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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 2024**

FINANCIAL HIGHLIGHTS			
	Six months ended 30 June		
	2024	2023	+ / (-)
RESULTS (in HK\$'000)			
Revenue	3,013,241	3,568,564	-15.6%
Gross profit	1,409,236	1,570,917	-10.3%
Operating profit	537,525	689,565	-22.0%
Profit for the period	459,760	659,614	-30.3%
Profit attributable to the owners of the Company	454,583	650,643	-30.1%
Research and development costs (included in administrative expenses)	(304,219)	(306,873)	-0.9%
PER SHARE (in HK\$)			
Earnings per share			
– Basic	0.425	0.603	-29.5%
– Diluted	0.416	0.589	-29.4%
Interim dividend per ordinary share	0.24	0.21	+14.3%
	As at	As at	
	30 June	31 December	
	2024	2023	+ / (-)
KEY BALANCE SHEET ITEMS (in HK\$'000)			
Total current assets	7,788,074	7,553,221	+3.1%
Total assets	9,291,220	9,075,329	+2.4%
Net current assets	6,216,637	6,064,406	+2.5%
Total equity	7,624,766	7,486,174	+1.9%

* 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 2024 together with the unaudited comparative figures for the corresponding period in 2023 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	3,013,241	3,568,564
Cost of sales	6	(1,604,005)	(1,997,647)
Gross profit		1,409,236	1,570,917
Other income	4	36,851	36,076
Other gain/(loss)	4	1,589	(1,987)
Selling expenses	6	(346,978)	(354,447)
Administrative expenses	6	(576,796)	(581,019)
Net reversal of impairment losses on financial assets	6	13,623	20,025
Operating profit		537,525	689,565
Finance costs		(2,908)	(2,425)
Share of results of investments accounted for using the equity method		4,686	2,533
Profit before income tax		539,303	689,673
Income tax expense	8	(79,543)	(30,059)
Profit for the period		459,760	659,614
Profit attributable to:			
Owners of the Company		454,583	650,643
Non-controlling interests		5,177	8,971
		459,760	659,614
		<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)	0.425	0.603
– Diluted	9(b)	0.416	0.589

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Profit for the period	459,760	659,614
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	(77,283)	(80,719)
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(1,416)	3,668
Fair value loss on an investment	—	(52)
Total comprehensive income for the period, net of tax	381,061	582,511
Total comprehensive income attributable to:		
Owners of the Company	377,300	569,872
Non-controlling interests	3,761	12,639
	381,061	582,511

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
<i>Notes</i>	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	957,340	950,811
Right-of-use assets	223,180	239,374
Intangible assets	22,334	24,788
Financial assets measured at fair value	96,191	97,329
Investments accounted for using the equity method	39,224	34,944
Other non-current assets	4,562	6,314
Deferred income tax assets	160,315	168,548
	1,503,146	1,522,108
Current assets		
Inventories	1,819,361	1,826,091
Other current assets	89,179	65,192
Other financial assets at amortised cost	67,798	55,855
Trade and bills receivables	2,821,172	2,679,525
Current tax assets	55,897	45,876
Restricted cash	23,610	17,085
Short-term bank deposits	117,000	–
Cash and cash equivalents	2,794,057	2,863,597
	7,788,074	7,553,221
Total current assets	7,788,074	7,553,221
Total assets	9,291,220	9,075,329
EQUITY		
Equity attributable to the owners of the Company		
Share capital	107,145	107,021
Reserves	7,485,638	7,351,046
	7,592,783	7,458,067
Non-controlling interests	31,983	28,107
Total equity	7,624,766	7,486,174

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		78,609	84,325
Deferred income tax liabilities		5,865	5,501
Other non-current liabilities		10,543	10,514
Total non-current liabilities		95,017	100,340
Current liabilities			
Trade payables	12	1,122,586	888,621
Other payables and accruals		419,969	563,338
Current tax liabilities		8,798	12,966
Lease liabilities		20,084	23,890
Total current liabilities		1,571,437	1,488,815
Total liabilities		1,666,454	1,589,155
Total equity and liabilities		9,291,220	9,075,329

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 dollars (HK\$’000), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue by the Board of Directors of the Company on 20 August 2024.

