	(42,317)	761,626
Finance costs						(5,155)
Share of results of investments accounted for using the equity method						(1,798)
Profit before income tax						754,673
Income tax expense						(129,809)
Profit for the year						<u>624,864</u>

The segment assets and liabilities as at 31 December 2020 and additions to non-current assets for the year ended 31 December 2020 are as follows:

As at 31 December 2020

	PRC, excluding Hong Kong, Macau and Taiwan <i>HK\$'000</i>	Hong Kong and others <i>HK\$'000</i>	US <i>HK\$'000</i>	Italy <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>5,642,056</u>	<u>3,141,544</u>	<u>435,042</u>	<u>148,861</u>	<u>(1,730,444)</u>	<u>7,637,059</u>
Segment liabilities	<u>2,070,041</u>	<u>874,419</u>	<u>711,746</u>	<u>80,363</u>	<u>(1,673,082)</u>	<u>2,063,487</u>

Year ended 31 December 2020

	PRC, excluding Hong Kong, Macau and Taiwan <i>HK\$'000</i>	Hong Kong and others <i>HK\$'000</i>	US <i>HK\$'000</i>	Italy <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	<u>148,023</u>	<u>12,437</u>	<u>1,996</u>	<u>1,370</u>	<u>–</u>	<u>163,826</u>

The segment assets and liabilities as at 31 December 2019 and additions to non-current assets for the year ended 31 December 2019 are as follows:

As at 31 December 2019						
	PRC, excluding Hong Kong, Macau and Taiwan <i>HK\$'000</i>	Hong Kong and others <i>HK\$'000</i>	US <i>HK\$'000</i>	Italy <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>4,690,411</u>	<u>2,736,147</u>	<u>307,446</u>	<u>136,852</u>	<u>(1,151,633)</u>	<u>6,719,223</u>
Segment liabilities	<u>1,913,480</u>	<u>676,292</u>	<u>423,642</u>	<u>78,772</u>	<u>(1,112,315)</u>	<u>1,979,871</u>
Year ended 31 December 2019						
	PRC, excluding Hong Kong, Macau and Taiwan <i>HK\$'000</i>	Hong Kong and others <i>HK\$'000</i>	US <i>HK\$'000</i>	Italy <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	<u>46,054</u>	<u>7,980</u>	<u>50,726</u>	<u>5,898</u>	<u>–</u>	<u>110,658</u>

In 2020, additions to non-current assets mainly comprise additions to property, plant and equipment and right-of-use assets (2019: property, plant and equipment, right-of-use assets and other non-current assets).

In 2020, revenue of approximately HK\$2,207,453,000 (2019: HK\$2,024,926,000) is derived from the largest customer, representing 39.1% (2019: 41.1%) of the total revenue, which is attributable to the Hong Kong operating segment (2019: same); revenue of approximately HK\$203,977,000 (2019: HK\$272,925,000) is derived from the second largest customer, representing 3.6% (2019: 5.5%) of the total revenue, which is attributable to the US operating segment (2019: the PRC operating segment).

Information provided to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.

The Group is mainly domiciled in Hong Kong, the PRC, the US and Italy.

The Group's non-current assets by geographical location, which is determined by the geographical location in which the asset is located, is as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Non-current assets		
PRC, excluding Hong Kong, Macau and Taiwan	529,418	368,433
Hong Kong and others	76,791	57,257
US	42,109	48,144
Italy	33,625	48,686
	<u>681,943</u>	<u>522,520</u>

5 EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses, administrative expenses, and net impairment losses on financial assets are analysed as follows:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Costs of inventories sold	3,060,546	2,848,167
Provision for obsolete inventories (<i>note (i)</i>)	153,182	38,986
Direct written-off of obsolete inventories (<i>note (i)</i>)	13,634	–
Employee benefit expenses (including Directors' emoluments)	728,035	629,726
Research and development costs	460,772	398,759
Sales commission	49,268	39,686
Depreciation of property, plant and equipment	16,287	14,611
Depreciation of right-of-use assets	39,628	33,071
Short-term lease expenses	8,859	1,820
Amortisation of intangible assets	4,497	4,548
Remuneration to the Company's auditor		
– Group's annual audit and other audit related services	2,420	2,360
– audit services for the subsidiaries of the Group	–	268
– non-audit services	110	685
Remuneration to other auditors	647	560
Loss/(gain) on disposals of property, plant and equipment, net	127	(2,738)
Net impairment losses on financial assets		
– on individual basis	50,856	55,498
– on collective basis	14,227	10,416
Impairment of goodwill	14,699	18,392

