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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)

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF FRAMEWORK AGREEMENT
FOR THE SUPPLY OF E-PAYMENT TERMINALS PRODUCTS**

Reference is made to the announcement of the Company dated 5 December 2018 in relation to, among others, the sale of the E-payment Terminals products by the Group to Hi Sun Group under the 2019 Framework Agreement which will expire on 31 December 2021.

The Parties entered into the 2022 Framework Agreement on 23 December 2021, pursuant to which the Group will continue to sell and Hi Sun Group will continue to purchase the E-payment Terminals products for a term of three years commencing on 1 January 2022 and ending on 31 December 2024.

As at the date of this announcement, Hi Sun is a controlling Shareholder holding approximately 33.31% of the Company's issued share capital and is therefore a connected person of the Company under Chapter 14A of the Listing Rules, hence the transactions contemplated under the 2022 Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps of the Consideration under the 2022 Framework Agreement on an annual basis exceeds 0.1% but all are less than 5%, the continuing connected transactions contemplated under the 2022 Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

* For identification purpose only

BACKGROUND INFORMATION

Reference is made to the announcement of the Company dated 5 December 2018 in relation to, among others, the continuing connecting transactions between the Group and Hi Sun Group under the 2019 Framework Agreement in respect of the Group's sale of E-payment Terminals products to Hi Sun Group (the "Sale").

As the 2019 Framework Agreement will expire on 31 December 2021 and the Company intends to continue the Sale in its ordinary and usual course of business, the Company and Hi Sun entered into the 2022 Framework Agreement on 23 December 2021, pursuant to which the Group will continue to sell and Hi Sun Group will continue to purchase the E-payment Terminals products for a term of three years commencing on 1 January 2022 and ending on 31 December 2024.

THE 2022 FRAMEWORK AGREEMENT

The key terms of the 2022 Framework Agreement are summarized as follows:

Date:	23 December 2021
Parties:	(1) the Company (as seller); and (2) Hi Sun (as purchaser) (collectively as the "Parties")
Subject matter:	The Group will sell and Hi Sun Group will purchase the E-payment Terminals products in accordance with the terms of the Individual Agreements.
Individual agreements:	During the Term, respective members of the Group and Hi Sun Group will from time to time enter into individual agreements (the "Individual Agreements") which will set out the terms of the individual Sale negotiated based on the following principles and pricing policies: (a) the Sale would be on normal commercial terms following arm's length negotiations; (b) the prices of the E-payment Terminals products would be agreed with reference to the prices of the same or similar products sold by the Group to independent third parties and the prevailing market prices of products with similar features and specification at the relevant time; and

- (c) the terms and conditions of the Sale, including the prices, order quantity, terms of settlement delivery and shipment when considered as a whole, would be no less favourable to the Group than those offered to independent third parties from time to time.

Term: Three years commencing on 1 January 2022 and ending on 31 December 2024.

ANNUAL CAP

Historical figures

The following table sets out the annual caps for the three years ending 31 December 2019, 31 December 2020 and 31 December 2021 and the approximate aggregate Consideration of E-payment Terminals products sold by the Group to Hi Sun Group for the two years ended 31 December 2019 and 31 December 2020 and the 11 months ended 30 November 2021 respectively:

	For the year ended 31 December 2019 (audited) HKD'000	For the year ended 31 December 2020 (audited) HKD'000	For the year ending 31 December 2021 HKD'000
Annual cap*	170,000	170,000	170,000
Actual Consideration*	47,498	38,595	26,113 (for the 11 months ended 30 November 2021 (unaudited))

* Before value-added tax

As far as the Directors are aware, none of the annual caps under the 2019 Framework Agreement has been exceeded as at the date of this announcement.

Proposed annual caps

The annual caps of the Consideration of the Sale under the 2022 Framework Agreement for each of the three years ending 31 December 2022, 31 December 2023 and 31 December 2024 (“Proposed Annual Caps”) are set out below:

Period	Consideration* not exceeding
1 January 2022 – 31 December 2022	HK\$20,000,000
1 January 2023 – 31 December 2023	HK\$20,000,000
1 January 2024 – 31 December 2024	HK\$20,000,000

* *Before value-added tax*

Basis and assumptions for determining the Proposed Annual Caps

The Proposed Annual Caps have been determined on arm’s length negotiations between the Company and Hi Sun having considered, among others, the following basis and assumptions:

- (i) the historical sales amounts of the Group’s E-payment Terminals products to Hi Sun Group and independent third parties;
- (ii) the anticipated demand of Hi Sun Group for the Group’s E-payment Terminals products;
- (iii) the anticipated pricing trend of the Group’s E-payment Terminals products; and
- (iv) the continuously keen competition of the payment industry in China market.

