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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 2023

	Year ended 31 December		
	2023	2022	+ / (-)
FINANCIAL HIGHLIGHTS			
RESULTS (in HK\$'000)			
Revenue	6,709,324	8,062,702	-16.8%
Gross profit	2,994,001	3,306,141	-9.4%
Operating profit	1,254,366	1,429,342	-12.2%
Profit before income tax	1,253,964	1,431,108	-12.4%
Profit for the year	1,165,103	1,268,203	-8.1%
Profit attributable to the owners of the Company	1,155,164	1,264,675	-8.7%
Research and development costs (included in administrative expenses)	(644,075)	(567,141)	+13.6%
PER SHARE (in HK\$)			
Earnings per share			
– Basic	1.075	1.170	-8.1%
– Diluted	1.051	1.141	-7.9%
Proposed final dividend per ordinary share	0.23	0.19	+21.1%
	As at 31 December		
	2023	2022	+ / (-)
KEY BALANCE SHEET ITEMS (in HK\$'000)			
Total current assets	7,553,221	8,173,014	-7.6%
Total assets	9,075,329	9,490,329	-4.4%
Net current assets	6,064,406	5,663,508	+7.1%
Total equity	7,486,174	6,905,850	+8.4%

* 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 2023, with comparative figures for the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Commencement of PAX New Headquarters Building

A new headquarters building marks a new milestone in the Group’s development

As a leading global electronic payment terminal enterprise, PAX is committed to investing in the future with a long-term international perspective. In view of the Group’s global business growth and ongoing increase in workforce, PAX has completed its new headquarters building in Pinghu, Longgang District, Shenzhen City, China, and officially commenced operations in January 2024. The 18-storey headquarter building has above-ground gross floor area of approximately 29,000 square metres, as well as an underground floor area of approximately 16,000 square metres of primarily parking space, providing employees with high-quality working environment. CAPEX (including the cost of land use rights) of the new headquarters construction project was approximately HK\$360 million. The opening of the new headquarters building will effectively enhance inter-departmental collaboration and efficiency, thereby strengthening the development of PAX business worldwide.

Market Analysis and Industry Trends

In 2023, the recovery of global economy still encountered substantial challenges. High inflation, as well as exchange rate fluctuations, remain as primary concern for many global customers, leading to increased prudence in payment terminal deployment, which in turn have an impact on the Group’s revenue.

PAX adeptly responded to market dynamics through the implementation of flexible strategies that further focus on high margin markets, resulting in positive progress. Thanks to our diversified revenue structure across four international regions, as well as cost reduction resulting from effective cost control strategies and Renminbi (“RMB”) depreciation, the Group’s gross profit margin reached 44.6%. In 2023, the Group recorded revenue of HK\$6,709.3 million, profit for the year of HK\$1,165.1 million, and an increased net profit margin of 17.4%.

Android smart payment terminals and the Software as a Service (“SaaS”) solutions continue to deliver intelligent values to merchants worldwide

PAX stands at the forefront of the international payment terminal industry, steadfast in its commitment to investing in research and development with a view to continuously launching innovative solutions. Since the launch of Android-based smart payment terminals in 2016, the Group has actively promoted solutions featuring intelligent payment and business process management in over 100 countries, helping merchants enhance their agility in navigating market dynamics. In 2023, sales of Android smart payment terminals accounted for more than 50% of the Group’s total revenue, becoming a crucial pillar in the PAX business.

As Payment Card Industry PIN Transaction Security (“PCI PTS”) 4.0 and 5.0 certifications are scheduled to expire in 2024 and 2026, upcoming market demand is expected to gradually shift towards deployment of payment devices with PCI PTS 6.0 certification. In order to capture the future opportunity of terminal replacements, PAX launched a range of Android smart payment solutions during the year, including the A920MAX, A930RTX and the IP67-rated Android PDA A6650, all of which are PCI PTS 6.0 certified.

While steadfastly advancing product quality and security, the Group also incorporates a philosophy of sustainability into product development. For example, the recently launched A920MAX is equipped with Cortex A53 quad-core processor that improves processing efficiency, and utilises green lithium-iron phosphate battery technology, and is compatible with eSIM services.

Since the launch of PAX SaaS solutions, there has been a growing adoption among acquiring banks, PSPs and PAX channel partners worldwide. In 2023, revenue generated from SaaS solutions (including MAXSTORE) reached a noteworthy milestone of over HK\$100 million. As of 31 December 2023, over 11 million devices connected to the MAXSTORE platform, providing merchants with a diverse array of software applications and value-added operational services. The Group’s SaaS ecosystem is currently in an expansion phase, with revenue expected to steadily rise in the future.

PAX embarked on a new business strategy to seize the Android commercial POS (“EPOS”) market opportunity

Recognising the increasing demand for integrated business solutions across retail, catering and hospitality, the Group implemented a new business strategy, actively venturing into opportunities within the EPOS field. Leveraging our R&D edge in Android smart terminal technology, PAX has rolled out the Elys Series during the year.

