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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 2021**

FINANCIAL HIGHLIGHTS			
	2021	2020	
	HK\$'000	HK\$'000	+ / (-)
RESULTS			
Revenue	7,195,982	5,650,619	+27.3%
Gross profit	2,827,197	2,337,309	+21.0%
Operating profit	1,277,972	1,067,172	+19.8%
Profit before income tax	1,274,447	1,052,841	+21.0%
Profit for the year	1,092,242	903,850	+20.8%
Profit attributable to the owners of the Company	1,083,774	900,123	+20.4%
	2021	2020	
	HK\$	HK\$	+ / (-)
Earnings per share			
– Basic	0.989	0.828	+19.4%
– Diluted	0.957	0.823	+16.3%
Proposed final dividend per ordinary share	0.15	0.10	+50.0%
	2021	2020	
	HK\$'000	HK\$'000	+ / (-)
KEY BALANCE SHEET ITEMS			
Total current assets	7,790,106	6,955,116	+12.0%
Total assets	8,821,278	7,637,059	+15.5%
Net current assets	5,526,563	5,000,797	+10.5%
Total equity	6,456,556	5,573,572	+15.8%

* 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 2021, with comparative figures for the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Analysis and Industry Trends

While the COVID-19 pandemic continued to hit economies across the world in 2021, it also acted as a powerful catalyst in the development of electronic payments. The global economy is accelerating towards an increasingly cashless society, with the adoption of electronic payments becoming stronger than ever. According to the World Payments Report released in 2021, non-cash transactions are expected to grow at a compound annual growth rate (“CAGR”) of 18.9% between 2021 and 2025, reaching 1,842 billion in volume by 2025. Industries such as retail and catering are accelerating the deployment of modern generation Android payment terminals to adapt swiftly to the new normal.

Faced with unprecedented global demand for innovative electronic payment solutions, PAX has successfully embraced the opportunities presented, strengthening partnerships with acquiring banks, payment service providers (“PSPs”) and independent sales organisations (“ISOs”) all over the world. Thanks to our distinct competitive edges in terms of innovative product portfolio and superior supply chain management, the Group has secured even more orders and garnered further client recognition. In 2021, the Group achieved record-high revenue and profit for the year, surging by 27.3% and 20.8% respectively. Sales growth in the United States and Canada (“USCA”) and Europe, the Middle East and Africa (“EMEA”) were particularly impressive, surging by 56.0% and 48.3% respectively, while PAX continued to expand in other global regions such as the Asia Pacific and Latin America.

Android smart terminals and PAXSTORE deliver intelligent value

As a leading international enterprise specialising in payment terminals, product innovation, high-quality products and above all security continue to be the cornerstone of PAX’s enterprise philosophy. There is a rigorous security management system in place at PAX, which consists of a range of security controls implementing in the areas of operations and maintenance security in the system architecture, network security, data protection, privacy compliance and etc. The Group has attained the ISO/IEC 27001:2013 certification, which is internationally recognised as the most authoritative and widely adopted information security management system standard. PAX payment terminal portfolio and services are certified to comply with the international security standards of the Payment Card Industry (“PCI”) and Europay, Mastercard, Visa (“EMV”) requirements, and many other standards, laws and mandatory regulations in countries and regions worldwide. With product innovation and expertise of reaching international security standards, PAX has become a trusted partner of many acquiring banks and PSPs around the world over the years.

Likewise, PAX Android smart payment terminals in combination with our suite of Software as a Service (“SaaS”) solutions bring distinct value propositions to clients, which is rapidly reshaping the payment terminal market landscape. Riding on PAX Android smart terminals as the interface of SaaS solutions, our clients are enabled to create one-stop solutions with cost-saving and efficiency enhancement for merchants of diverse sizes and business segments. Forward-thinking acquiring banks and PSPs have realised the potentials of smart payment terminal technology, and as a result, are incorporating PAX solutions as a key strategic priority, to realise the modernisation of their payment acceptance infrastructure. Sales of Android smart payment terminals increased sharply by 77.5% year-on-year to HK\$3,230.4 million, becoming an important driving force for revenue growth.

Throughout the pandemic, more and more brick-and-mortar retailers, restaurants and other merchants began implementing omni-channel retailing, integrating e-commerce and physical sales channels to boost income. The Group’s PAXSTORE and value-added solutions are also certified to comply with Payment Card Industry Data Security Standard (PCI-DSS). Powered by PAX Android smart payment terminals and software applications, merchants can securely manage e-commerce orders, create automated marketing campaigns, improve inventory management, etc. Through PAXSTORE, acquiring banks and PSPs are further empowered to efficiently manage their payment terminal estates in real-time, optimise help-desk resources, reduce high on-site maintenance costs and deliver innovative value-added application services for different merchant categories with greater flexibility.

PAXSTORE has experienced a phenomenal growth since its launch, as of 31 December 2021, over 4 million smart payment terminals connected and over 6,000 software applications available to merchants. During 2021, SaaS solutions revenue rose significantly by 193.0% year-on-year to HK\$42.4 million. PAX is confident that as the volume of terminals connected to PAXSTORE and other SaaS products grows at a rapid pace, a large-scale application of the Group’s SaaS solutions will continue to be realised in the future.