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 2024 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 2023, 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 2023, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of amended standards and interpretations 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 Amended standards and interpretations adopted by the Group

A number of amended standards and interpretations 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 and interpretations.

3 ACCOUNTING POLICIES (Continued)

3.2 Amended standards not yet adopted by the Group

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

4 REVENUE, OTHER INCOME AND OTHER GAIN/(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 gain/(loss) recognised during the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Revenue		
Sales of E-payment Terminals products	2,849,245	3,444,446
Provision of services	163,996	124,118
	<u>3,013,241</u>	<u>3,568,564</u>
Other income		
Interest income	9,928	13,513
Government subsidies (<i>note (i)</i>)	2,691	11,232
Value-added tax refunds (<i>note (ii)</i>)	11,426	3,167
Others	12,806	8,164
	<u>36,851</u>	<u>36,076</u>
Other gain/(loss)		
Fair value gain/(loss) on an investment at fair value through profit or loss	<u>1,589</u>	<u>(1,987)</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 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 period by segment is as follows:

	Unaudited					Total HK\$'000
	Six months ended 30 June 2024					
	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	242,308	2,152,979	358,719	259,235	-	3,013,241
Inter-segment revenue	1,938,047	184,965	-	-	(2,123,012)	-
Total revenue	2,180,355	2,337,944	358,719	259,235	(2,123,012)	3,013,241
Segmental earnings/(losses) before interest expense, taxes, depreciation and amortisation ("EBITDA"/"LBITDA")	429,685	177,111	(81,184)	29,373	28,600	583,585
Depreciation (Note 6)	(26,705)	(5,228)	(8,387)	(4,145)	-	(44,465)
Amortisation (Note 6)	-	(863)	-	(732)	-	(1,595)
Segmental operating profit/(loss)	402,980	171,020	(89,571)	24,496	28,600	537,525
Finance costs						(2,908)
Share of results of investments accounted for using the equity method						4,686
Profit before income tax						539,303
Income tax expense						(79,543)
Profit for the period						459,760

5 SEGMENT INFORMATION (Continued)

	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

The segment assets and liabilities as at 30 June 2024 and additions to non-current assets for the six months ended 30 June 2024 are as follows:

	Unaudited					Total HK\$'000
	As at 30 June 2024					
	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	7,307,603	5,587,054	1,411,078	389,462	(5,403,977)	9,291,220
Segment liabilities	1,304,083	3,173,771	1,966,327	282,677	(5,060,404)	1,666,454

5 SEGMENT INFORMATION (Continued)

	Unaudited Six months ended 30 June 2024					
	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>42,644</u>	<u>1,133</u>	<u>6,311</u>	<u>12,091</u>	<u>-</u>	<u>62,179</u>

The segment assets and liabilities as at 31 December 2023 and additions to non-current assets for the six months ended 30 June 2023 are as follows:

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

	Unaudited Six months ended 30 June 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)	<u>88,174</u>	<u>10,469</u>	<u>5,895</u>	<u>5,092</u>	<u>-</u>	<u>109,630</u>

For the six months ended 30 June 2024, additions to non-current assets mainly comprise additions to property, plant and equipment and right-of-use assets (six months ended 30 June 2023: same).

For the six months ended 30 June 2024, revenue of approximately HK\$430,983,000 (six months ended 30 June 2023: HK\$638,197,000) is derived from the largest customer, representing 14.3% (six months ended 30 June 2023: 17.9%) of the total revenue, which is attributable to the Hong Kong operating segment (six months ended 30 June 2023: same); revenue of approximately HK\$152,665,000 (six months ended 30 June 2023: HK\$303,135,000) is derived from the second largest customer, representing 5.1% (six months ended 30 June 2023: 8.5%) of the total revenue, which is attributable to the Hong Kong operating segment (six months ended 30 June 2023: US operating segment).

