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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

FINANCIAL HIGHLIGHTS			
	Six months ended 30 June		
	2023	2022	+ / (-)
RESULTS (in HK\$'000)			
Revenue	3,568,564	4,182,493	-14.7%
Gross profit	1,570,917	1,671,286	-6.0%
Operating profit	689,565	781,096	-11.7%
Profit for the period	659,614	703,786	-6.3%
Profit attributable to the owners of the Company	650,643	699,770	-7.0%
Research and development costs (included in administrative expenses)	(306,873)	(266,985)	+14.9%
PER SHARE (in HK\$)			
Earnings per share			
– Basic	0.603	0.646	-6.7%
– Diluted	0.589	0.631	-6.7%
Interim dividend per ordinary share	0.21	0.17	+23.5%
	As at	As at	
	30 June	31 December	
	2023	2022	+ / (-)
KEY BALANCE SHEET ITEMS (in HK\$'000)			
Total current assets	7,585,309	8,173,014	-7.2%
Total assets	8,958,231	9,490,329	-5.6%
Net current assets	5,950,446	5,663,508	+5.1%
Total equity	7,245,807	6,905,850	+4.9%

* For identification purpose only

The board of directors (the “Directors”) (the “Board”) of PAX Global Technology Limited (“PAX” or the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023 together with the unaudited comparative figures for the corresponding period in 2022 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	3,568,564	4,182,493
Cost of sales	6	(1,997,647)	(2,511,207)
Gross profit		1,570,917	1,671,286
Other income	4	36,076	31,357
Other loss	4	(1,987)	(1,252)
Selling expenses	6	(354,447)	(381,423)
Administrative expenses	6	(581,019)	(541,281)
Net reversal of impairment losses on financial assets	6	20,025	2,409
Operating profit		689,565	781,096
Finance costs		(2,425)	(3,112)
Share of results of investments accounted for using the equity method		2,533	2,227
Profit before income tax		689,673	780,211
Income tax expense	8	(30,059)	(76,425)
Profit for the period		659,614	703,786
Profit attributable to:			
Owners of the Company		650,643	699,770
Non-controlling interests		8,971	4,016
		659,614	703,786
		<i>HK\$</i>	<i>HK\$</i>
		<i>per share</i>	<i>per share</i>
Earnings per share for profit attributable to the owners of the Company:			
– Basic	9(a)	0.603	0.646
– Diluted	9(b)	0.589	0.631

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	659,614	703,786
Other comprehensive (loss)/income, net of tax		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(80,719)	(187,678)
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	3,668	2,950
Fair value loss on an investment	(52)	(1,781)
Total comprehensive income for the period, net of tax	<u>582,511</u>	<u>517,277</u>
Total comprehensive income attributable to:		
Owners of the Company	569,872	510,311
Non-controlling interests	<u>12,639</u>	<u>6,966</u>
	<u>582,511</u>	<u>517,277</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		817,877	769,372
Right-of-use assets		217,476	230,567
Intangible assets		26,070	27,761
Financial assets measured at fair value		100,110	110,940
Investments accounted for using the equity method		32,250	26,816
Other non-current assets		6,206	4,744
Deferred income tax assets		172,933	147,115
		1,372,922	1,317,315
Total non-current assets			
Current assets			
Inventories		2,148,231	2,527,293
Other current assets		71,723	88,506
Other financial assets at amortised cost		62,199	29,869
Trade and bills receivables	<i>11</i>	2,409,464	2,350,368
Restricted cash		17,107	16,740
Cash and cash equivalents		2,876,585	3,160,238
		7,585,309	8,173,014
Total current assets			
		8,958,231	9,490,329
Total assets			
EQUITY			
Equity attributable to the owners of the Company			
Share capital		107,533	107,970
Reserves		7,154,611	6,826,856
		7,262,144	6,934,826
Non-controlling interests		(16,337)	(28,976)
		7,245,807	6,905,850
Total equity			

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		65,856	65,578
Deferred income tax liabilities		7,130	8,310
Other non-current liabilities		4,575	1,085
		<hr/>	<hr/>
Total non-current liabilities		77,561	74,973
Current liabilities			
Trade payables	<i>12</i>	1,053,995	1,699,530
Other payables and accruals		504,843	689,143
Current tax liabilities		58,672	100,485
Lease liabilities		17,353	20,348
		<hr/>	<hr/>
Total current liabilities		1,634,863	2,509,506
		<hr/>	<hr/>
Total liabilities		1,712,424	2,584,479
		<hr/>	<hr/>
Total equity and liabilities		8,958,231	9,490,329
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1 GENERAL INFORMATION

The Company is an investment holding company and the Group is principally engaged in the development and sales of electronic funds transfer point-of-sale (“E-payment Terminals”) products, provision of maintenance and installation and payment solution services (collectively, referred to as 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.