Global Regional Analysis

LACIS

In Latin America and the Commonwealth of Independent States, PAX continued to lead the market with its innovative product portfolio.

Latin America is one of the fastest-growing mobile payment markets in the world. According to the World Bank, almost half of the adult population remains unbanked, creating favourable growth conditions for mobile and electronic payments. In Brazil, government initiatives stimulate substantial growth within the Fintech sector, and as a result, the adoption of electronic payment methods continues to flourish. In particular the instant payment system, PIX, launched by the Central Bank of Brazil has swiftly gained popularity and PAX payment terminals fully support the PIX payment method.

PAX successfully launched the world's first Android smart PayPhone M30 in Brazil during the year. The Group's new M-series portfolio can operate like consumer Android smartphones while incorporating secure payment acceptance modules certified to major industry standards.

In Argentina, PAX achieved high growth during the year by partnering with more PSPs and ISOs. The Group has also continued to strengthen investment and sales efforts in other promising markets such as Mexico and Chile.

EMEA

In Europe, the Middle East and Africa ("EMEA"), large-scale deployment of Android smart payment terminals is underway. PAX has been achieving success in numerous markets with its A-series Android portfolio, driving remarkable sales growth of 48.3% in the region.

In Europe, the Group maintained a robust growth momentum. Thanks to the high demand for PAX Android products and the PAXSTORE platform, the Group has gained more market share in Italy, the United Kingdom, Germany, Poland, France and Greece. During the pandemic, the contactless payment transaction limits were raised in most European countries, which contributed to the uptake of cashless payments. The Group achieved breakthroughs in niche sectors such as unattended self-service, multilane retail and transportation.

In the Middle East and North Africa, PAX continued to strongly dominate in Saudi Arabia and Egypt and achieved significant sales growth in 2021. More market share was achieved as acquiring banks in the GCC (Gulf Cooperation Council) countries and North Africa began deployment of Android smart terminals.

In Sub-Saharan Africa, financial inclusion initiatives by local governments and banks continued to accelerate the adoption of cashless transactions. Nigeria continued to be a fast-growing market for PAX, while the Group also explored new partnerships with some major acquiring banks and PSPs in South Africa and neighboring countries.

APAC

According to the World Payments Report released in 2021, the Asia Pacific region ("APAC") will continue to lead the global cashless growth with an estimated CAGR of 28.3%. The Group performed particularly well in a number of countries, as payment institutions continue to commit to cashless systems as well as new-generation payment methods such as e-wallets and digital currencies, creating more opportunities for the payment terminal industry.

In India, PAX successfully established itself as the leading brand for electronic payment terminals in just a few years, becoming an important growth engine for the Group in the APAC region. Fueled by the digital payment measures of the Central Bank of India, demand for PAX products by local acquiring banks and PSPs was particularly high during the year and the full range of the PAX Android portfolio continued to gain traction in India.

In other fast-growing APAC markets, in particular South Korea, Malaysia and Thailand, PAX achieved decent growth and continued to invest in sales channel expansion and local product certifications. In 2021, more acquiring banks and PSPs chose to partner with PAX.

USCA

In the United States and Canada (“USCA”), the adoption of contactless payments by merchants continues to accelerate amid the pandemic, fueling strong demand for payment terminals. PAX became the preferred business partner of more acquiring banks, PSPs and ISOs, and achieved a notable growth of 56.0% to HK\$793.1 million.

PAX holds the distinction of being the first provider to deliver Android smart payment terminals in the North America, earning an esteemed reputation for its state-of-the-art payment products in the market. An increasing number of ISOs have deployed PAX terminals across North America, as the popularity of contactless payment continues to increase and the value of Android payment terminals is increasingly appreciated by restaurants, retailers and other merchant categories. In 2021, sales of the Android products significantly grew by more than 80% in this region compared to the year before.

North America continues to be a strategic market for the Group. In the U.S., the overall transaction size of America’s mobile and electronic payments market is growing rapidly. According to an eMarketer report, the number of in-store mobile payment users in the U.S. is expected to increase by approximately 6.5 million every year, reaching 125 million in 2025. The payment terminal market in the U.S. will offer enormous potential for PAX in the years ahead. PAX is well positioned and will continue to strategically acquire further market share.

Management Strategy

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

The challenges brought by the pandemic are forcing the retail and catering industries to embrace a digital-first mindset in order to expand their customer reach beyond traditional approaches. PAX will remain devoted to the value creation strategy, leveraging the Group's leading position in Android smart payment terminal technology innovation to enable merchants all over the world via the acquiring banks, PSPs and ISOs to explore more business opportunities and improve operational efficiencies. The Group will continue to invest in smart terminal product roadmap and a suite of cloud-based SaaS solutions, as well as reinforce the one-stop payment ecosystem of PAXSTORE.

The key focus will continue to be product quality, reliability and security. PAX will continue to devote more resources to payment terminal certification, software testing, penetration testing and other stringent security-related control measures. The Group will continue to strive to enhance industry security standards, thereby delivering innovative, reliable electronic payment terminals and software solutions for global customers.