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 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
Non-current assets		
PRC, excluding Hong Kong, Macau and Taiwan	1,216,095	1,229,787
Hong Kong and others	183,198	192,943
US	46,004	47,260
Italy	57,849	52,118
	<u>1,503,146</u>	<u>1,522,108</u>

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 2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Costs of inventories sold	1,529,980	1,917,959
Provision for obsolete inventories	4,590	15,241
Employee benefit expenses (including directors' emoluments) (Note 7)	392,024	483,834
Research and development costs	304,219	306,873
Sales commission	74,808	47,147
Depreciation of property, plant and equipment	29,197	10,636
Depreciation of right-of-use assets	15,268	18,953
Short-term lease expenses	6,345	8,040
Amortisation of intangible assets	1,595	1,632
Remuneration to the Company's auditor		
– Group's annual audit and other audit related services	1,250	1,250
– non-audit services	301	82
Remuneration to other auditors	434	310
Net reversal of impairment losses on financial assets	<u>(13,623)</u>	<u>(20,025)</u>

7 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Wages and salaries	364,481	456,867
Social security and pension costs	27,543	26,967
	392,024	483,834

8 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current income tax on profit for the period		
– China corporate income tax	69,971	82,985
– Hong Kong profits tax	20,180	56,588
– Overseas profits tax	11,389	17,582
Tax incentives for research and development expenses available for the subsidiaries incorporated in the PRC (<i>note (a)</i>)	(27,632)	(92,581)
Under/(over) provision in prior years, net	688	(184)
Total current income tax	74,596	64,390
Deferred income tax	4,947	(34,331)
Income tax expense	79,543	30,059

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2023: same) on the estimated assessable profit for the six months ended 30 June 2024.

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 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 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 six months ended 30 June 2024 (six months ended 30 June 2023: same).

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 outstanding during the period.

	Unaudited	
	Six months ended 30 June	
	2024	2023
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>454,583</u>	<u>650,643</u>
Weighted average number of ordinary shares outstanding (<i>thousand shares</i>)	<u>1,070,525</u>	<u>1,078,240</u>
Basic earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)	<u>0.425</u>	<u>0.603</u>

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 2024 and 2023, 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	
	2024	2023
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>454,583</u>	<u>650,643</u>
Weighted average number of ordinary shares outstanding (<i>thousand shares</i>)	1,070,525	1,078,240
Adjustments for share options (<i>thousand shares</i>)	<u>22,022</u>	<u>27,266</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousand shares</i>)	<u>1,092,547</u>	<u>1,105,506</u>
Diluted earnings per share attributable to owners of the Company (<i>HK\$ per share</i>)	<u>0.416</u>	<u>0.589</u>

10 DIVIDENDS

The Board has resolved to declare an interim dividend of HK\$0.24 per ordinary share for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$0.21 per ordinary share), amounting to approximately HK\$254,809,000 (six months ended 30 June 2023: HK\$225,464,000) (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 26 September 2024 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 12 September 2024. 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 As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Trade receivables (<i>note (a)</i>)	2,895,773	2,766,111
Less: provision for impairment of trade receivables	<u>(75,874)</u>	<u>(89,777)</u>
Trade receivables, net	2,819,899	2,676,334
Bills receivables (<i>note (b)</i>)	<u>1,273</u>	<u>3,191</u>
Trade and bills receivables	<u><u>2,821,172</u></u>	<u><u>2,679,525</u></u>

(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 2024 and 31 December 2023, the ageing analysis of the trade receivables based on invoice date is as follows:

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Up to 90 days	1,552,202	1,499,626
91 to 180 days	438,270	617,282
181 to 365 days	702,100	519,276
Over 365 days	<u>203,201</u>	<u>129,927</u>
	<u><u>2,895,773</u></u>	<u><u>2,766,111</u></u>

As at 30 June 2024, trade receivables included retention money receivables of HK\$23,505,000 (31 December 2023: HK\$30,112,000), which represents approximately 2% to 5% (31 December 2023: same) of the relevant contract sum granted to certain number of the customers in the PRC that has a retention period of three to seven years (31 December 2023: same). As at 30 June 2024, retention money receivables aged over 365 days amounted to HK\$22,209,000 (31 December 2023: HK\$29,483,000).