This interim condensed consolidated financial information is presented in thousands of units of Hong Kong dollar (HK\$’000), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue by the Board of Directors of the Company on 17 August 2023.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings.

3.1 New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

3 ACCOUNTING POLICIES (Continued)

3.2 New and amended standards and interpretations not yet adopted by the Group

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

4 REVENUE, OTHER INCOME AND OTHER LOSS

The Group is principally engaged in the development and sales of E-payment Terminals products, provision of maintenance and installation and payment solution services. Revenue, other income and other loss recognised during the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue		
Sales of E-payment Terminals products	3,444,446	4,090,955
Provision of services	124,118	91,538
	<u>3,568,564</u>	<u>4,182,493</u>
Other income		
Interest income	13,513	17,431
Government subsidies (<i>note(i)</i>)	11,232	3,438
Value-added tax refunds (<i>note(ii)</i>)	3,167	2,744
Others	8,164	7,744
	<u>36,076</u>	<u>31,357</u>
Other loss		
Fair value loss on an investment at fair value through profit or loss	<u>(1,987)</u>	<u>(1,252)</u>

Notes:

- (i) The amounts mainly represent the Group's entitlement to government subsidies 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 government subsidies.
- (ii) The amounts mainly represent the Group's entitlement to value-added tax refunds from the tax bureaus of the PRC. There are no unfulfilled conditions or other contingencies attaching to these value-added tax refunds.

5 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 revenue and results for the period by segment is as follows:

	Unaudited					Total HK\$'000
	Six months ended 30 June 2023					
	PRC, excluding Hong Kong, Macau and Taiwan HK\$'000	Hong Kong and others HK\$'000	US HK\$'000	Italy HK\$'000	Elimination and corporate expenses HK\$'000	
Revenue from external customers	350,672	2,394,903	591,445	231,544	-	3,568,564
Inter-segment revenue	2,532,611	685,929	-	-	(3,218,540)	-
Total revenue	2,883,283	3,080,832	591,445	231,544	(3,218,540)	3,568,564
Segmental earnings/(losses) before interest expense, taxes, depreciation and amortisation ("EBITDA"/"LBITDA")	473,363	405,464	(41,463)	40,388	(156,966)	720,786
Depreciation (Note 6)	(16,671)	(7,030)	(4,012)	(1,876)	-	(29,589)
Amortisation (Note 6)	-	(895)	-	(737)	-	(1,632)
Segmental operating profit/(loss)	456,692	397,539	(45,475)	37,775	(156,966)	689,565
Finance costs						(2,425)
Share of results of investments accounted for using the equity method						2,533
Profit before income tax						689,673
Income tax expense						(30,059)
Profit for the period						659,614

5 SEGMENT INFORMATION (Continued)

An analysis of the Group's revenue and results for the period by segment is as follows: (Continued)

	Unaudited					Total HK\$'000
	Six months ended 30 June 2022					
	PRC, excluding Hong Kong, Macau and Taiwan HK\$'000	Hong Kong and others HK\$'000	US HK\$'000	Italy HK\$'000	Elimination and corporate expenses HK\$'000	
Revenue from external customers	331,541	3,135,834	492,078	223,040	–	4,182,493
Inter-segment revenue	3,037,152	486,378	–	–	(3,523,530)	–
Total revenue	3,368,693	3,622,212	492,078	223,040	(3,523,530)	4,182,493
Segmental earnings before interest expense, taxes, depreciation and amortisation (“EBITDA”)	491,475	312,168	21,819	2,289	(13,528)	814,223
Depreciation (Note 6)	(21,551)	(3,374)	(4,481)	(2,037)	–	(31,443)
Amortisation (Note 6)	–	(945)	–	(739)	–	(1,684)
Segmental operating profit/(loss)	469,924	307,849	17,338	(487)	(13,528)	781,096
Finance costs						(3,112)
Share of results of investments accounted for using the equity method						2,227
Profit before income tax						780,211
Income tax expense						(76,425)
Profit for the period						703,786

The segment assets and liabilities as at 30 June 2023 and additions to non-current assets for the six months ended 30 June 2023 are as follows:

	Unaudited					Total HK\$'000
	As at 30 June 2023					
	PRC, excluding Hong Kong, Macau and Taiwan HK\$'000	Hong Kong and others HK\$'000	US HK\$'000	Italy HK\$'000	Elimination HK\$'000	
Segment assets	6,621,348	5,191,877	1,563,309	418,035	(4,836,338)	8,958,231
Segment liabilities	1,285,218	2,642,517	1,940,387	329,109	(4,484,807)	1,712,424

5 SEGMENT INFORMATION (Continued)

	Unaudited Six months ended 30 June 2023					
	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
Additions to non-current assets (excluding financial instruments and deferred income tax assets)	<u>88,174</u>	<u>10,469</u>	<u>5,895</u>	<u>5,092</u>	<u>-</u>	<u>109,630</u>

The segment assets and liabilities as at 31 December 2022 and additions to non-current assets for the six months ended 30 June 2022 are as follows:

	Audited As at 31 December 2022					
	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
Segment assets	<u>7,135,056</u>	<u>5,259,518</u>	<u>1,213,155</u>	<u>297,593</u>	<u>(4,414,993)</u>	<u>9,490,329</u>
Segment liabilities	<u>2,098,498</u>	<u>2,757,352</u>	<u>1,544,535</u>	<u>238,515</u>	<u>(4,054,421)</u>	<u>2,584,479</u>

	Unaudited Six months ended 30 June 2022					
	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
Additions to non-current assets (excluding financial instruments and deferred income tax assets)	<u>200,191</u>	<u>39</u>	<u>1,837</u>	<u>1,855</u>	<u>-</u>	<u>203,922</u>

For the six months ended 30 June 2023, additions to non-current assets mainly comprise additions to property, plant and equipment and right-of-use assets (six months ended 30 June 2022: same).

For the six months ended 30 June 2023, revenue of approximately HK\$638,197,000 (six months ended 30 June 2022: HK\$1,296,114,000) is derived from the largest customer, representing 17.9% (six months ended 30 June 2022: 31.0%) of the total revenue, which is attributable to the Hong Kong operating segment (six months ended 30 June 2022: same); revenue of approximately HK\$303,135,000 (six months ended 30 June 2022: HK\$201,870,000) is derived from the second largest customer, representing 8.5% (six months ended 30 June 2022: 4.8%) of the total revenue, which is attributable to the US operating segment (six months ended 30 June 2022: same).

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

5 SEGMENT INFORMATION (Continued)

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 assets are located, are as follows:

	Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
Non-current assets		
PRC, excluding Hong Kong, Macau and Taiwan	1,128,762	1,114,734
Hong Kong and others	178,379	141,369
US	35,373	33,799
Italy	30,408	27,413
	1,372,922	1,317,315

6 EXPENSES BY NATURE

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

	Unaudited Six months ended 30 June 2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Costs of inventories sold	1,917,959	2,444,541
Provision for obsolete inventories	15,241	15,819
Employee benefit expenses (including directors' emoluments) (Note 7)	483,834	423,914
Research and development costs	306,873	266,985
Sales commission	47,147	77,683
Depreciation of property, plant and equipment	10,636	10,343
Depreciation of right-of-use assets	18,953	21,100
Short-term lease expenses	8,040	5,554
Amortisation of intangible assets	1,632	1,684
Remuneration to the Company's auditor		
– Group's annual audit and other audit related services	1,250	1,210
– non-audit services	82	370
Remuneration to other auditors	310	284
Net reversal of impairment losses on financial assets	(20,025)	(2,409)

7 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Wages and salaries	456,867	397,740
Social security and pension costs	26,967	26,174
	483,834	423,914

8 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current income tax on profit for the period		
– China corporate income tax	82,985	83,022
– Hong Kong profits tax	56,588	52,136
– Overseas profits tax	17,582	7,410
Tax incentives for research and development expenses available for the subsidiaries incorporated in the PRC (<i>note (a)</i>)	(92,581)	(59,802)
(Over)/under provision in prior years, net	(184)	67
Total current income tax	64,390	82,833
Deferred income tax (<i>note (c)</i>)	(34,331)	(6,408)
Income tax expense	30,059	76,425

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2022: same) on the estimated assessable profit for the six months ended 30 June 2023.

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.

8 INCOME TAX EXPENSE (Continued)

Notes:

- (a) The Group obtained an incentive from the PRC tax authority relating to the research and development expenses of the subsidiaries in the PRC. Under such tax incentive rule, the Group may claim an additional tax deduction up to 100% of the relevant research and development expenses incurred (“R&D Tax Incentive”).

On 21 June 2023, the State Taxation Administration and the Ministry of Finance of the PRC jointly issued Public Notice No. 11 of 2023 (“PN 11”) to enhance the claiming process of the R&D Tax Incentive. Pursuant to the PN 11, the Group considered the tax incentive rule was substantially enacted when the relevant research and development expenses incurred; as such, an additional R&D Tax Incentive amounting to HK\$29,548,000 (six months ended 30 June 2022: Nil) was recognised during the six months ended 30 June 2023.

- (b) 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.

Pursuant to Caishui Circular 49 of 2016 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 and the amendments of the relevant tax rules and requirements of the eligibility for the tax incentives, management performed self-assessment for Pax Computer Technology (Shenzhen) Co., Ltd. (“Pax Computer Shenzhen”), a wholly-owned subsidiary of the Group located in the Shenzhen Special Economic Zone, on the eligibility for the tax incentives. Pax Computer Shenzhen was accredited as High and New Technology Enterprises (“HNTE”) and is entitled to a preferential tax rate of 15%. As such, the applicable corporate income tax rate of Pax Computer Shenzhen was 15% for the six months ended 30 June 2023 (six months ended 30 June 2022: same).