Strengthen global sales network to further cement PAX's leading position in the international markets

PAX will continue to work closely with its international channel partner network, deepening ties with existing customers and seeking new strategic partnerships, expanding the suite of PAX products and solutions available to broader market segments and customer categories. The Group shall continue exploring merger and acquisition as well as investment opportunities that could bring complementary synergy to PAX's business. By expanding its diversified solutions and payment-related innovative technologies, the Group is confident of gaining more global market share and enhancing its international leading position.

Reinforce supply chain to lay a solid foundation for sustainable business development

As global acquiring banks, PSPs and ISOs accelerate the deployment of payment terminals in response to the post-pandemic demand, efficient supply chain management has become an important part of the Group's sustainable development. To timely deal with the intensifying global component shortage, PAX promptly and decisively implemented a series of strategic plans to achieve efficient inventory management and components procurement. Indeed, the Group's outstanding performance in supply chain management, as well as its comparatively faster product assembling and delivery capabilities, has become a competitive edge for PAX to secure more orders and customer recognition.

In a view to further strengthen the supply chain, PAX has implemented the construction of a new industrial park in the Zhongkai High-Tech Zone, Huizhou City, China. The construction is underway and is expected to be completed in the fourth quarter of 2022 at the earliest. This new industrial park will significantly increase the Group's production capacity to support the strong growth in future global demand, enabling PAX to seize the enormous opportunities in the international payment terminal market.

FINANCIAL REVIEW

The key financial figures are extracted as follows:

	For the year ended 31 December		
	2021	2020	+ / (-)
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	7,195,982	5,650,619	+27.3%
Gross profit	2,827,197	2,337,309	+21.0%
Other income	96,315	77,838	+23.7%
Selling expenses	(716,234)	(499,321)	+43.4%
Administrative expenses	(958,185)	(781,456)	+22.6%
Net impairment losses on financial assets	(21,580)	(65,083)	-66.8%
Profit before income tax	1,274,447	1,052,841	+21.0%
Income tax expense	(182,205)	(148,991)	+22.3%
Profit for the year	1,092,242	903,850	+20.8%
Profit attributable to the owners of the Company	1,083,774	900,123	+20.4%
Research and development costs (included in administrative expenses)	(512,119)	(460,772)	+11.1%
	As at 31 December		
	2021	2020	+ / (-)
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Total current assets	7,790,106	6,955,116	+12.0%
Total non-current assets	1,031,172	681,943	+51.2%
Total assets	8,821,278	7,637,059	+15.5%
Total current liabilities	2,263,543	1,954,319	+15.8%
Total non-current liabilities	101,179	109,168	-7.3%
Total liabilities	2,364,722	2,063,487	+14.6%
Net current assets	5,526,563	5,000,797	+10.5%
Total equity	6,456,556	5,573,572	+15.8%

	For the year ended 31 December		
	2021	2020	+/(%)
PER SHARE (IN HK\$)			
Earnings per share for the profit attributable to the owners of the Company			
– Basic	0.989	0.828	+19.4%
– Diluted	0.957	0.823	+16.3%

For the year ended 31 December	
2021	2020

FINANCIAL RATIOS

Gross profit margin	39.3%	41.4%
Net profit margin	15.2%	16.0%

Revenue

i) Sales by Geographical Region

	For the year ended 31 December		
	2021	2020	+/(%)
	HK\$'000	HK\$'000	
– Latin America and the Commonwealth of Independent States (“LACIS”)	3,252,078	2,723,604	+19.4%
– Europe, the Middle East and Africa (“EMEA”)	1,881,410	1,268,916	+48.3%
– Asia Pacific Region (“APAC”)*	1,269,349	1,149,753	+10.4%
– United States of America and Canada (“USCA”)	793,145	508,346	+56.0%
Total	<u>7,195,982</u>	<u>5,650,619</u>	<u>+27.3%</u>

* Revenue generated from the China market (excluding Hong Kong, Macau and Taiwan) of HK\$243.4 million for the year ended 31 December 2021 (2020: HK\$323.4 million) was grouped under the sales of APAC region.

Revenue increased by 27.3% to HK\$7,196.0 million for the year ended 31 December 2021 from HK\$5,650.6 million for the year ended 31 December 2020. All regions recorded growth, especially the USCA and EMEA regions. The increase was mainly driven by the increase in market penetration and sales of Android payment terminals.

ii) Sales by Product Category

	For the year ended 31 December		
	2021	2020	
	HK\$'000	HK\$'000	+ / (-)
Sales of E-payment Terminals products	7,015,249	5,532,211	+26.8%
Provision of services	180,733	118,408	+52.6%
Total	<u>7,195,982</u>	<u>5,650,619</u>	<u>+27.3%</u>

Sales of E-payment Terminals products

E-payment Terminals products include Android smart E-payment solutions (A-series), Android smart electronic cash register solutions (E-series), unattended solutions (IM-series & SK-series), Android smart PayPhone and PayTablet solutions (M-series), classic E-payment solutions and other accessory items.