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 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
Up to 90 days	1,273	1,439
91 to 180 days	—	1,752
	<u>1,273</u>	<u>3,191</u>

12 TRADE PAYABLES

	Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
Trade payables		
Trade payables	1,119,610	887,133
Amount due to a related party	<u>2,976</u>	<u>1,488</u>
	<u>1,122,586</u>	<u>888,621</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 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
Up to 90 days	996,221	742,149
91 to 180 days	126,358	144,058
181 to 365 days	<u>7</u>	<u>2,414</u>
	<u>1,122,586</u>	<u>888,621</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
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment in the PRC	<u>14,410</u>	<u>33,235</u>

14 EVENT OCCURRING AFTER THE REPORTING PERIOD

On 5 August 2024, Pax Technology Limited, a wholly-owned subsidiary of the Company, entered into a share purchase deed with, among others, the existing shareholders of Pax Technology Australia PTY Ltd. (“Pax Technology Australia”) to conditionally acquire 100% of the issued shares of Pax Technology Australia (the “Acquisition”) at an initial amount of consideration of approximately Australian dollars (“AUD”) 5,400,000, which may be further adjusted to up to AUD30,000,000 based on, inter alia, the financial performance of the Pax Technology Australia for each of the two consecutive financial years ending in 2024 and 2025 respectively, payable in up to three tranches.

Subject to the fulfilment of certain conditions precedent, Pax Technology Australia shall become an indirect wholly-owned subsidiary of the Company and be consolidated in the consolidated financial statements of the Group upon completion of the Acquisition. As of the date of this announcement, the Acquisition has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Revenue

i) Sales by Geographical Region

	Six months ended 30 June		+ / (-)
	2024	2023	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Europe, the Middle East and Africa (“EMEA”)	1,103,965	1,155,896	-4.5%
Latin America and the Commonwealth of Independent States (“LACIS”)	1,069,814	1,371,051	-22.0%
Asia Pacific Region (“APAC”)	480,741	450,172	+6.8%
United States of America and Canada (“USCA”)	358,721	591,445	-39.3%
Total	<u>3,013,241</u>	<u>3,568,564</u>	<u>-15.6%</u>

Revenue decreased by 15.6% to HK\$3,013.2 million for the six months ended 30 June 2024 from HK\$3,568.6 million for the six months ended 30 June 2023. The decline in revenue was primarily due to the drop in purchase orders in certain markets during the period, which is attributed to the global economic uncertainty.

ii) Sales by Product Category

	Six months ended 30 June		+ / (-)
	2024	2023	
	HK\$'000	HK\$'000	
Sales of E-payment Terminals products	2,849,245	3,444,446	-17.3%
Provision of services	<u>163,996</u>	<u>124,118</u>	<u>+32.1%</u>
Total	<u><u>3,013,241</u></u>	<u><u>3,568,564</u></u>	<u><u>-15.6%</u></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 17.3% to HK\$2,849.2 million for the six months ended 30 June 2024 from HK\$3,444.4 million for the six months ended 30 June 2023. The decrease was mainly due to the drop in purchase orders in certain markets during the period.

Provision of services

Services income mainly consists of the 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 32.1% to HK\$164.0 million for the six months ended 30 June 2024 from HK\$124.1 million for the six months ended 30 June 2023. 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 six months ended 30 June 2024 was 46.8%, representing an increase of 280 basis points as compared to 44.0% for the six months ended 30 June 2023. The increase was primarily driven by the decrease in costs as a result of the depreciation of Renminbi (“RMB”), and the effective cost control strategies.

Other Income

Other income comprises primarily interest income, government subsidies and value-added tax refunds. It slightly increased by 2.1% to HK\$36.9 million for the six months ended 30 June 2024 from HK\$36.1 million for the six months ended 30 June 2023, mainly due to the increase in value-added tax refunds.

Selling Expenses

Selling expenses slightly decreased by 2.1% to HK\$347.0 million for the six months ended 30 June 2024 from HK\$354.4 million for the six months ended 30 June 2023. The decrease was mainly driven by the decrease in employee benefit expenses of sales staff.

Administrative Expenses

Administrative expenses slightly decreased by 0.7% to HK\$576.8 million for the six months ended 30 June 2024 from HK\$581.0 million for the six months ended 30 June 2023. The decrease was mainly due to the decrease in employee benefit expenses of administrative and research and development (“R&D”) staff.

Net Reversal of Impairment Losses on Financial Assets

The Group recognised net reversal of impairment losses on financial assets of HK\$13.6 million and HK\$20.0 million during the six months ended 30 June 2024 and 2023 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\$459.8 million, representing a decrease of 30.3% compared to HK\$659.6 million for the six months ended 30 June 2023. Profit for the period attributable to the owners of the Company decreased by 30.1% to HK\$454.6 million for the six months ended 30 June 2024 from HK\$650.6 million for the six months ended 30 June 2023.