- (c) For the six months ended 30 June 2023, the amount mainly represents deferred income tax in relation to unrealised profit on inventories amounting to HK\$38,293,000 (six months ended 30 June 2022: HK\$4,979,000) credited to the interim condensed consolidated income statement.

9 EARNINGS PER SHARE

- (a) **Basic**

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	650,643	699,770
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	1,078,240	1,083,172
Basic earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)	0.603	0.646

9 EARNINGS PER SHARE (Continued)

(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 six months ended 30 June 2023 and 2022, the calculation of diluted earnings per share was based on the profit attributable to the 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:

	Unaudited	
	Six months ended 30 June	
	2023	2022
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>650,643</u>	<u>699,770</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	1,078,240	1,083,172
Adjustments for share options (<i>thousand shares</i>)	<u>27,266</u>	<u>24,938</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousand shares</i>)	<u>1,105,506</u>	<u>1,108,110</u>
Diluted earnings per share attributable to owners of the Company (<i>HK\$ per share</i>)	<u>0.589</u>	<u>0.631</u>

10 DIVIDENDS

The Board has resolved to declare an interim dividend of HK\$0.21 per ordinary share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$0.17 per ordinary share), amounting to approximately HK\$225,464,000 (six months ended 30 June 2022: HK\$183,341,000) (assuming there will be no change in the number of shares in issue on or before the record date for determining the entitlement of interim dividend) payable on 21 September 2023 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 7 September 2023. The amount of interim dividend declared was calculated based on the number of ordinary shares in issue at the date of approval of the interim condensed consolidated financial information.

11 TRADE AND BILLS RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Trade receivables (<i>note (a)</i>)	2,515,207	2,472,895
Less: provision for impairment of trade receivables	(106,115)	(127,930)
Trade receivables, net	2,409,092	2,344,965
Bills receivables (<i>note (b)</i>)	372	5,403
Trade and bills receivables	2,409,464	2,350,368

(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 30 June 2023 and 31 December 2022, the ageing analysis of the trade receivables based on invoice date is as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Up to 90 days	1,503,847	1,241,059
91 to 180 days	557,540	618,902
181 to 365 days	282,581	437,679
Over 365 days	171,239	175,255
	2,515,207	2,472,895

As at 30 June 2023, trade receivables included retention money receivables of HK\$30,140,000 (31 December 2022: HK\$24,373,000), which represents approximately 2% to 5% (31 December 2022: same) of the relevant contract sum granted to certain number of the customers in the PRC that has a retention period of three to five years (31 December 2022: same). As at 30 June 2023, retention money receivables aged over 365 days amounted to HK\$29,876,000 (31 December 2022: HK\$23,072,000).

11 TRADE AND BILLS RECEIVABLES (Continued)

(b) Bills receivables

The balance represents bank acceptance notes with the maturity profile as follows:

	Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
Up to 90 days	372	2,933
91 to 180 days	—	2,470
	<u>372</u>	<u>2,470</u>
	<u>372</u>	<u>5,403</u>

12 TRADE PAYABLES

	Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
Trade payables		
Trade payables	1,052,448	1,698,893
Amount due to a related party	<u>1,547</u>	<u>637</u>
	<u>1,053,995</u>	<u>1,699,530</u>

The ageing analysis of the trade payables and amount due to a related party based on invoice date is as follows:

	Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
Up to 90 days	848,432	1,302,314
91 to 180 days	190,084	376,937
181 to 365 days	3,634	7,777
Over 365 days	<u>11,845</u>	<u>12,502</u>
	<u>1,053,995</u>	<u>1,699,530</u>

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

13 CAPITAL COMMITMENT

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development projects in the PRC	<u>94,932</u>	<u>88,525</u>

14 EVENT OCCURRING AFTER THE REPORTING PERIOD

In July 2023, the liquidation process of Shanghai New Kashuo Information Technology Company Limited (“Shanghai Kashuo”) has been completed. Upon the completion of the liquidation process, the Group is expected to record a net gain of approximately HK\$14 million, resulting from the reversal of its net liabilities amounting to approximately HK\$51 million and the derecognition of non-controlling interest and exchange reserve amounting to approximately HK\$37 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Revenue

i) Sales by Geographical Region

	Six months ended 30 June		+/(%)
	2023	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Latin America and the Commonwealth of Independent States (“LACIS”)	1,371,051	1,671,260	-18.0%
Europe, the Middle East and Africa (“EMEA”)	1,155,896	1,429,125	-19.1%
United States of America and Canada (“USCA”)	591,445	492,078	+20.2%
Asia Pacific Region (“APAC”)	450,172	590,030	-23.7%
Total	<u>3,568,564</u>	<u>4,182,493</u>	<u>-14.7%</u>