Revenue from the sales of E-payment Terminals products increased by 26.8% to HK\$7,015.2 million for the year ended 31 December 2021 from HK\$5,532.2 million for the year ended 31 December 2020. The increase was mainly due to the increase in sales of Android smart terminals across different regions 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 52.6% to HK\$180.7 million for the year ended 31 December 2021 from HK\$118.4 million for the year ended 31 December 2020. The increase in revenue from provision of services was mainly due to the growth in revenue generated from SaaS solutions.

Gross Profit Margin

Gross profit margin for the year ended 31 December 2021 was 39.3%, representing a decrease of 210 basis points as compared to 41.4% for the year ended 31 December 2020. The decrease was mainly driven by the increase in costs as a result of the appreciation of Renminbi (“RMB”) and the increase in the price of certain raw materials.

Other Income

Other income comprises primarily interest income, government subsidies and value-added tax refund. It increased by 23.7% to HK\$96.3 million for the year ended 31 December 2021 from HK\$77.8 million for the year ended 31 December 2020, mainly due to the increase in government subsidies.

Selling Expenses

Selling expenses increased by 43.4% to HK\$716.2 million for the year ended 31 December 2021 from HK\$499.3 million for the year ended 31 December 2020. The growth was mainly driven by the increase in sales commission and employee benefit expenses of sales staff.

Administrative Expenses

Administrative expenses increased by 22.6% to HK\$958.2 million for the year ended 31 December 2021 from HK\$781.5 million for the year ended 31 December 2020. The increase was mainly due to the increase in employee benefit expenses of administrative and research and development (“R&D”) staff.

Net Impairment Losses on Financial Assets

The Group recognised a net impairment losses on financial assets of HK\$21.6 million and HK\$65.1 million for the years ended 31 December 2021 and 2020 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\$1,092.2 million, representing an increase of 20.8% compared to HK\$903.9 million in 2020. In 2021, profit for the year attributable to the owners of the Company was HK\$1,083.8 million, representing an increase of 20.4% as compared to HK\$900.1 million in 2020.

Other Events

Construction Contracts for the PAX Smart Terminals Industrial Park Project

On 20 July 2021, a wholly-owned subsidiary of the Company entered into two construction contracts with an independent third party company in relation to the construction works of the PAX Smart Terminals Industrial Park Project for the consideration of approximately RMB417.4 million (equivalent to approximately HK\$501.4 million) (tax exclusive and subject to adjustments). The transactions contemplated under the construction contracts constituted a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). For details, please refer to the announcement of the Company dated 20 July 2021.

Independent Investigation of PAX Terminals by Unit 42, Search Warrant against Pax US and Media Reports

On 14 December 2021, the Company published an announcement on the results of an independent investigation on the network communications of PAX Terminals conducted by Unit 42 by Palo Alto Networks, Inc. (“Unit 42”), an independent third-party, that no malicious traffic or events had been identified in the network traffic activity reviewed. The investigation was commissioned in response to the court-authorized search conducted at the Florida office and warehouse of Pax Technology, Inc. (“Pax US”), a wholly-owned subsidiary of the Company, by officers from the Federal Bureau of Investigation and the Customs and Border Protection of the U.S. (the “Incident”) on 26 October 2021 and certain media reports (the “Media Reports”) containing statements regarding PAX terminals, to which the Company had also provided clarification by way of announcement published on 29 October 2021. For details, please refer to the announcements of the Company dated 14 December 2021 and 29 October 2021.

To the best knowledge of the Directors, there has been no development in relation to the Incident since the announcement of the Company dated 14 December 2021, and no material financial impact on the Group in respect of the Incident and the Media Reports.

Liquidation of Shanghai Kashuo

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

In July 2018, a court of competent jurisdiction in Shanghai rendered a civil ruling in acceptance of Shanghai Kashuo’s application for bankruptcy liquidation in accordance with the Enterprise Bankruptcy Law of the People’s Republic of China. As at 31 December 2021, the liquidation process of Shanghai Kashuo was still underway. Should Shanghai Kashuo liquidate, the Group is expected to recognise a potential gain of up to approximately HK\$60 million in reversal of its existing liabilities.

Liquidity and Financial Resources

During the years of 2021 and 2020, 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	
	2021	2020
Current ratio (times)	3.4	3.6
Quick ratio (times)	2.5	2.7

As at 31 December 2021, the Group had cash and cash equivalents and short-term bank deposits in an aggregate amount of HK\$3,533.0 million (2020: HK\$3,805.8 million) and no borrowings (2020: same). As at 31 December 2021, the Group reported net current assets of HK\$5,526.6 million, as compared with HK\$5,000.8 million as at 31 December 2020. For the year ended 31 December 2021, net cash generated from operating activities was HK\$347.7 million, as compared with HK\$735.0 million for the year ended 31 December 2020. As at 31 December 2021, the Group had no borrowings and the gearing ratio is not applicable (2020: same).

Capital Structure and Details of Charges

As at 31 December 2021, the Group had no borrowings and banking facilities (2020: same). There was no charge on any assets of the Group (2020: same).