Note:

- (i) During 2020, the emergence of the COVID-19 pandemic has changed the E-payment terminal market. The growing health consciousness brought by the pandemic has changed individuals' payment habit and accelerated the transition from traditional payment terminals to smart payment terminals which are compatible to Android operating system that provides different value-added application services. As such, the demand for the older generation of traditional E-payment terminals has been significantly affected. In addition, keen competition in China market has further worsen the situation. During the year ended 31 December 2020, management had carried out an assessment over the realisability of inventories based on their physical condition, market demand and their historical usage. As a result, provision for obsolete inventories of HK\$153,182,000 (2019: HK\$38,986,000) and the direct written-off of obsolete inventories of HK\$13,634,000 (2019: Nil) have been made and included in cost of sales respectively during the year ended 31 December 2020.

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Current income tax on profit for the year		
– China corporate income tax	76,159	41,699
– Hong Kong profits tax	118,883	103,349
– Overseas profits tax	5,134	12,885
Tax incentives for research and development expenses available for the subsidiaries incorporated in the PRC	(30,176)	(21,416)
Over provision in prior year, net	(2,993)	(597)
Total current income tax	167,007	135,920
Deferred income tax	(18,016)	(6,111)
Income tax expense	148,991	129,809

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year ended 31 December 2020.

Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the “CIT Law”), companies in the PRC are subject to income tax of 25% unless preferential rate is applicable.

Pax Computer Technology (Shenzhen) Co., Ltd. (“Pax Computer Shenzhen”), a wholly-owned subsidiary of the Company, is located in the Shenzhen Special Economic Zone. Pursuant to Caishui [2016] Circular 49 jointly released by the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology of the PRC, management performed self-assessment on the eligibility for the tax incentives. Management estimated that Pax Computer Shenzhen was qualified as a National Key Software Enterprise and entitled to the preferential corporate income tax rate of 10% for the year ended 31 December 2020 (2019: same).

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2020	2019
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	900,123	623,873
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	1,087,290	1,100,194
Basic earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)	<u>0.828</u>	<u>0.567</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has one category of potentially dilutive ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2020, the calculation of diluted earnings per share was based on the profit attributable to owners of the Company and the adjusted weighted average number of ordinary shares outstanding assuming the conversion of all potentially dilutive ordinary shares, which was calculated as follows:

	Year ended 31 December 2020
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>900,123</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	1,087,290
Adjustments for share options (<i>thousand shares</i>)	<u>5,827</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousand shares</i>)	<u>1,093,117</u>
Diluted earnings per share attributable to owners of the Company (<i>HK\$ per share</i>)	<u>0.823</u>

For the year ended 31 December 2019, the share options issued were not assumed to be exercised as they would have an antidilutive impact to the basic earnings per share.

8 DIVIDENDS

In 2020, an interim dividend of HK\$0.07 per ordinary share (2019: HK\$0.04 per ordinary share) was paid, amounting to approximately HK\$75,787,000 (2019: HK\$44,008,000). A special dividend of HK\$0.10 per ordinary share (2019: Nil) was declared on 18 December 2020, amounting to HK\$109,284,000. The amount was subsequently paid after the reporting period. A final dividend of HK\$0.10 per ordinary share for the year ended 31 December 2020 (2019: HK\$0.06 per ordinary share), amounting to HK\$109,414,000 (2019: HK\$65,256,000) (assuming no change in the number of shares in issue on or before the record date for determining the entitlement of final dividend), is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect the proposed final dividend payable.