The Elys Series incorporates a suite of software and hardware for business Internet of Things. Powered by Android, these devices seamlessly interconnect and collaborate between in-store EPOS devices. In 2023, the Elys Series won the prestigious German Red Dot Product Design Award and iF Design Award. The Elys Series has been well received by the market, and the Group expects it will make a greater contribution in the future.

PAX was elected to the Payment Card Industry Security Standards Council (“PCI SSC”) Advisory Board

In 2023, PAX was elected to the PCI SSC Advisory Board, distinguishing itself as the first Asian payment terminal provider to take up the role. The advisory board consists of over 50 influential international organisations across industries. PAX, as one of the members, is committed to making further contributions to the long-term development of the payment industry.

Global Regional Analysis

LACIS

In Latin America and the Commonwealth of Independent States, market dynamics varied from country to country. The Brazilian payment market has undergone rapid development in recent years, creating high levels of payment terminal penetration. However, merchant acquirers exercised caution in business investments during 2023, leading to a slowdown of the payment terminal deployment. As a result, PAX sales in Brazil slowed down, offsetting strong growth of other regional markets.

PAX has been actively pursuing new opportunities in the region and strengthening collaborative relationships with channel partners and PSPs. During 2023, the Group achieved record-high sales in Mexico, Chile and Argentina, where these markets have become key driving forces for PAX in the Latin American market. As the commercial value of the A-series Android smart payment terminals has been increasingly recognised, more channel partners and PSPs have accelerated their deployments in retail, catering, transportation and other sectors, propelling substantial sales growth.

In other Latin American markets with potential, the Group achieved positive results in sales channel expansion, successfully reaching a broader customer base and beginning to achieve large-scale shipments.

EMEA

In Europe, the Middle East and Africa, multiple economic factors contributed to mixed performances across different countries. Across Europe, demand for PAX payment solutions weakened in Germany, however the Group continued to record notable sales in Italy, the United Kingdom, Turkey, Spain and France.

In France, the full range of PAX Android payment terminals now support FRv6 payment application, which is compliant with the national payment association Groupement des Cartes Bancaires (GIE CB) and supports both contact and contactless payments. This will further empower the Group to strengthen its market position in the country.

In the Middle East, in view of surging demand for cutting-edge financial technology, PAX has accelerated its sales network expansion to capitalise on growing opportunities within the payment terminal market. During the year, the Group's sales achieved significant performance by nearly doubling in both the United Arab Emirates and Kuwait. Meanwhile, the longer-than-expected sales cycle in Saudi Arabia resulted in temporary sales slowdown. A gradual uptick in market demand momentum is expected in the future.

In Africa, Egypt remains a key market for PAX, and we achieved positive sales results in South Africa during the year.

APAC

In the Asia Pacific region, the Group continued its expansion across diverse markets. PAX achieved remarkable sales growth in Japan, Indonesia and the Philippines during the year. However, the longer-than-expected sales cycle in India resulted in sales slowdown, offsetting the growth of other markets in the region.

In Japan, a robust rise in the number of inbound tourists has driven the market demand for cashless solutions, fostering swift adoption of the PAX A920 model. Leveraging innovative Android solutions, the PAX brand has gained increased recognition from local acquirers and PSPs. In 2023, the Group's sales in Japan doubled, reaching a record high.

As an integral part of the Asia Pacific, PAX has consistently increased its investment in Southeast Asia, yielding significant results. In Indonesia, the Group continued its high-growth momentum by successfully securing bulk orders from multiple acquiring banks, achieving record-high sales. Indonesia now becomes as another key driver of growth in the Asia Pacific region. In the Philippines, PAX achieved substantial surge in sales, exceeding 400% growth during the year.

In Australia and New Zealand, PAX has become the preferred terminal provider for key PSPs. In 2023, the Group accelerated certification works and successfully secured landmark projects, including Virgin Australia and A2B Australia – the Australian taxi payment solutions company. These successes have laid a strong foundation for PAX positioning in the Australian and New Zealand markets.

USCA

In 2023, PAX strengthened its ties with local Independent Sales Organisations (“ISOs”) and financial institutions, deploying high-quality payment solutions for merchants. With the ongoing reinforcement of Android product offerings, PAX brand recognition is on the rise in North America. During the year, the Group introduced the Elys Series, innovative EPOS solutions specifically tailored for retail and catering. Featuring cutting-edge software and hardware for business Internet of Things, the Elys Series garnered high praise from customers, providing the Group a new growth momentum in North America.

PAX is dedicated to expanding its Independent Software Vendor (“ISV”) alliances, with a focus on crafting customised solutions for vertical industries that deliver unique value propositions to customers. The synergy between MAXSTORE and Android products is now stronger than ever, propelling growth in both the shipment of Android products and the number of connected devices on the MAXSTORE across North America.