As at 31 December 2021 and 2020, the Group's cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi ("RMB")	2,455,509	2,529,613
US dollar ("US\$")	741,970	884,286
Hong Kong dollar ("HK\$")	200,190	223,603
European dollar ("EUR")	84,944	111,167
Indian Rupee ("INR")	27,291	25,602
Others	23,050	28,470
	3,532,954	3,802,741

Significant Investment

The Group had no significant investment as at 31 December 2021 (2020: Nil).

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021 (2020: Nil).

Future Plans for Material Investments or Capital Assets

Save as disclosed above, there was no specific plan for material investments or capital assets as at 31 December 2021 (2020: Nil).

Exchange Rates Exposure

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

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

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2021 (2020: Nil).

Human Resources and Remuneration Policies

The total number of employees of the Group as at 31 December 2021 was 1,654 (2020: 1,677). The following table shows a breakdown of employees of the Group by functions as at 31 December 2021 and 2020:

	As at 31 December	
	2021	2020
Management	13	12
Sales and after-sales services and marketing	356	384
Research and development	855	817
Quality assurance	76	81
Administration and human resources	58	55
Accounting	36	36
Production, procurement and inventory control	260	292
	<u>1,654</u>	<u>1,677</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 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

	<i>Notes</i>	Year ended 31 December	
		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	7,195,982	5,650,619
Cost of sales	5	<u>(4,368,785)</u>	<u>(3,313,310)</u>
Gross profit		2,827,197	2,337,309
Other income	3	96,315	77,838
Other gains/(losses), net	3	50,459	(2,115)
Selling expenses	5	(716,234)	(499,321)
Administrative expenses	5	(958,185)	(781,456)
Net impairment losses on financial assets	5	<u>(21,580)</u>	<u>(65,083)</u>
Operating profit		1,277,972	1,067,172
Finance costs		(6,979)	(8,285)
Share of results of investments accounted for using the equity method		<u>3,454</u>	<u>(6,046)</u>
Profit before income tax		1,274,447	1,052,841
Income tax expense	6	<u>(182,205)</u>	<u>(148,991)</u>
Profit for the year		<u>1,092,242</u>	<u>903,850</u>
Profit attributable to:			
Owners of the Company		1,083,774	900,123
Non-controlling interests		<u>8,468</u>	<u>3,727</u>
		<u>1,092,242</u>	<u>903,850</u>
		<i>HK\$</i> <i>per share</i>	<i>HK\$</i> <i>per share</i>
Earnings per share for the profit attributable to the owners of the Company:			
– Basic	7(a)	<u>0.989</u>	<u>0.828</u>
– Diluted	7(b)	<u>0.957</u>	<u>0.823</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	1,092,242	903,850
Other comprehensive income/(loss), net of tax		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	81,383	184,195
Release of exchange reserve upon disposal of a subsidiary	–	(756)
<i>Items that will not be reclassified to profit or loss</i>		
Change in value of a financial asset at fair value through other comprehensive income	360	(7,966)
Remeasurement of post-employment benefit obligation	329	59
Total comprehensive income for the year, net of tax	<u>1,174,314</u>	<u>1,079,382</u>
Total comprehensive income attributable to:		
Owners of the Company	1,169,229	1,079,198
Non-controlling interests	5,085	184
	<u>1,174,314</u>	<u>1,079,382</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		485,527	129,240
Right-of-use assets		282,477	291,137
Intangible assets		32,909	39,964
Financial assets at fair value through profit or loss		124,269	130,120
Financial asset at fair value through other comprehensive income		2,827	2,467
Investments accounted for using the equity method		20,580	21,702
Loan to an investment accounted for using the equity method		–	4,781
Other non-current assets		4,967	4,966
Deferred income tax assets		77,616	57,566
Total non-current assets		1,031,172	681,943
Current assets			
Inventories		2,071,285	1,629,901
Other current assets		63,190	47,707
Other financial assets at amortised cost	9	18,609	22,087
Trade and bills receivables	9	2,081,977	1,434,253
Restricted cash		22,091	15,345
Short-term bank deposits		–	3,082
Cash and cash equivalents		3,532,954	3,802,741
Total current assets		7,790,106	6,955,116
Total assets		8,821,278	7,637,059

		As at 31 December	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		109,298	109,284
Reserves		6,377,831	5,492,658
		6,487,129	5,601,942
Non-controlling interests		(30,573)	(28,370)
Total equity		6,456,556	5,573,572
LIABILITIES			
Non-current liabilities			
Lease liabilities		84,648	93,811
Deferred income tax liabilities		11,389	7,953
Other non-current liabilities		5,142	7,404
Total non-current liabilities		101,179	109,168
Current liabilities			
Trade payables	<i>10</i>	1,668,823	1,371,267
Other payables and accruals	<i>10</i>	504,229	485,459
Current tax liabilities		58,537	68,817
Lease liabilities		31,954	28,776
Total current liabilities		2,263,543	1,954,319
Total liabilities		2,364,722	2,063,487
Total equity and liabilities		8,821,278	7,637,059

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following amendments to accounting standards for the first time for the annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16
- Covid-19-Related Rent Concessions – amendments to HKFRS 16