Other Event

Acquisition of Pax Technology Australia PTY Ltd.

On 5 August 2024, Pax Technology Limited, a wholly-owned subsidiary of the Company, entered into a share purchase deed with, among others, the existing shareholders of Pax Technology Australia PTY Ltd. (“Pax Technology Australia”) to conditionally acquire 100% of the issued shares of Pax Technology Australia (the “Acquisition”) at an initial amount of consideration of approximately Australian dollars (“AUD”) 5,400,000, which may be further adjusted to up to AUD30,000,000 based on, inter alia, the financial performance of the Pax Technology Australia for each of the two consecutive financial years ending in 2024 and 2025 respectively, payable in up to three tranches.

Subject to the fulfilment of certain conditions precedent, Pax Technology Australia shall become an indirect wholly-owned subsidiary of the Company and be consolidated in the consolidated financial statements of the Group upon completion of the Acquisition. As of the date of this announcement, the Acquisition has not been completed.

BUSINESS OVERVIEW AND INDUSTRY TRENDS

Market Analysis and Industry Trends

In the first half of 2024, the global economic recovery remained sluggish amidst strong US dollar and high interest rate environment, which placed short-term pressure on the market demand. As an enterprise with a global footprint, PAX implements risk control measures primarily involving client payments are settled in US dollars across different markets, to manage business and financial risks effectively. In response to strong US dollar and high interest rates, factors which could impact on the timeliness of client payment settlements, the Group has introduced a more stringent credit management strategy for shipments.

During the period, the Group recorded revenue of HK\$3,013.2 million, of which sales of Android smart terminals accounted for over 50%, with an increased gross profit margin of 46.8%. PAX continued to achieve profitable performance, with profit for the period of HK\$459.8 million and net profit margin of 15.3%.

Leveraging Android smart terminal technology to tap into payment market potential

Positioned at the forefront of the international payment terminal industry, PAX continues to drive value creation along the payment value chain, enabling acquiring banks and Payment Service Providers (“PSPs”) to enhance service capability for millions of merchants they serve worldwide.

For more than two decades, PAX has forged close partnerships with acquiring banks, PSPs, as well as payment system integrators and distribution channel partners across the globe. Together, we continue to explore market potential and enrich the payment application ecosystem. By capitalising on our expertise in Android smart payment terminal technology, PAX is dedicated to offering a wider product portfolio for all merchant segments, as well as ongoing innovation in SaaS solutions.

Our solutions are now widely deployed in multiple sectors, such as retail, hospitality, public transit systems, parking, tourism hotspots, sports venues and electric vehicle (“EV”) charging stations. The Group’s success stories around the world are testament to the customers’ confidence in our product offerings.

During the period, PAX continued to enhance its Android smart payment portfolio with the launch of A8900 and A99 portable SmartPOS terminals, and the IM25 for processing electronic payments in self-service environments. All new products are certified with PCI PTS 6.x, the latest payment security certification. While continuing to strengthen market share in the payment terminal space, the Group is also exploring new opportunities in the Android commercial POS (“EPOS”) market and proactively marketing our new Elys Series products.

PAX Smart Terminals Industrial Park commenced operations in early 2024

In order to enhance PAX’s corporate competitiveness, building a resilient supply chain is pivotal to the Group’s long-term development. In early 2024, PAX Smart Terminals Industrial Park in Huizhou, China commenced operations, it will help optimise supply chain efficiency and reinforce our delivery capabilities. The capital expenditure (including the cost of land use rights) of the industrial park was approximately HK\$760 million.

This state-of-the-art industrial park features modern production lines, R&D laboratories, engineering labs, testing centres and well-equipped dormitories for personnel, covering a total gross floor area of approximately 261,000 square meters.

Global Regional Analysis

EMEA

The Group’s largest revenue contribution during the first half of 2024 came from Europe, the Middle East and Africa. PAX business remained strong across European markets, with considerable sales contribution coming from Italy, the United Kingdom and Hungary, despite fluctuating demand in Germany and Spain. PAX flagship model A920Pro continues to enjoy widespread popularity across the entire region.