Management Strategy

Despite the ongoing impact of factors such as high interest rates and sluggish trade on the global market, electronic payments remain an indispensable element of the future digital economy. Many countries across the globe are undergoing transition towards cashless societies. According to the market report, the global payment terminal market reached US\$15.7 billion in 2023, with an expected growth to US\$29.6 billion by 2030, a compound annual growth rate of 9.5%, highlighting the extensive long-term prospects for the payment terminal industry.

Prioritise Android smart payment solutions and the MAXSTORE ecosystem as the key pillar of our R&D efforts

Upholding a corporate cultural spirit of continuous innovation and relentless pursuit of excellence, the Group places strong focus on merchants and consumers, striving to deliver exceptional payment experiences worldwide. Since PAX launched the Android smart payment solutions in 2016, it has swiftly garnered recognition from acquiring banks and PSPs. The Group will be dedicated to ongoing R&D efforts focused on Android smart payment solutions, crafting more cutting-edge products tailored for diverse payment scenarios, including retail, restaurants, transportation, gas stations and self-service sales points.

To maximise the full potential of Android smart payment solutions, the Group is poised to further strengthen the MAXSTORE ecosystem. PAX will expand cooperation with ISVs around the world, offering additional value-added solutions to cater to the diverse digital transformation needs of global merchants. While pursuing product innovation, PAX has always placed security as a top priority. The Group will invest more resources to continuously optimise the security system architecture of the MAXSTORE platform, which now holds Payment Card Industry Data Security Standard (PCI DSS) certification – one of the world's most stringent financial data security standards. This provides further reassurance to PAX customers and service enterprises in the payment industry, affirming security of their systems and data.

Increase investment in the EPOS new business segment to embrace market growth opportunities

According to the market report forecast, the global retail EPOS market size will grow from US\$16.2 billion in 2022 to US\$34.6 billion in 2030. With growing demand for integrated business solutions in retail, catering and other sectors, the Group is proactively increasing its investment in EPOS segment which demonstrates substantial growth potential. Our focus is on the continuous development of a diverse range of Elys products seamlessly integrated with business Internet of Things. In the United States, PAX has effectively established EPOS sales channels. Looking ahead, PAX will strive to replicate this sales model across other global regions.

Strengthen the presence in Europe and North America, whilst actively explore potential markets in Latin America, the Middle East and Southeast Asia

Moving forward, PAX is committed to advancing the international footprint by strengthening its market share in Europe and the United States, and proactively allocating resources to deepen its presence in markets with significant potential, such as Latin America (Mexico, Chile, Argentina), the Middle East (Saudi Arabia, the United Arab Emirates), and Southeast Asia (Indonesia, the Philippines). In addition, the Group will actively identify strategically valuable acquisition targets, aiming to strengthen PAX sales network and innovative payment technologies capabilities.

Looking ahead, while short-term global economic recovery continues to pose significant challenges, PAX remains committed to closely collaborating with customers and partners around the world. With an open and innovative mindset, we will jointly explore more strategic synergies amid headwinds.

FINANCIAL REVIEW

The key financial figures are extracted as follows:

	Year ended 31 December		
	2023	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	+ / (-)
Revenue	6,709,324	8,062,702	-16.8%
Gross profit	2,994,001	3,306,141	-9.4%
Other income	95,126	64,915	+46.5%
Selling expenses	(674,479)	(821,605)	-17.9%
Administrative expenses	(1,171,459)	(1,121,022)	+4.5%
Net (impairment losses)/reversal of impairment losses on financial assets	(1,443)	3,091	N/A
Profit before income tax	1,253,964	1,431,108	-12.4%
Income tax expense	(88,861)	(162,905)	-45.5%
Profit for the year	1,165,103	1,268,203	-8.1%
Profit attributable to the owners of the Company	1,155,164	1,264,675	-8.7%
Research and development costs (included in administrative expenses)	(644,075)	(567,141)	+13.6%
	As at 31 December		
	2023	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	+ / (-)
Total current assets	7,553,221	8,173,014	-7.6%
Total non-current assets	1,522,108	1,317,315	+15.5%
Total assets	9,075,329	9,490,329	-4.4%
Total current liabilities	1,488,815	2,509,506	-40.7%
Total non-current liabilities	100,340	74,973	+33.8%
Total liabilities	1,589,155	2,584,479	-38.5%
Net current assets	6,064,406	5,663,508	+7.1%
Total equity	7,486,174	6,905,850	+8.4%

	Year ended 31 December		
	2023	2022	+/(%)
PER SHARE (IN HK\$)			
Earnings per share for profit attributable to the owners of the Company			
– Basic	1.075	1.170	-8.1%
– Diluted	1.051	1.141	-7.9%

	Year ended 31 December		
	2023	2022	
FINANCIAL RATIOS			
Gross profit margin	44.6%	41.0%	
Net profit margin	17.4%	15.7%	