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

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

Certain new accounting standards, 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 new accounting standards, 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/(LOSSES), 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/(losses), net recognised during the year are as follows:

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Revenue		
Sales of E-payment Terminals products	7,015,249	5,532,211
Provision of services	180,733	118,408
	<u>7,195,982</u>	<u>5,650,619</u>
Other income		
Interest income (<i>note (i)</i>)	38,036	38,861
Government subsidies (<i>note (ii)</i>)	34,847	17,658
Value-added tax refund (<i>note (ii)</i>)	10,105	13,845
Others (<i>note (iii)</i>)	13,327	7,474
	<u>96,315</u>	<u>77,838</u>
Other gains/(losses), net		
Fair value gains/(losses) on financial assets at fair value through profit or loss	43,450	(5,241)
Gain on disposal of an investment accounted for using the equity method	7,009	–
Gain on disposal of a subsidiary	–	3,126
	<u>50,459</u>	<u>(2,115)</u>

Notes:

- (i) The amounts includes HK\$275,000 interest income from a loan to a joint venture for the year ended 31 December 2021 (2020: HK\$247,000).
- (ii) The amounts mainly represent the Group's entitlement to value-added tax refund and government grants in relation to sales and research and development of self-developed software products in the People's Republic of China (the "PRC"). There are no unfulfilled conditions or other contingencies attaching to these grants.
- (iii) The amount includes HK\$6,314,000 service income from joint venture (2020: HK\$1,168,000).

4 SEGMENT INFORMATION

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

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

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

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

	Year ended 31 December 2021					
	PRC, excluding Hong Kong, Macau and Taiwan HK\$'000	Hong Kong and others HK\$'000	US HK\$'000	Italy HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue from external customers	674,039	5,388,845	793,145	339,953	-	7,195,982
Inter-segment revenue	4,994,294	603,906	-	-	(5,598,200)	-
Total revenue	5,668,333	5,992,751	793,145	339,953	(5,598,200)	7,195,982
Segmental earnings/(losses) before interest expense, taxes, depreciation and amortisation ("EBITDA"/"LBITDA")	783,805	556,043	(30,852)	41,506	(4,147)	1,346,355
Depreciation (Note 5)	(45,082)	(7,029)	(8,418)	(3,556)	-	(64,085)
Amortisation (Note 5)	-	(2,625)	-	(1,673)	-	(4,298)
Segmental operating profit/(loss)	738,723	546,389	(39,270)	36,277	(4,147)	1,277,972
Finance costs						(6,979)
Share of results of investments accounted for using the equity method						3,454
Profit before income tax						1,274,447
Income tax expense						(182,205)
Profit for the year						1,092,242

Year ended 31 December 2020

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

The segment assets and liabilities as at 31 December 2021 and additions to non-current assets for the year ended 31 December 2021 are as follows:

	As at 31 December 2021					
	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	6,548,697	3,587,739	497,778	211,321	(2,024,257)	8,821,278
Segment liabilities	2,181,376	1,191,298	813,833	133,525	(1,955,310)	2,364,722
	Year ended 31 December 2021					
	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)	384,352	4,300	4,415	5,703	–	398,770

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

	As at 31 December 2020					
	PRC, excluding Hong Kong, Macau and Taiwan <i>HK\$'000</i>	Hong Kong and others <i>HK\$'000</i>	US <i>HK\$'000</i>	Italy <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>5,642,056</u>	<u>3,141,544</u>	<u>435,042</u>	<u>148,861</u>	<u>(1,730,444)</u>	<u>7,637,059</u>
Segment liabilities	<u>2,070,041</u>	<u>874,419</u>	<u>711,746</u>	<u>80,363</u>	<u>(1,673,082)</u>	<u>2,063,487</u>
	Year ended 31 December 2020					
	PRC, excluding Hong Kong, Macau and Taiwan <i>HK\$'000</i>	Hong Kong and others <i>HK\$'000</i>	US <i>HK\$'000</i>	Italy <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets (excluding financial instruments and deferred income tax assets)	<u>148,023</u>	<u>12,437</u>	<u>1,996</u>	<u>1,370</u>	<u>-</u>	<u>163,826</u>

In 2021, additions to non-current assets mainly comprise additions to property, plant and equipment and right-of-use assets (2020: same).

In 2021, revenue of approximately HK\$2,492,679,000 (2020: HK\$2,207,453,000) is derived from the largest customer, representing 34.6% (2020: 39.1%) of the total revenue, which is attributable to the Hong Kong operating segment (2020: same); revenue of approximately HK\$364,535,000 (2020: HK\$203,977,000) is derived from the second largest customer, representing 5.1% (2020: 3.6%) of the total revenue, which is attributable to the US operating segment (2020: 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 asset is located, is as follows:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Non-current assets		
PRC, excluding Hong Kong, Macau and Taiwan	887,346	529,418
Hong Kong and others	73,249	76,791
US	38,930	42,109
Italy	31,647	33,625
	1,031,172	681,943