Revenue decreased by 14.7% to HK\$3,568.6 million for the six months ended 30 June 2023 from HK\$4,182.5 million for the six months ended 30 June 2022. The USCA region recorded growth, mainly driven by the surging market demand for our Android smart payment terminals, resulting in increased sales. On the other hand, the decline in revenue generated from the LACIS, EMEA, and APAC regions was due to the drop in purchase orders during the current period, which is mainly attributed to the slowdown in the economic growth in these regions.

ii) Sales by Product Category

	Six months ended 30 June		+ / (-)
	2023	2022	
	HK\$'000	HK\$'000	
Sales of E-payment Terminals products	3,444,446	4,090,955	-15.8%
Provision of services	<u>124,118</u>	<u>91,538</u>	<u>+35.6%</u>
Total	<u><u>3,568,564</u></u>	<u><u>4,182,493</u></u>	<u><u>-14.7%</u></u>

Sales of E-payment Terminals products

E-payment Terminals products include Android smart E-payment solutions, unattended solutions, Android smart PayPhone and PayTablet solutions, classic E-payment solutions and other products.

Revenue from the sales of E-payment Terminals products decreased by 15.8% to HK\$3,444.4 million for the six months ended 30 June 2023 from HK\$4,091.0 million for the six months ended 30 June 2022. The decrease was mainly due to the drop in purchase orders in certain regions during the current period.

Provision of services

Services income mainly consists of income generated from the provision of maintenance and installation services and the payment solution services, e.g. SaaS (Software as a Service) solutions.

Revenue from provision of services increased by 35.6% to HK\$124.1 million for the six months ended 30 June 2023 from HK\$91.5 million for the six months ended 30 June 2022. The increase in revenue from provision of services was mainly due to the growth in revenue generated from the SaaS solutions and maintenance and installation services.

Gross Profit Margin

Gross profit margin for the six months ended 30 June 2023 was 44.0%, representing an increase of 400 basis points as compared to 40.0% for the six months ended 30 June 2022. The increase was mainly driven by the decrease in costs as a result of the depreciation of Renminbi (“RMB”) and the change in sales mix.

Other Income

Other income comprises primarily interest income, government subsidies and value-added tax refunds. It increased by 15.0% to HK\$36.1 million for the six months ended 30 June 2023 from HK\$31.4 million for the six months ended 30 June 2022, mainly due to the increase in government subsidies.

Selling Expenses

Selling expenses decreased by 7.1% to HK\$354.4 million for the six months ended 30 June 2023 from HK\$381.4 million for the six months ended 30 June 2022. The decrease was mainly driven by the decrease in sales commission and transportation costs arising from the distribution of goods.

Administrative Expenses

Administrative expenses increased by 7.3% to HK\$581.0 million for the six months ended 30 June 2023 from HK\$541.3 million for the six months ended 30 June 2022. The increase was mainly due to the increase in research and development (“R&D”) costs and employee benefit expenses.

Net Reversal of Impairment Losses on Financial Assets

The Group recognised net reversal of impairment losses on financial assets of HK\$20.0 million and HK\$2.4 million during the six months ended 30 June 2023 and 2022 respectively. The amount recognised consisted of the expected credit losses assessed on both individual and collective basis.

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

As a result of the foregoing, profit for the period was HK\$659.6 million, representing a decrease of 6.3% compared to HK\$703.8 million for the six months ended 30 June 2022. Profit for the period attributable to the owners of the Company decreased by 7.0% to HK\$650.6 million for the six months ended 30 June 2023 from HK\$699.8 million for the six months ended 30 June 2022.

Other Events

Adoption of Diversification Shareholding Plan of a Subsidiary

On 23 June 2023, the Board resolved to adopt and implement the diversification shareholding plan (“Plan”) to, inter alia, diversify the shareholding structure of Shenzhen Zolon Technology Co., Ltd (深圳市兆瓏科技有限公司)(“Zolon Shenzhen”) (an indirect wholly-owned subsidiary of the Company as at 23 June 2023), broaden the sources of funding to further develop the business of Zolon Shenzhen, and to ultimately promote Zolon Shenzhen’s goals and maximise the interests of Zolon Shenzhen and its shareholders as a whole.

Pursuant to the Plan, a series of agreements (collectively the “Agreements”) was entered into between the participants, the relevant shareholding platforms (“Shareholding Platforms”) and/or Zolon Shenzhen. Certain participants who are connected persons of the Company (the “Connected Participants”) would, through (a) the subscription of shares of or making capital contribution to relevant Shareholding Platforms and (b) the subsequent capital contribution by the Shareholding Platforms to Zolon Shenzhen (collectively, “Transactions”), hold indirect equity interests of Zolon Shenzhen and be entitled to the corresponding economic benefits. Upon completion of the Transactions, Zolon Shenzhen would be owned as to approximately 32% by the Shareholding Platforms in aggregate and approximately 68% by the Company, and would remain as a subsidiary of the Company.