Revenue

i) Sales by Geographical Region

	Year ended 31 December		
	2023	2022	
	HK\$'000	HK\$'000	+/(%)
Latin America and the Commonwealth of Independent States (“LACIS”)	2,327,624	2,992,477	-22.2%
Europe, the Middle East and Africa (“EMEA”)	2,244,595	2,661,843	-15.7%
Asia Pacific Region (“APAC”)	1,074,584	1,334,787	-19.5%
United States of America and Canada (“USCA”)	1,062,521	1,073,595	-1.0%
Total	<u>6,709,324</u>	<u>8,062,702</u>	<u>-16.8%</u>

Revenue decreased by 16.8% to HK\$6,709.3 million for the year ended 31 December 2023 from HK\$8,062.7 million for the year ended 31 December 2022. The decline in revenue was due to the drop in purchase orders in certain markets during the year, which is mainly attributed to the slowdown in the economic growth in these markets.

ii) Sales by Product Category

	Year ended 31 December		+ / (-)
	2023	2022	
	HK\$'000	HK\$'000	
Sales of E-payment Terminals products	6,424,798	7,836,695	-18.0%
Provision of services	284,526	226,007	+25.9%
Total	<u>6,709,324</u>	<u>8,062,702</u>	<u>-16.8%</u>

Sales of E-payment Terminals products

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

Revenue from the sales of E-payment Terminals products decreased by 18.0% to HK\$6,424.8 million for the year ended 31 December 2023 from HK\$7,836.7 million for the year ended 31 December 2022. The decrease was mainly due to the drop in purchase orders in certain markets during the year.

Provision of services

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

Revenue from provision of services increased by 25.9% to HK\$284.5 million for the year ended 31 December 2023 from HK\$226.0 million for the year ended 31 December 2022. The increase in revenue from provision of services was mainly due to the growing demand for the maintenance and installation services and the SaaS solutions.

Gross Profit Margin

Gross profit margin for the year ended 31 December 2023 was 44.6%, representing an increase of 360 basis points as compared to 41.0% for the year ended 31 December 2022. The increase was mainly driven by the decrease in costs as a result of the depreciation of Renminbi (“RMB”) and the effective cost control strategies and the change in sales mix.

Other income

Other income comprises primarily interest income, government subsidies and value-added tax refunds. It increased by 46.5% to HK\$95.1 million for the year ended 31 December 2023 from HK\$64.9 million for the year ended 31 December 2022, mainly due to the increase in interest income and value-added tax refunds.

Selling Expenses

Selling expenses decreased by 17.9% to HK\$674.5 million for the year ended 31 December 2023 from HK\$821.6 million for the year ended 31 December 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 4.5% to HK\$1,171.5 million for the year ended 31 December 2023 from HK\$1,121.0 million for the year ended 31 December 2022. The increase was mainly due to the increase in research and development (“R&D”) costs and employee benefit expenses.

Net (Impairment Losses)/Reversal of Impairment Losses on Financial Assets

The Group recognised net impairment losses on financial assets of HK\$1.4 million and net reversal of impairment losses on financial assets of HK\$3.1 million for the years ended 31 December 2023 and 2022 respectively. The amount recognised consisted of the expected credit losses assessed on both individual and collective basis.

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\$1,165.1 million, representing a decrease of 8.1% compared to HK\$1,268.2 million for the year ended 31 December 2022. Profit for the year attributable to the owners of the Company decreased by 8.7% to HK\$1,155.2 million for the year ended 31 December 2023 from HK\$1,264.7 million for the year ended 31 December 2022.

Other Events

Adoption of Diversification Shareholding Plan of a Subsidiary

On 23 June 2023, Shenzhen Zolon Technology Co., Ltd (深圳市兆瓏科技有限公司) (“Zolon Shenzhen”, a then indirect wholly-owned subsidiary of the Company) adopted the diversification shareholding plan (“Plan”) to, inter alia, diversify its shareholding structure, broaden the sources of funding to further develop its business, and to ultimately promote its 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. Participants, including 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. 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.

The completion of the capital increase made by the Shareholding Platforms to Zolon Shenzhen to subscribe for the equity interests in Zolon Shenzhen pursuant to the capital increase agreement (the “Capital Increase”) took place in January 2024. Following the completion of the Capital Increase, the registered capital of Zolon Shenzhen has been increased from RMB54.0 million to approximately RMB79.4 million, and Zolon Shenzhen has been owned as to 32.0% by the Shareholding Platforms in aggregate and 68.0% by Wonderfield Technology Limited, an indirect wholly-owned subsidiary of the Company.

Completion of two PRC property development projects

The development of the PAX Smart Terminals Industrial Park located in Huizhou City and the PRC headquarters located in Shenzhen City as disclosed in the Company’s 2022 annual report and this announcement were completed in the fourth quarter of 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 and 2023 interim report concerning Shanghai New Kashuo Information Technology Company Limited ("Shanghai Kashuo") and its subsidiaries.

In July 2023, the liquidation process of Shanghai Kashuo was completed. Upon the completion of the liquidation process, the Group recorded a net gain of approximately HK\$15.6 million, resulting from the reversal of its net liabilities amounting to approximately HK\$52.0 million and the derecognition of non-controlling interest and exchange reserve amounting to approximately HK\$44.4 million and HK\$8.0 million respectively.