With the European Union's Alternative Fuels Infrastructure Regulation (AFIR) coming into effect in April 2024, the payment landscape for EV charging stations is evolving rapidly. PAX unattended payment terminal models IM15, IM20, IM25 and IM30 all enable seamless integration with the existing EV charging infrastructure, supporting diverse payment options and operating systems.

In the Middle East, the Group's sales in Saudi Arabia resumed an upward trend, while exchange rate volatility in Africa continued to pose challenges for our customers. Recognising the vast market potential in the Middle East and Africa, PAX continues to work closely with local partners to optimise product offerings for local market needs.

LACIS

During the period, the slowdown of sales in Brazil offset strong growth experienced in other markets within the region. In Brazil, interest rate fluctuation and a conservative economic landscape have led to a slowdown in economic growth. Coupled with the high installed payment terminals in the country, the market demand has slowed down.

In other South American countries, Mexico and Argentina have emerged as strong drivers in the region. PAX has achieved positive breakthroughs in its local sales channel expansion, with the certification process involving channel partners and PSPs progressing steadily. In Mexico, PAX IM30 has been increasingly adopted by local vending machine operators, airline and public transit system, further strengthening its presence in the self-service and transportation sectors.

APAC

In the Asia Pacific region, driven by innovative products and increasing PAX brand recognition, the Group has further strengthened its market share and achieved considerable growth in multiple markets.

In India, the Group continues to maintain market leadership as the preferred supplier by major banks and PSPs. In the first half of 2024, PAX sales in India showed a recovery trend, fuelling growth for the Asia Pacific region.

In Japan, PAX achieved noteworthy channel expansion, making the country one of our key markets in the region. The Group has been enhancing the deployment of its smart payment terminals to wider application segments. Notably the A920 SmartPOS model has been increasingly adopted by more Japanese acquiring institutions, recognised for its high performance and excellent user experience. The next-generation smart terminal A920MAX will soon be launched in Japan and is expected to spark a new wave of market enthusiasm.

Across the Southeast Asia, the Group recorded considerable sales in Indonesia, the Philippines and Thailand. In Australia and New Zealand, PAX successfully extended its reach to more PSPs. With a strong market appetite for Android payment terminals in the Australian and New Zealand markets, the Group will devote more resources in accelerating Android product deployment and enhancing localised support and services.

USCA

In North America, high interest rates continue to pose significant challenges for retailers. In the first half of 2024, a number of major retail chains opted to strategically close down brick-and-mortar stores across the country. As a result, many independent sales organisations (“ISOs”) and financial institutions have slowed down their deployment of payment terminals, which in turn impacted PAX sales in North America.

In response to the demand for value-added services in the retail and hospitality segments, the Group introduced the Elys Series of Android EPOS solutions to North American clients. In the first half of 2024, the Elys Series L1400 dual-screen terminal received positive market feedback. PAX will devote more resources in strengthening EPOS sales channels and working closely with independent software vendors (ISVs) to deliver more tailored solutions for this new market segment.

Management strategy

Despite the challenges posed by high interest rates in the global business environment, the shift toward cashless and digital economies remains an irreversible trend. The continuous evolution of financial technology and the support of government initiatives are reshaping business dynamics worldwide. Leveraging extensive industry expertise, robust capital and diverse international client base, PAX will focus on implementing multi-dimensional strategies to strengthen competitiveness across the value chain and capture the market opportunities: from component sourcing to state-of-the-art manufacturing, from product roadmap strategy to product launch, from marketing all the way through to delivering excellence in post-sales customer service.

Emphasise Android smart terminal product innovation and enhance investment in SaaS ecosystem

As consumer and merchant demand for electronic payment solutions is evolving far beyond mere transactional services, Android smart payment terminals are emerging as more effective payment solutions that better fulfil market needs. Android SmartPOS devices are gradually replacing the huge global estate of traditional payment devices which typically run on legacy Linux or proprietary operating systems. PAX has the first-mover advantage in Android smart payment technology, we will continue to strengthen the capabilities of acquiring banks, PSPs and ISOs to deliver better services to merchants, managing terminal estates in a much more interactive and dynamic fashion, achieving greater cost-effectiveness and efficiency.