5 EXPENSES BY NATURE

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

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Costs of inventories sold	4,244,556	3,060,546
Provision for obsolete inventories	15,928	166,816
Employee benefit expenses (including directors' emoluments)	845,155	728,035
Research and development costs	512,119	460,772
Sales commission	152,852	49,268
Depreciation of property, plant and equipment	20,220	16,287
Depreciation of right-of-use assets	43,865	39,628
Short-term lease expenses	9,821	8,859
Amortisation of intangible assets	4,298	4,497
Remuneration to the Company's auditor		
– Group's annual audit and other audit related services	2,420	2,420
– non-audit services	228	110
Remuneration to other auditors	923	647
Losses on disposals of property, plant and equipment, net	33	127
Net impairment losses on financial assets (<i>Note 9(c)</i>)	21,580	65,083
Impairment of goodwill	–	14,699

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Current income tax on profit for the year		
– China corporate income tax	117,591	76,159
– Hong Kong profits tax	94,132	118,883
– Overseas profits tax	17,940	5,134
Tax incentives for research and development expenses available for the subsidiaries incorporated in the PRC (<i>Note (a)</i>)	(51,923)	(30,176)
Under/(over) provision in prior years, net (<i>Note (b)</i>)	19,185	(2,993)
	<hr/>	<hr/>
Total current income tax	196,925	167,007
	<hr/>	<hr/>
Deferred income tax (<i>Note (b)</i>)	(14,720)	(18,016)
	<hr/>	<hr/>
Income tax expense	182,205	148,991
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided for at the rate of 16.5% (2020: same) on the estimated assessable profit for the year ended 31 December 2021.

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 75% (2020: 75%) of the relevant research and development expenses incurred in a year approved by the PRC tax authority.
- (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.

For the year ended 31 December 2020, pursuant to Caishui [2016] Circular 49 jointly released by the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology of the PRC, management performed self-assessment 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. Management estimated that Pax Computer Shenzhen was qualified as a National Key Software Enterprise and entitled to the preferential corporate income tax rate of 10%. As such, the applicable corporate income tax rate of Pax Computer Shenzhen was 10% for the year ended 31 December 2020.

During the year ended 31 December 2021, the National Development and Reform Commission amended the relevant tax rules and requirements of the eligibilities for the tax incentives on 29 March 2021. The amendment is effective retrospectively from the year ended 31 December 2020 onwards. Management is of the opinion that Pax Computer Shenzhen is not able to enjoy the 10% preferential corporate tax rate. As a result, an under provision of current tax of HK\$19,439,000 for prior periods and an increase in deferred income tax assets of HK\$14,515,000 were recognised in the consolidated income statement for the year ended 31 December 2021. 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 for Pax Computer Shenzhen was 15% for the year ended 31 December 2021.

7 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2021	2020
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>1,083,774</u>	<u>900,123</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	<u>1,096,118</u>	<u>1,087,290</u>
Basic earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)	<u>0.989</u>	<u>0.828</u>

(b) Diluted

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

For the year ended 31 December 2021 and 2020, the calculation of diluted earnings per share was based on the profit attributable to owners of the Company and the adjusted weighted average number of ordinary shares outstanding assuming the conversion of all potentially dilutive ordinary shares, which was calculated as follows:

	Year ended 31 December	
	2021	2020
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>1,083,774</u>	<u>900,123</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	1,096,118	1,087,290
Adjustments for share options (<i>thousand shares</i>)	<u>36,128</u>	<u>5,827</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousand shares</i>)	<u>1,132,246</u>	<u>1,093,117</u>
Diluted earnings per share attributable to owners of the Company (<i>HK\$ per share</i>)	<u>0.957</u>	<u>0.823</u>

8 DIVIDENDS

In 2021, an interim dividend of HK\$0.12 per ordinary share (2020: HK\$0.07 per ordinary share) was declared, amounting to approximately HK\$131,636,000 (2020: HK\$75,787,000). No special dividend was declared during the year ended 31 December 2021 (2020: HK\$0.10 per ordinary share was declared, amounting to approximately HK\$109,284,000). A final dividend of HK\$0.15 per ordinary share for the year ended 31 December 2021 (2020: HK\$0.10 per ordinary share), amounting to approximately HK\$162,855,000 (2020: HK\$109,414,000) (assuming no change in the number of shares in issue on or before the record date for determining the entitlement of final dividend), is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect the proposed final dividend payable.

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared of HK\$0.12 (2020: HK\$0.07) per ordinary share	131,636	75,787
Special dividend (2020) declared of HK\$0.10 per ordinary share	–	109,284
Proposed final dividend of HK\$0.15 (2020: HK\$0.10) per ordinary share	<u>162,855</u>	<u>109,414</u>
	<u>294,491</u>	<u>294,485</u>

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

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note (a)</i>)	2,212,587	1,519,053
Amounts due from related parties (<i>note (a)</i>)	1,509	13,455
Less: provision for impairment of trade receivables (<i>note (c)</i>)	<u>(138,148)</u>	<u>(115,315)</u>
Trade receivables, net	2,075,948	1,417,193
Bills receivables (<i>note (b)</i>)	<u>6,029</u>	<u>17,060</u>
Trade and bills receivables	<u>2,081,977</u>	<u>1,434,253</u>
Other financial assets at amortised cost	<u>18,609</u>	<u>22,087</u>
	<u>2,100,586</u>	<u>1,456,340</u>

The fair values of trade and bills receivables and other financial assets at amortised cost approximate their carrying values as at 31 December 2021 and 2020.