Liquidity and Financial Resources

During the years of 2023 and 2022, 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	
	2023	2022
Current ratio (times)	5.1	3.3
Quick ratio (times)	3.8	2.2

As at 31 December 2023, the Group had cash and cash equivalents of HK\$2,863.6 million (2022: HK\$3,160.2 million) and no borrowing (2022: same). As at 31 December 2023, the Group reported net current assets of HK\$6,064.4 million (2022: HK\$5,663.5 million). For the year ended 31 December 2023, net cash generated from operating activities was HK\$490.0 million (2022: HK\$648.5 million). As at 31 December 2023, the Group had no borrowing, therefore the gearing ratio is not applicable (2022: same).

Capital Structure and Details of Charges

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

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

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi ("RMB")	1,678,083	1,465,309
United States dollar ("US\$")	932,149	1,055,539
Japanese Yen ("JPY")	75,652	52,771
European dollar ("EUR")	60,011	129,471
Hong Kong dollar ("HK\$")	58,204	400,391
Indian Rupee ("INR")	47,931	45,527
Others	11,567	11,230
	<u>2,863,597</u>	<u>3,160,238</u>

Significant Investment

The Group had no significant investment held as at 31 December 2023 (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 year ended 31 December 2023 (2022: same).

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 31 December 2023 (2022: same).

Exchange Rates Exposure

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in RMB, US\$, HK\$, EUR, INR and JPY. The majority of assets and liabilities are denominated in RMB, US\$, HK\$, EUR, INR and JPY, 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 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 the foreign currency rates.

Contingent Liabilities

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

Human Resources and Remuneration Policies

The total number of employees of the Group as at 31 December 2023 was 1,771 (2022: 1,712). The following table shows a breakdown of employees of the Group by functions as at 31 December 2023 and 2022:

	As at 31 December	
	2023	2022
Management	12	13
Sales and after-sales services and marketing	334	355
Research and development	968	920
Quality assurance	85	72
Administration and human resources	95	68
Accounting	39	38
Production, procurement and inventory control	238	246
	<u>1,771</u>	<u>1,712</u>

The Group ensures that its remuneration packages are comprehensive and competitive. Directors are entitled to a 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 a 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. 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

	Notes	Year ended 31 December	
		2023 HK\$'000	2022 HK\$'000
Revenue	3	6,709,324	8,062,702
Cost of sales	5	<u>(3,715,323)</u>	<u>(4,756,561)</u>
Gross profit		2,994,001	3,306,141
Other income	3	95,126	64,915
Other gains/(loss), net	3	12,620	(2,178)
Selling expenses	5	(674,479)	(821,605)
Administrative expenses	5	(1,171,459)	(1,121,022)
Net (impairment losses)/reversal of impairment losses on financial assets	5	<u>(1,443)</u>	<u>3,091</u>
Operating profit		1,254,366	1,429,342
Finance costs		(5,376)	(5,649)
Share of results of investments accounted for using the equity method		<u>4,974</u>	<u>7,415</u>
Profit before income tax		1,253,964	1,431,108
Income tax expense	6	<u>(88,861)</u>	<u>(162,905)</u>
Profit for the year		<u>1,165,103</u>	<u>1,268,203</u>
Profit attributable to:			
Owners of the Company		1,155,164	1,264,675
Non-controlling interests		<u>9,939</u>	<u>3,528</u>
		<u>1,165,103</u>	<u>1,268,203</u>
		HK\$ per share	HK\$ per share
Earnings per share for profit attributable to the owners of the Company:			
– Basic	7(a)	<u>1.075</u>	<u>1.170</u>
– Diluted	7(b)	<u>1.051</u>	<u>1.141</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	1,165,103	1,268,203
Other comprehensive (loss)/income, net of tax		
<i>Items that are or may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(122,635)	(405,651)
Reclassification of exchange reserve upon the liquidation of a subsidiary	(7,986)	–
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	2,826	5,926
Fair value loss on an investment	(2)	(2,414)
Remeasurement of post-employment benefit obligation	(245)	630
Total comprehensive income for the year, net of tax	<u>1,037,061</u>	<u>866,694</u>
Total comprehensive income attributable to:		
Owners of the Company	1,024,327	857,158
Non-controlling interests	<u>12,734</u>	<u>9,536</u>
	<u>1,037,061</u>	<u>866,694</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		950,811	769,372
Right-of-use assets		239,374	230,567
Intangible assets		24,788	27,761
Financial assets measured at fair value		97,329	110,940
Investments accounted for using the equity method		34,944	26,816
Other non-current assets		6,314	4,744
Deferred income tax assets		168,548	147,115
Total non-current assets		1,522,108	1,317,315
Current assets			
Inventories		1,826,091	2,527,293
Other current assets		65,192	88,506
Other financial assets at amortised cost	9	55,855	29,869
Trade and bills receivables	9	2,679,525	2,350,368
Current tax assets		45,876	–
Restricted cash		17,085	16,740
Cash and cash equivalents		2,863,597	3,160,238
Total current assets		7,553,221	8,173,014
Total assets		9,075,329	9,490,329