As the Transactions contemplated under the Agreements were transactions with relevant parties that conferred benefits on the Connected Participants through their interests in the Shareholding Platforms, the entering into of the Agreements constituted connected transactions of the Company under Chapter 14A of the Listing Rules. Further details are set out in the Company’s announcement dated 23 June 2023.

Liquidation of Shanghai Kashuo

Reference is made to the announcement of the Company dated 16 November 2017 and the relevant disclosures in the Company’s 2017 and 2022 annual reports 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. Upon the completion of the liquidation process in July 2023, the Group is expected to record a net gain of approximately HK\$14 million, resulting from the reversal of its net liabilities amounting to approximately HK\$51 million and the derecognition of non-controlling interest and exchange reserve amounting to approximately HK\$37 million.

MARKET OVERVIEW AND INDUSTRY TRENDS

PAX maintained stable profit margin amidst macroeconomic headwinds

According to the World Economic Outlook report released by the International Monetary Fund (IMF) in July 2023, global economic growth is projected to drop from 3.5% in 2022 to 3.0% in 2023. During the period, slowing global economic growth and high interest rates have resulted in more conservative terminal deployment plans among customers.

With an unwavering dedication to the payment terminal sector for over two decades, PAX has built extensive expertise, capital prowess and a widespread international customer base. Even amidst challenging macroeconomic fluctuations, the Group has demonstrated remarkable risks resilience and adaptability to volatile environment. During the first half of 2023, the Group's revenue recorded HK\$3,568.6 million, both gross profit margin and net profit margin increased to 44.0% and 18.5% respectively.

PAX Android smart solutions empower merchant digital transformation

Despite short-term macroeconomic challenges, the proliferation of electronic payments continues to be a significant and ongoing global trend. The continued advancement of payment technology, along with growing consumer appetite for convenient and secure payment options, as well as the cashless initiatives promoted by governments worldwide, have continued to open up new opportunities for PAX solutions.

PAX Android smart solutions cater to a wide range of business segments, and provide advantages of high scalability and improved operational cost-effectiveness. The Group's cloud-based SaaS solutions, such as the MAXSTORE platform, integrate seamlessly with PAX products, enabling a suite of features including device management, software application deployment and real-time transaction data insights. These capabilities empower customers to make data-driven business decisions. More and more acquiring banks, Payment Service Providers ("PSPs") and partners have adopted PAX Android smart solutions to facilitate the digital transformation for merchants.

In the first half of 2023, PAX launched an array of products, ranging from Android smart payment solutions (namely A920MAX, A50S etc), the IP67 rated Android PDA A6650, to Android-based EPOS products – Elys series. The new products deliver upgraded functionality and adhere to the latest Payment Card Industry (PCI) requirements. Earlier this year, the Elys series was honoured with the prestigious Red Dot Award (Product Design) and iF Design Award, garnering international recognition of the seamless fusion of product functionality and visual aesthetics.

PAX was elected to the PCI SSC Advisory Board, exerting positive influence in the international payment sector

PAX was elected earlier this year to the Board of Advisors of the Payment Card Industry Security Standards Council (PCI SSC), becoming the first Asian-based payment terminal provider to take up the role, further enhance PAX recognition as a pioneer in the field of international payment acceptance solutions. As a strategic partner, PAX will leverage its extensive expertise to provide the Council with geographical and technical insights, fostering the long-term development of the payment industry with international industry leaders.

Global Regional Analysis

LACIS

In Latin America and the Commonwealth of Independent States, Brazil has faced with multiple economic challenges, with interest rates surging to five-year highs, placing pressure on business investment activities across the market. As a result, payment terminal deployment projects have also slowed down. This trend became evident in the second half of 2022, and continued throughout the first half of 2023. Nevertheless, the Central Bank of Brazil's increased focus on promoting the widespread adoption of electronic payments will facilitate the ongoing improvements of the overall digital infrastructure. PAX therefore maintains an optimistic outlook regarding the long-term demand for payment processing and financial services in Brazil.

In Chile, Mexico and Argentina, PAX has devoted more resources and further strengthened its distribution network and sales channels, thereby driving an ongoing increase in sales volume. The A-series Android smart payment products received widespread acclaim and recorded significant sales growth during the period.

EMEA

Across Europe, the Middle East and Africa, many countries have encountered economic uncertainties, especially Europe and the Gulf Cooperation Council (GCC), resulting in a temporary slowdown in market demand. However, the Group is confident that its strong brand recognition and products, as well as reputable network of channel partners will continue to positively influence growth in the region.

In Europe, Italy, the United Kingdom, Turkey, Spain, Germany and France all generated notable sales during the first half of 2023. Market demand for PAX Android smart solutions remains high, particularly the best-selling A920Pro model, and the MAXSTORE platform continues to be highly utilised by leading acquirers, independent sales organisations ("ISOs") and PSPs.

In the Middle East and Africa, the electronic payment industry continues to flourish. During the period, PAX recorded sales growth in Nigeria, South Africa and the United Arab Emirates.