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Interim dividend paid of HK\$0.07 (2019: HK\$0.04) per ordinary share	75,787	44,008
Special dividend declared of HK\$0.10 (2019: Nil) per ordinary share	109,284	—
Proposed final dividend of HK\$0.10 (2019: HK\$0.06) per ordinary share	109,414	65,256
	<u>294,485</u>	<u>109,264</u>

9 TRADE AND BILLS RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Trade receivables (<i>note (a)</i>)	1,519,053	1,592,985
Amounts due from related parties (<i>note (a)</i>)	13,455	5,454
Less: provision for impairment of trade receivables (<i>note (c)</i>)	(115,315)	(93,574)
Trade receivables, net	1,417,193	1,504,865
Bills receivables (<i>note (b)</i>)	17,060	8,509
Trade and bills receivables	<u>1,434,253</u>	<u>1,513,374</u>
Other financial assets at amortised cost	<u>22,087</u>	<u>15,579</u>
	<u>1,456,340</u>	<u>1,528,953</u>

The fair values of trade and bills receivables and other financial assets at amortised cost approximate their carrying values as at 31 December 2020 and 2019.

Notes

(a) Trade receivables

The Group's credit terms to trade debtors range generally from 0 to 180 days. However, credit terms of more than 180 days may be granted to customers on a case-by-case basis upon negotiation. As at 31 December 2020 and 2019, the ageing analysis of the trade receivables and amounts due from related parties based on invoice date is as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Up to 90 days	1,198,429	1,059,623
91 to 180 days	94,348	254,277
181 to 365 days	45,772	62,738
Over 365 days	193,959	221,801
	1,532,508	1,598,439

(b) Bills receivables

The balance represents bank acceptance notes with maturity periods of within six months. The maturity profile of the bills receivables of the Group is as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Up to 90 days	527	2,065
91 to 180 days	16,533	6,444
	17,060	8,509

(c) **Provision for impairment of trade receivables**

The movement on the provision for impairment of trade receivables is as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
At beginning of the year	93,574	84,169
Provision for impairment losses for the year (<i>Note 5</i>)	65,142	66,380
Reversal of provision (<i>Note 5</i>)	(59)	(466)
Written off	(46,664)	(54,791)
Exchange realignment	3,322	(1,718)
	<hr/>	<hr/>
At end of the year	115,315	93,574
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The provision for impairment for the year was mainly attributable to the long-aged trade receivables related to the customers in USCA Region. The business of these customers were affected due to the COVID-19 pandemic, which casted a significant doubt on the recoverability of the receivables. Based on the assessment of the expected credit losses, the Group has made a provision for impairment of trade receivables of HK\$65,142,000 during the year ended 31 December 2020 (2019: HK\$66,380,000).

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivables mentioned above. The Group did not hold any collateral as security for these receivables as at 31 December 2020 (2019: same).

10 TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade and bills payables		
Trade payables	1,353,168	1,114,648
Amount due to a related party	18,099	19,799
	<hr/>	<hr/>
Trade payables (<i>note (a)</i>)	1,371,267	1,134,447
Bills payables (<i>note (b)</i>)	–	248,040
	<hr/>	<hr/>
	1,371,267	1,382,487
	<hr/>	<hr/>
Other payables and accruals		
Other accrued expenses and payables	256,131	188,980
Dividend payable	109,284	–
Receipt in advance from customers (<i>note (c)</i>)	96,933	81,174
Other tax payables	14,049	28,903
Payables for construction in progress	9,062	–
	<hr/>	<hr/>
	485,459	299,057
	<hr/>	<hr/>

Notes

(a) Trade payables

The ageing analysis of trade payables (including amount due to a related party of trading in nature) based on invoice date is as follows:

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Up to 90 days	1,174,424	964,713
91 to 180 days	181,025	150,861
181 to 365 days	59	88
Over 365 days	15,759	18,785
	<u>1,371,267</u>	<u>1,134,447</u>

The average credit period granted by the Group's suppliers ranges from 0 to 180 days.

(b) Bills payables

The balance represents bank acceptance notes:

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Due within 90 days	<u>–</u>	<u>248,040</u>

(c) Receipt in advance from customers

Revenue recognised during the year ended 31 December 2020 that was included in the contract liability balance at the beginning of the year amounted to HK\$46,434,000 (2019: HK\$29,259,000). The Group expects to deliver the goods to satisfy the remaining performance obligations of these contract liabilities within one year or less.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Company repurchased an aggregate of 20,283,000 ordinary shares at an aggregate consideration of approximately HK\$77,745,190 on the Stock Exchange as follows:

Date of Repurchase	No. of shares repurchased	Consideration per share		Total Consideration Paid
		Highest HK\$	Lowest HK\$	HK\$
7 January 2020	7,198,000	3.90	3.78	28,023,790
8 January 2020	789,000	3.90	3.88	3,070,910
5 February 2020	1,439,000	3.80	3.68	5,420,020
10 February 2020	175,000	3.92	3.88	680,900
27 February 2020	3,000,000	4.18	3.93	12,168,560
24 April 2020	3,000,000	3.27	3.09	9,518,880
27 May 2020	882,000	3.19	3.10	2,781,900
24 June 2020	800,000	3.68	3.61	2,919,940
9 July 2020	800,000	3.43	3.38	2,732,000
21 August 2020	600,000	5.09	4.95	3,015,780
24 September 2020	800,000	4.80	4.64	3,793,760
30 October 2020	800,000	4.59	4.46	3,618,750
Total	<u>20,283,000</u>			<u>77,745,190</u>

The Board considers that the share repurchases were in the best interests of the Company and its shareholders and would lead to an enhancement of the net assets value per share and/or earnings per share of the Company. All the abovementioned repurchased shares were cancelled during the year.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares or other listed securities during the year.

DIVIDEND

During the year,

- a final dividend of HK\$0.06 per ordinary share for the year ended 31 December 2019, amounting to approximately HK\$65.0 million, was declared and paid to the shareholders of the Company; and
- an interim dividend of HK\$0.07 per ordinary share for the six months ended 30 June 2020 (2019: HK\$0.04 per ordinary share), amounting to approximately HK\$75.8 million, was declared and paid to the shareholders of the Company.

In addition, a special dividend of HK\$0.10 per ordinary share (2019: Nil), amounting to approximately HK\$109.3 million, was declared on 18 December 2020 and paid to the shareholders of the Company on 22 January 2021.

The Board has recommended a payment of final dividend of HK\$0.10 per ordinary share for the year ended 31 December 2020 (2019: HK\$0.06 per ordinary share) to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 4 June 2021, subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company which will be held on Tuesday, 18 May 2021, and if passed, the final dividend will be paid on Tuesday, 22 June 2021. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 2 June 2021 to Friday, 4 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the 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 (the "Share Registrar") not later than 4:30 p.m. on Tuesday, 1 June 2021. Together with the abovementioned interim dividend and special dividend, the total dividend per ordinary share for the year amounted to HK\$0.27 (2019: HK\$0.10), subject to the shareholders' approval of the proposed final dividend at the forthcoming annual general meeting.

RECORD DATE FOR DETERMINING ELIGIBILITY TO ATTEND AND VOTE AT THE AGM

Record date (being the last date for registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the AGM will be Wednesday, 12 May 2021. All transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, for registration no later than 4:30 p.m. on Wednesday, 12 May 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted a written code regulating the securities transaction of Directors and executive officers named in the Company's 2020 annual report ("Securities Transaction Code") on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Specific enquiry had been made to all Directors, whereas each of them has confirmed compliance with the required standard set out in the Model Code and Securities Transaction Code throughout the year and up to the date of this announcement.

The Company has also established written guidelines on terms no less exacting than the Model Code regulating the Directors, senior management and employees, who because of his/her office or employment is likely to possess inside information in relation to the Company or its securities, in respect of their transactions of securities of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles (the "Principles") and code provisions (the "Code Provisions") in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

In formulating and implementing its corporate governance practices, the Company has applied the Principles and complied with all applicable Code Provisions for the year.

The Board periodically reviews and monitors the Company's policies and practices on corporate governance or compliance with legal and regulatory requirements and employees' compliance manual to ensure that the Group's operations are conducted in accordance with the standards of the CG Code and applicable disclosure requirements. Directors and senior management are provided with appropriate ongoing training, continuing professional development for regular updates of the legal and regulatory requirements relevant to their duties.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2020.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard 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 PricewaterhouseCoopers on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Directors confirm that the Company has maintained at all times during the year sufficient public float as prescribed by the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company's website at www.paxglobal.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The Company's 2020 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

The financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2020. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2020, which will be included in the Company's 2020 annual report.

By Order of the Board
PAX Global Technology Limited
Cheung Shi Yeung
Company Secretary

Hong Kong, 29 March 2021

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Nie Guoming, Mr. Lu Jie and Mr. Li Wenjin and three Independent Non-Executive Directors, namely Mr. Yip Wai Ming, Dr. Wu Min and Mr. Man Kwok Kuen, Charles.