PAX will remain dedicated to investing in Android SmartPOS products, building a versatile and all-encompassing SaaS ecosystem, and strengthening value-added services on the MAXSTORE platform.

Deepen the global sales network and expand PAX solutions to a broader spectrum of market segments

The extensive global network of partners has always been a key pillar of PAX competitive edge. In March 2024, the Group held its World Partners Conference in Vietnam, which brought together our partners and industry experts to delve into the latest industry developments, technological innovations and application use-cases.

Looking ahead, PAX will continue to enhance its strategic engagement with acquiring banks, PSPs, ISOs and distribution channel partners to explore more market opportunities and deploy our product offerings and solutions to wider market segments and customer base. Meanwhile, we will continue to pursue promising mergers, acquisitions and investment projects in the payment sector, fostering multi-faceted expansion strategies and driving the enhancement of PAX brand value proposition.

Liquidity and Financial Resources

As at 30 June 2024, the Group had cash and cash equivalents of HK\$2,794.1 million (31 December 2023: HK\$2,863.6 million), US dollar denominated short-term bank deposits of HK\$117.0 million (31 December 2023: Nil) and no borrowing (31 December 2023: same). As at 30 June 2024, the Group reported net current assets of HK\$6,216.6 million (31 December 2023: HK\$6,064.4 million). For the six months ended 30 June 2024, net cash generated from operating activities was HK\$430.7 million (six months ended 30 June 2023: HK\$111.7 million). As at 30 June 2024, the Group had no borrowing, therefore the gearing ratio is not applicable (31 December 2023: same).

Capital Structure and Details of Charges

As at 30 June 2024, the Group had no significant borrowing and banking facility (31 December 2023: same) and no charge on any assets (31 December 2023: same).

As at 30 June 2024 and 31 December 2023, the Group's cash and cash equivalents were denominated in the following currencies:

	As at 30 June 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
Renminbi ("RMB")	1,754,864	1,678,083
US dollar ("US\$")	556,076	932,149
Hong Kong dollar ("HK\$")	180,459	58,204
Japanese Yen ("JPY")	124,056	75,652
Indian Rupee ("INR")	74,105	47,931
European dollar ("EUR")	68,190	60,011
Others	36,307	11,567
	<u>2,794,057</u>	<u>2,863,597</u>

Significant Investment

The Group had no significant investment held as at 30 June 2024 (31 December 2023: 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 2024 (six months ended 30 June 2023: 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 30 June 2024 (31 December 2023: 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 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 2024 (31 December 2023: Nil).

Human Resources and Remuneration Policies

The total number of employees of the Group as at 30 June 2024 was 1,596 (31 December 2023: 1,771). The following table shows a breakdown of employees of the Group by function as at 30 June 2024 and 31 December 2023:

	As at 30 June 2024	As at 31 December 2023
Management	12	12
Sales and after-sales services and marketing	311	334
Research and development	948	968
Quality assurance	89	85
Administration and human resources	95	95
Accounting	39	39
Production, procurement and inventory control	102	238
	<u>1,596</u>	<u>1,771</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 2024 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\$0.24 per ordinary share for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$0.21 per ordinary share) payable on 26 September 2024 (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 12 September 2024 (Thursday).

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to interim dividend, the Register of Members will be closed from 10 September 2024 (Tuesday) to 12 September 2024 (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 9 September 2024 (Monday).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2024, the Company repurchased an aggregate of 638,000 ordinary shares for a total consideration of HK\$3,813,590. All of the 638,000 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\$	
20 March 2024	378,000	6.00	5.96	2,265,730
6 June 2024	<u>260,000</u>	5.96	5.93	<u>1,547,860</u>
Total	<u><u>638,000</u></u>			<u><u>3,813,590</u></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 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 annual report (the "Securities Transaction Code"), on terms no less exacting than the Model Code in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (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 2024 and up to the date of this announcement.

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

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles of good corporate governance (the "Principles") and code provisions (the "Code Provisions") in the Corporate Governance Code as 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 six months ended 30 June 2024.

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 2024.

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 2024 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 2024. Instead, it has been derived from the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2024, which will be included in the Company's 2024 interim report.

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

Hong Kong, 20 August 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.