USCA

In the United States and Canada, thanks to increasing market demand for diverse payment options and value-added services, PAX smart solutions have maintained strong sales momentum. The Group's interim results in North America achieved a record-breaking high, with a year-on-year increase of 20.2%.

Leveraging our extensive investment in Android payment terminal technology, the market penetration of PAX devices in North America continues to rise. PAX Android smart solutions effectively integrate diverse payment options and provide more value-added solutions, such as inventory management, customer loyalty and order processing apps.

PAX forges stronger partnerships with the vast ISOs network and PSPs, aiming to expanding the broader use-case scope of Android smart terminal solutions at merchant locations, ranging from restaurants, retail stores, football clubs to electric vehicle charging stations. Retail value-added services continue to be in demand, and the new Elys series was first launched in North America, where positive market feedback has been received.

APAC

In the Asia Pacific region, the Group grew considerably across many countries, propelled by innovative products and increasing PAX brand recognition. Nevertheless, due to the longer-than-expected sales cycle in India, the temporary sales slowdown offset the growth of other markets in the region.

Indonesia, one of the most vibrant economies in Southeast Asia, has been benefitting from its government's dedication to drive the modernisation of the nation's electronic payment system, which opens up more opportunities for the payment terminal industry. Sales from Indonesia during the first half of 2023 surpassed the performance of the entire 2022 financial year, demonstrating a notable achievement.

In Japan, the Group's collaboration with local partners and PSPs yielded positive outcomes, propelling the widespread adoption of PAX Android smart products in the country, achieving significant sales growth during the period. Likewise, in Singapore and New Zealand, PAX continued to focus on building brand awareness and garnering the trust and recognition of clients, resulting in a steady increase in shipment volumes during the first half of 2023.

Management strategy and outlook

The payment industry has undergone fundamental changes in recent years, with a surge in global acceptance of electronic payment options among consumers and merchants. Governments and financial institutions worldwide now place greater emphasis on their electronic payment acceptance infrastructure, aiming to implement a more efficient and transparent financial ecosystem. PAX believes that the huge value and potentials of payment terminal market will be further unlocked.

Thanks to the Group's exceptional track record and extensive industry expertise built up over more than two decades, we have full confidence in PAX Group's enduring and healthy development. PAX will continue to forge closer alliances with international acquiring banks, PSPs, ISOs, distribution channel partners and payment system integrators across the world, to better serve customers with innovative solutions and guide merchants into the next era of payments.

Ramp up investment in R&D to develop diversified and high-quality Android smart terminal solutions

The Group is dedicated to fortifying its technological innovation capabilities, building stronger and higher technical barriers with Android smart terminals and the SaaS ecosystem. As a pioneer in the field of Android smart payment solutions, PAX helps global acquiring banks, PSPs and the millions of merchants they serve with state-of-the-art payment acceptance and retail solutions, bringing a win-win value proposition.

Although from a historical perspective, the EPOS function was largely used by more resourceful and technologically advanced large-scale merchants, today the Group is helping to popularise EPOS functionalities by empowering small and medium-sized merchants to adopt similar software solutions on PAX Android SmartPOS and SmartECR products.

The retail, hospitality, transportation and entertainment sectors have all shown strong growth demand for EPOS. According to market report forecast, the global retail POS market size will grow from US\$16.2 billion in 2022 to US\$34.6 billion in 2030, with a compound annual growth rate (CAGR) of 13.5%. The projection highlights the enormous market potential that awaits, and the Group is set to capitalise upon this.

Strengthen global presence and further enhance PAX position in the international market

Leveraging its forward-thinking product roadmap and astute market insights, PAX has successfully forged a global footprint, garnering a dedicated international customer base in over 120 countries and regions worldwide, earning increased customer trust in the innovation and quality of the PAX brand. Along with an ongoing focus on expanding market share in Europe and North America, the Group will also devote more resources to explore the potential markets in Southeast Asia. Additionally, the Group will actively pursue mergers, acquisitions and investment opportunities that provide synergistic and complementary benefits, bolstering PAX sales network and payment-related innovative technology capability to further strengthen the Group's leading position in the international market.

Looking ahead, the global payment industry continues to embrace a prosperous future. PAX will continue to explore more potential business opportunities with acquiring banks, PSPs and distribution partners, offering future-oriented payment solutions for merchants and consumers across the globe.

Liquidity and Financial Resources

As at 30 June 2023, the Group had cash and cash equivalents of HK\$2,876.6 million (31 December 2022: HK\$3,160.2 million) and no borrowing (31 December 2022: same). As at 30 June 2023, the Group reported net current assets of HK\$5,950.4 million (31 December 2022: HK\$5,663.5 million). For the six months ended 30 June 2023, net cash generated from operating activities was HK\$111.7 million (six months ended 30 June 2022: net cash used in operating activities was HK\$34.6 million). As at 30 June 2023, the Group had no borrowing, therefore the gearing ratio is not applicable (31 December 2022: same).