		As at 31 December	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		107,021	107,970
Reserves		7,351,046	6,826,856
		7,458,067	6,934,826
Non-controlling interests		28,107	(28,976)
Total equity		7,486,174	6,905,850
LIABILITIES			
Non-current liabilities			
Lease liabilities		84,325	65,578
Deferred income tax liabilities		5,501	8,310
Other non-current liabilities		10,514	1,085
Total non-current liabilities		100,340	74,973
Current liabilities			
Trade payables	<i>10</i>	888,621	1,699,530
Other payables and accruals	<i>10</i>	563,338	689,143
Current tax liabilities		12,966	100,485
Lease liabilities		23,890	20,348
Total current liabilities		1,488,815	2,509,506
Total liabilities		1,589,155	2,584,479
Total equity and liabilities		9,075,329	9,490,329

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 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.

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

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

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 assets measured at fair value 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.

2.2 Changes in accounting policies

(a) *New and amended standards adopted by the Group*

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
- HKFRS 17 Insurance Contracts

The new and amended standards 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) *Amended standards and interpretations not yet adopted*

Certain amendments to 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 amendments to accounting standards and interpretations on its current or future reporting periods and on foreseeable future transactions.

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

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 gains/(loss), net recognised during the year are as follows:

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Revenue		
Sales of E-payment Terminals products	6,424,798	7,836,695
Provision of services	284,526	226,007
	<u>6,709,324</u>	<u>8,062,702</u>
Other income		
Interest income	36,733	28,582
Government subsidies (<i>note (i)</i>)	11,051	18,112
Value-added tax refunds (<i>note (ii)</i>)	22,364	3,370
Others	24,978	14,851
	<u>95,126</u>	<u>64,915</u>
Other gains/(loss), net		
Net gain on liquidation of a subsidiary	15,593	–
Fair value loss on an investment at fair value through profit or loss	(2,973)	(2,178)
	<u>12,620</u>	<u>(2,178)</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 ("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.

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 management assesses the performance of the Group from a geographic perspective based on the locations of the subsidiaries in which revenues are generated and the performance of the operating segments is assessed based on the measurement of segmental operating profit/(loss).

The Group primarily operates in Hong Kong, the PRC (excluding Hong Kong, Macau and Taiwan), the United States of America (the "US") and Italy.

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

	Year ended 31 December 2023					Total HK\$'000
	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	818,621	4,346,905	1,062,515	481,283	-	6,709,324
Inter-segment revenue	4,424,329	1,059,716	-	-	(5,484,045)	-
Total revenue	5,242,950	5,406,621	1,062,515	481,283	(5,484,045)	6,709,324
Segmental earnings/(losses) before interest expense, taxes, depreciation and amortisation ("EBITDA"/"LBITDA")	840,774	581,452	(121,169)	49,780	(30,826)	1,320,011
Depreciation (Note 5)	(39,199)	(9,397)	(9,063)	(4,726)	-	(62,385)
Amortisation (Note 5)	-	(1,786)	-	(1,474)	-	(3,260)
Segmental operating profit/(loss)	801,575	570,269	(130,232)	43,580	(30,826)	1,254,366
Finance costs						(5,376)
Share of results of investments accounted for using the equity method						4,974
Profit before income tax						1,253,964
Income tax expense						(88,861)
Profit for the year						1,165,103

Year ended 31 December 2022

	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 and corporate expenses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	661,803	5,883,846	1,073,271	443,782	–	8,062,702
Inter-segment revenue	6,212,424	1,679,133	–	–	(7,891,557)	–
Total revenue	6,874,227	7,562,979	1,073,271	443,782	(7,891,557)	8,062,702
Segmental earnings/(losses) before interest expense, taxes, depreciation and amortisation ("EBITDA"/"LBITDA")	1,134,417	708,321	(5,866)	60,228	(404,380)	1,492,720
Depreciation (<i>Note 5</i>)	(40,584)	(6,728)	(8,841)	(3,968)	–	(60,121)
Amortisation (<i>Note 5</i>)	–	(1,826)	–	(1,431)	–	(3,257)
Segmental operating profit/(loss)	1,093,833	699,767	(14,707)	54,829	(404,380)	1,429,342
Finance costs						(5,649)
Share of results of investments accounted for using the equity method						7,415
Profit before income tax						1,431,108
Income tax expense						(162,905)
Profit for the year						1,268,203

The segment assets and liabilities as at 31 December 2023 and additions to non-current assets for the year ended 31 December 2023 are as follows:

As at 31 December 2023

	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	6,872,921	5,254,775	1,553,660	381,888	(4,987,915)	9,075,329
Segment liabilities	1,283,425	2,611,584	2,016,231	289,307	(4,611,392)	1,589,155

Year ended 31 December 2023

	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 (excluding financial instruments and deferred income tax assets)	198,962	29,697	22,345	30,057	–	281,061

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

As at 31 December 2022						
	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>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>
Year ended 31 December 2022						
	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 (excluding financial instruments and deferred income tax assets)	<u>348,644</u>	<u>947</u>	<u>3,566</u>	<u>3,333</u>	<u>-</u>	<u>356,490</u>

In 2023, additions to non-current assets mainly comprise additions to property, plant and equipment and right-of-use assets (2022: same).