(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 2021 and 2020, the ageing analysis of the trade receivables and amounts due from related parties based on invoice date is as follows:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 90 days	1,501,337	1,198,429
91 to 180 days	495,945	94,348
181 to 365 days	47,562	45,772
Over 365 days	<u>169,252</u>	<u>193,959</u>
	<u>2,214,096</u>	<u>1,532,508</u>

(b) **Bills receivables**

The balance represents bank acceptance notes with maturity periods of within six months.

The maturity profile of the bills receivables of the Group is as follows:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Up to 90 days	4,398	527
91 to 180 days	1,631	16,533
	<u>6,029</u>	<u>17,060</u>

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

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

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
At beginning of the year	115,315	93,574
Provision for impairment losses for the year (Note 5)	24,472	65,142
Reversal of provision (Note 5)	(2,892)	(59)
Written off	–	(46,664)
Exchange realignment	1,253	3,322
At end of the year	<u>138,148</u>	<u>115,315</u>

Based on the assessment of the expected credit losses, the Group has made a provision for impairment of trade receivables of HK\$24,472,000 during the year ended 31 December 2021 (2020: HK\$65,142,000).

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivables mentioned above. The Group did not hold any collateral as security for these receivables as at 31 December 2021 (2020: same).

10 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Trade payables		
Trade payables	1,632,677	1,353,168
Amounts due to related parties	36,146	18,099
	<u>1,668,823</u>	<u>1,371,267</u>
Trade payables (note (a))		
	<u><u>1,668,823</u></u>	<u><u>1,371,267</u></u>
Other payables and accruals		
Other accrued expenses and payables	304,634	256,131
Dividend payable	–	109,284
Receipt in advance from customers (note (b))	143,618	96,933
Other tax payables	21,794	14,049
Payables for construction in progress	34,183	9,062
	<u>504,229</u>	<u>485,459</u>
	<u><u>504,229</u></u>	<u><u>485,459</u></u>

(a) Trade payables

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

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Up to 90 days	1,557,074	1,174,424
91 to 180 days	98,300	181,025
181 to 365 days	125	59
Over 365 days	13,324	15,759
	<u>1,668,823</u>	<u>1,371,267</u>
	<u><u>1,668,823</u></u>	<u><u>1,371,267</u></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 2021 that was included in the contract liability balance at the beginning of the year amounted to HK\$60,600,000 (2020: HK\$46,434,000). The Group expects to deliver the goods to satisfy the remaining performance obligations of these contract liabilities within one year or less.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Company repurchased an aggregate of 13,232,000 ordinary shares at an aggregate consideration of approximately HK\$86,630,870 on the Stock Exchange as follows:

Date of Repurchase	No. of shares repurchased	Consideration per share		Total Consideration Paid
		Highest HK\$	Lowest HK\$	HK\$
19 January 2021	800,000	8.40	7.88	6,505,000
22 April 2021	800,000	8.87	8.63	7,017,280
8 July 2021	796,000	8.85	8.69	6,962,600
4 November 2021	1,600,000	6.20	5.70	9,705,890
10 November 2021	1,122,000	6.16	5.80	6,810,820
18 November 2021	1,500,000	6.66	6.47	9,891,080
24 November 2021	1,466,000	6.55	6.37	9,515,710
1 December 2021	1,477,000	6.36	6.10	9,292,120
9 December 2021	1,650,000	6.07	5.92	9,939,510
17 December 2021	1,700,000	5.49	5.36	9,217,580
24 December 2021	321,000	5.55	5.47	1,773,280
Total	<u>13,232,000</u>			<u>86,630,870</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\$0.10 per ordinary share for the year ended 31 December 2020, amounting to approximately HK\$109.8 million, was declared and paid to the shareholders of the Company; and
- an interim dividend of HK\$0.12 per ordinary share for the six months ended 30 June 2021 (2020: HK\$0.07 per ordinary share), amounting to approximately HK\$131.8 million, was declared and paid to the shareholders of the Company.

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

The Board has recommended a payment of final dividend of HK\$0.15 per ordinary share for the year ended 31 December 2021 (2020: HK\$0.10 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 Thursday, 2 June 2022, subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company which will be held on Thursday, 12 May 2022 (the “AGM”), and if passed, the final dividend will be paid on Tuesday, 21 June 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 31 May 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (the “Share Registrar”) not later than 4:30 p.m. on Monday, 30 May 2022. For the year ended 31 December 2021, the total dividend per ordinary share amounted to HK\$0.27 (2020: HK\$0.27), 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, 5 May 2022. 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, 5 May 2022.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted a written code regulating the securities transaction of Directors and executive officers named in the Company’s 2021 annual report (“Securities Transaction Code”) on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules.

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2021.

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 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company's website at www.paxglobal.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The Company's 2021 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 2021. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2021, which will be included in the Company's 2021 annual report.

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

Hong Kong, 23 March 2022

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