Capital Structure and Details of Charges

As at 30 June 2023, the Group had no significant borrowing and banking facility (31 December 2022: same) and no charge on any assets (31 December 2022: same).

As at 30 June 2023 and 31 December 2022, the Group’s cash and cash equivalents were denominated in the following currencies:

	As at 30 June 2023 HK\$’000	As at 31 December 2022 HK\$’000
Renminbi (“RMB”)	1,594,659	1,465,309
US dollar (“US\$”)	795,992	1,055,539
European dollar (“EUR”)	197,748	129,471
Hong Kong dollar (“HK\$”)	104,921	400,391
Japanese Yen (“JPY”)	89,392	52,771
Indian Rupee (“INR”)	55,973	45,527
Others	37,900	11,230
	<u>2,876,585</u>	<u>3,160,238</u>

Significant Investment

The Group had no significant investment held as at 30 June 2023 (31 December 2022: Nil).

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 30 June 2023 (31 December 2022: Same).

Exchange Rates Exposure

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in RMB, US\$, HK\$, EUR and INR. The majority of assets and liabilities are denominated in RMB, US\$, HK\$, EUR and INR and there are no significant assets and liabilities 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 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 functional currency of HK\$ or US\$. The Group manages foreign exchange risk by closely monitoring the movement of foreign currency rates.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

Human Resources and Remuneration Policies

The total number of employees of the Group as at 30 June 2023 was 1,747 (31 December 2022: 1,712). The following table shows a breakdown of employees of the Group by function as at 30 June 2023 and 31 December 2022:

	As at 30 June 2023	As at 31 December 2022
Management	13	13
Sales and after-sales services and marketing	342	355
Research and development	957	920
Quality assurance	74	72
Administration and human resources	72	68
Accounting	37	38
Production, procurement and inventory control	252	246
	<u>1,747</u>	<u>1,712</u>

The Group ensures that its remuneration packages are comprehensive and competitive. Directors are entitled to fixed director's fee, discretionary bonus and other benefits, which are determined with reference to the performance of the individual and the Company, market practice and conditions as well as the Group's corporate goals and objectives in accordance with the remuneration policy of the Company. Employees are remunerated with fixed monthly income plus discretionary annual performance related bonuses. Share options are granted to certain Directors and employees of the Group as long-term incentives to reward their contributions under the share option scheme of the Company, details of which are set out in the Company's 2023 interim report. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's businesses.

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's 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.

INTERIM DIVIDEND

The board of directors (“Directors”) of the Company (the “Board”) has resolved to declare an interim dividend of HK\$0.21 per ordinary share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$0.17 per ordinary share) payable on 21 September 2023 (Thursday) to shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company (the “Register of Members”) at the close of business on 7 September 2023 (Thursday).

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to interim dividend, the Register of Members will be closed from 5 September 2023 (Tuesday) to 7 September 2023 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for interim 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 4 September 2023 (Monday).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2023, the Company repurchased an aggregate of 6,800,000 ordinary shares for a total consideration of approximately HK\$43,189,960. All of the 6,800,000 ordinary shares were purchased on the Stock Exchange as follows:

Date of repurchase	Number of shares repurchased	Consideration per share		Total consideration paid HK\$
		Highest HK\$	Lowest HK\$	
3 April 2023	800,000	6.62	6.42	5,243,210
4 April 2023	1,000,000	6.64	6.56	6,624,110
27 April 2023	1,000,000	6.44	6.28	6,385,110
22 May 2023	1,000,000	6.49	6.40	6,456,460
25 May 2023	1,000,000	6.25	6.14	6,214,900
31 May 2023	1,000,000	6.16	6.03	6,100,360
29 June 2023	1,000,000	6.29	5.97	6,165,810
Total	<u>6,800,000</u>			<u>43,189,960</u>

The Board believes that the share repurchases are 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. As at the date of this announcement, all of the above repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly and the balance of consideration was charged against the share premium account.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2023.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiries had been made to all Directors whereas each of them has confirmed compliance with the required standard set out in the Model Code and the Securities Transaction Code throughout the six months ended 30 June 2023.

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 of good corporate governance (the "Principles") and code provisions (the "Code Provisions") in the Corporate Governance 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 six months ended 30 June 2023.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee together with the management has reviewed the accounting principles and practices adopted by the Group and together with the Directors reviewed the risk management, internal control and financial reporting matters including the unaudited interim condensed consolidated financial information for the six months ended 30 June 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results 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 2023 interim report will be despatched to Shareholders and available on the above websites in due course.

The interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2023. Instead, it has been derived from the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2023, which will be included in the Company's 2023 interim report.

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

Hong Kong, 17 August 2023

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 four Independent Non-Executive Directors, namely Mr. Yip Wai Ming, Dr. Wu Min, Mr. Man Kwok Kuen, Charles and Mr. Fok Wai Shun, Wilson.