In 2023, revenue of approximately HK\$870,796,000 (2022: HK\$1,994,387,000) is derived from the largest customer, representing 13.0% (2022: 24.7%) of the total revenue, which is attributable to the Hong Kong operating segment (2022: same); revenue of approximately HK\$479,259,000 (2022: HK\$442,019,000) is derived from the second largest customer, representing 7.1% (2022: 5.5%) of the total revenue, which is attributable to the US operating segment (2022: same).

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 assets are located, are as follows:

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Non-current assets		
PRC, excluding Hong Kong, Macau and Taiwan	1,229,787	1,114,734
Hong Kong and others	192,943	141,369
US	47,260	33,799
Italy	52,118	27,413
	<u>1,522,108</u>	<u>1,317,315</u>

5 EXPENSES BY NATURE

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

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Costs of inventories sold	3,538,104	4,595,464
Provision for obsolete inventories	40,108	32,092
Employee benefit expenses (including directors' emoluments)	975,903	861,531
Research and development costs	644,075	567,141
Sales commission	112,646	203,790
Depreciation of property, plant and equipment	28,235	20,175
Depreciation of right-of-use assets	34,150	39,946
Short-term lease expenses	18,513	12,558
Amortisation of intangible assets	3,260	3,257
Remuneration to the Company's auditor		
– Group's annual audit and other audit related services	2,500	2,500
– non-audit services	533	980
Remuneration to other auditors	855	806
Losses on disposals of property, plant and equipment, net	725	448
Net impairment losses/(reversal of impairment losses) on financial assets (<i>Note 9(b)</i>)	<u>1,443</u>	<u>(3,091)</u>

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax on profit for the year		
– China corporate income tax	145,702	174,080
– Hong Kong profits tax	71,495	119,233
– Overseas profits tax	31,425	6,660
Tax incentives for research and development expenses available for the subsidiaries incorporated in the PRC (<i>note (a)</i>)	(131,301)	(56,845)
Over provision in prior years, net	(181)	(24)
	<hr/>	<hr/>
Total current income tax	117,140	243,104
Deferred income tax	(28,279)	(80,199)
	<hr/>	<hr/>
Income tax expense	88,861	162,905

Hong Kong profits tax has been provided for at the rate of 16.5% (2022: same) on the estimated assessable profit for the year ended 31 December 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.

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\$72,786,000 (2022: Nil) was recognised during the year ended 31 December 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 Taxation Administration, 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 year ended 31 December 2023 (2022: 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 outstanding during the year.

	Year ended 31 December	
	2023	2022
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>1,155,164</u>	<u>1,264,675</u>
Weighted average number of ordinary shares outstanding (<i>thousand shares</i>)	<u>1,074,746</u>	<u>1,081,258</u>
Basic earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)	<u>1.075</u>	<u>1.170</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 years ended 31 December 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:

	Year ended 31 December	
	2023	2022
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>1,155,164</u>	<u>1,264,675</u>
Weighted average number of ordinary shares outstanding (<i>thousand shares</i>)	1,074,746	1,081,258
Adjustments for share options (<i>thousand shares</i>)	<u>24,590</u>	<u>26,674</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousand shares</i>)	<u>1,099,336</u>	<u>1,107,932</u>
Diluted earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)	<u>1.051</u>	<u>1.141</u>

8 DIVIDENDS

In 2023, an interim dividend of HK\$0.21 per ordinary share (2022: HK\$0.17 per ordinary share) was declared, amounting to approximately HK\$225,464,000 (2022: HK\$183,341,000). A final dividend of HK\$0.23 per ordinary share for the year ended 31 December 2023 (2022: HK\$0.19 per ordinary share), amounting to approximately HK\$246,056,000 (2022: HK\$205,165,000) (assuming there will be no change in the number of shares in issue on or before the record date for determining the entitlement of 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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared of HK\$0.21 (2022: HK\$0.17) per ordinary share	225,464	183,341
Proposed final dividend of HK\$0.23 (2022: HK\$0.19) per ordinary share	<u>246,056</u>	<u>205,165</u>
	<u>471,520</u>	<u>388,506</u>

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

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Trade receivables (<i>note (a)</i>)	2,766,111	2,472,895
Less: provision for impairment of trade receivables (<i>note (b)</i>)	(89,777)	(127,930)
	<hr/>	<hr/>
Trade receivables, net	2,676,334	2,344,965
Bills receivables (<i>note (c)</i>)	3,191	5,403
	<hr/>	<hr/>
Trade and bills receivables	2,679,525	2,350,368
	<hr/>	<hr/>
Other financial assets at amortised cost	55,855	29,869
	<hr/>	<hr/>
	2,735,380	2,380,237
	<hr/>	<hr/>

The fair values of trade and bills receivables and other financial assets at amortised cost approximate their carrying values as at 31 December 2023 and 2022.

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

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Up to 90 days	1,499,626	1,241,059
91 to 180 days	617,282	618,902
181 to 365 days	519,276	437,679
Over 365 days	129,927	175,255
	<hr/>	<hr/>
	2,766,111	2,472,895
	<hr/>	<hr/>

(b) Provision for impairment of trade receivables

Based on the assessment of the expected credit losses, the movement on the provision for impairment of trade receivables is as follows:

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
At beginning of the year	127,930	138,148
Net impairment losses/(reversal of impairment losses) for the year	1,443	(3,091)
Write off (<i>note</i>)	(38,399)	(752)
Exchange realignment	(1,197)	(6,375)
	<u>89,777</u>	<u>127,930</u>

Note:

During the year ended 31 December 2023, trade receivables of HK\$38,399,000, which had been fully provided for previously, were written off against the provision for impairment of trade receivables as a result of the completion of the liquidation process of Shanghai New Kashuo Information Technology Limited (“Shanghai Kashuo”).

(c) Bills receivables

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

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Up to 90 days	1,439	2,933
91 to 180 days	1,752	2,470
	<u>3,191</u>	<u>5,403</u>

10 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (note (a))		
Trade payables	887,133	1,698,893
Amount due to a related party	1,488	637
	<u>888,621</u>	<u>1,699,530</u>
Other payables and accruals		
Other accrued expenses and payables	328,479	326,345
Receipt in advance from customers (note (b))	122,723	298,329
Other tax payables	53,877	13,830
Payables for constructions	58,259	50,639
	<u>563,338</u>	<u>689,143</u>

(a) Trade payables

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

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 90 days	742,149	1,302,314
91 to 180 days	144,058	376,937
181 to 365 days	2,414	7,777
Over 365 days	–	12,502
	<u>888,621</u>	<u>1,699,530</u>

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

(b) Receipt in advance from customers

Revenue recognised during the year ended 31 December 2023 that was included in the contract liability balance at the beginning of the year amounted to HK\$226,510,000 (2022: HK\$90,500,000). The Group expects to deliver the goods to satisfy the remaining performance obligations of these contract liabilities within one year or less.

11 CAPITAL COMMITMENT

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

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development projects in the PRC	–	88,525
Property, plant and equipment in the PRC	<u>33,235</u>	<u>–</u>
	<u>33,235</u>	<u>88,525</u>

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Company repurchased an aggregate of 13,759,000 ordinary shares at an aggregate consideration of approximately HK\$84,389,730 on the Stock Exchange as follows:

Date of Repurchase	No. 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
13 July 2023	700,000	6.24	6.20	4,354,840
18 August 2023	1,900,000	6.19	5.75	11,615,080
21 August 2023	1,000,000	6.20	6.13	6,183,490
6 September 2023	1,000,000	5.80	5.67	5,770,110
21 September 2023	1,000,000	5.69	5.50	5,640,910
4 October 2023	955,000	5.56	5.44	5,246,910
27 December 2023	404,000	5.95	5.83	2,388,430
Total	<u>13,759,000</u>			<u>84,389,730</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. 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 or other listed securities during the year.

DIVIDEND

During the year,

- a final dividend of HK\$0.19 per ordinary share for the year ended 31 December 2022, amounting to approximately HK\$205.2 million, was declared and paid to the shareholders of the Company; and
- an interim dividend of HK\$0.21 per ordinary share for the six months ended 30 June 2023 (2022: HK\$0.17 per ordinary share), amounting to approximately HK\$225.5 million (2022: HK\$183.3 million), was declared and paid to the shareholders of the Company.

The Board has recommended a payment of final dividend of HK\$0.23 per ordinary share for the year ended 31 December 2023 (2022: HK\$0.19 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, 7 June 2024, subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company which will be held on Wednesday, 22 May 2024 (the “AGM”), and if passed, the final dividend will be paid on Thursday, 27 June 2024. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 5 June 2024 to Friday, 7 June 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (the “Share Registrar”) not later than 4:30 p.m. on Tuesday, 4 June 2024. For the year ended 31 December 2023, the total dividend per ordinary share amounted to HK\$0.44 (2022: HK\$0.36), subject to the shareholders’ approval of the proposed final dividend at the AGM.

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 Thursday, 16 May 2024. 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 Thursday, 16 May 2024.

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 2023 annual report (the “Securities Transaction Code”) on terms no less exacting than the Model Code in Appendix C3 to 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 the 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 dealings in the 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") set out in Appendix C1 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 2023.

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 2023 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 and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on 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 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 2023 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 2023. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2023, which will be included in the Company's 2023 annual report.

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

Hong Kong, 19 March 2024

As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Nie Guoming, Mr. Lu Jie, Mr. Li Wenjin and Mr. Cheung Shi Yeung 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.