For the determination of the Proposed Annual Caps, it is assumed that (i) the market demand for electronic payment, thus for the Group’s E-payment Terminals products, will persist; (ii) Hi Sun Group’s demand for the Group’s E-payment Terminals products will remain stable; and (iii) the pricing of the Group’s E-payment Terminals products will remain relatively stable as a result of the combined effects of possible increase in production costs due to shortage of certain essential components, such as chips, and the general declining pricing trend of the existing E-payment Terminals products sold to Hi Sun Group over time.

MEASURES TO SAFEGUARD THE INTERESTS OF SHAREHOLDERS

The continuing connected transactions contemplated under the 2022 Framework Agreement are on a non-exclusive basis, which means that the Group will maintain its discretionary rights to sell the E-payment Terminals products to third parties. Pursuant to the 2022 Framework Agreement, either party may terminate the agreement by giving a written notice to the other party three (3) months in advance.

To ensure sufficient protection of Shareholders' interest, the Company will continue to adopt internal control measures in connection with the continuing connected transactions, including without limitation to the followings:

- designated departments are responsible for monitoring the Group's continuing connected transactions in order to ensure that individual agreements are effectively executed by the Group's various operating divisions in accordance with the terms and conditions under the 2022 Framework Agreement. In particular, the finance department of the Company continuously monitors and reviews the market price and actual pricing, payment arrangements and actual transaction amounts of the continuing connected transactions to ensure that the relevant transactions are carried out in accordance with the pricing policies under the 2022 Framework Agreement and the respective proposed annual caps are not exceeded. Relevant approval procedures shall have to be re-complied with following any amendment to the terms and conditions of the 2022 Framework Agreement, including but not limited to obtaining the Board's approval in addition to such requirements under the Listing Rules;
- the Group will from time to time source for comparable purchase orders from the market and compare and evaluate if the terms and conditions of the Individual Agreements are less favourable to the Group than those which may be offered to independent third parties;
- designated personnel will regularly review the relevant continuing connected transactions under the Individual Agreements (i) to ensure effective implementation of pricing policies, compliance of payment terms under the Individual Agreements and to establish an early warning system for monitoring annual cap balances; (ii) to evaluate whether the Individual Agreements are entered into on normal commercial terms or better and are fair and reasonable; and (iii) to make recommendations to the management from time to time to ensure that the internal control procedures in respect of the continuing connected transactions remain complete and effective;
- the Company's external auditor will conduct an annual review and provide their independent confirmation that nothing comes to their attention which causes them to believe that the continuing connected transactions, inter alia, are not conducted in accordance with the pricing policies of the Group and the consideration of the Sale exceeds the annual caps;

- the Company's audit committee and the independent non-executive Directors will review the continuing connected transactions based on quarterly reports on utilization of the annual caps, market updates including performance of the Group in different markets, pricing trends and other relevant information, and will ascertain the implementation of the relevant internal control measures to ensure that the annual caps are not exceeded and the continuing concerted transaction are conducted in accordance with the terms of the Individual Agreements; and
- the Directors (including the independent non-executive Directors) will regularly monitor and review the continuing connected transactions contemplated to ensure that, inter alia, the terms are fair and reasonable and they are in the interests of the Company and its shareholders as a whole.

The Board considers that the internal control measures adopted by the Company in connection with the Sale are appropriate and sufficient, and will give sufficient assurance that such continuing connected transactions will be appropriately monitored by the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2022 FRAMEWORK AGREEMENT

The Group is an E-payment Terminals solutions provider principally engaged in the development and sales of E-payment Terminals products and the provision of payment solutions services and maintenance and installation services. The outbreak of the COVID-19 pandemic has caused people to acquire new consumer habits and accelerated the globe shift towards cashless payments. While the Group expects to see a growing market demand for E-payment Terminals products, it is also aware of the continuously keen competition in the China market. In view of the long-term business relationship between the Group and Hi Sun Group and the mutual understanding of each other's business and specific product requirements, the Company believes the continuous provision of E-payment Terminals products to Hi Sun Group as part of their total payment processing solutions business is in line with the business model of the Group and can continue to generate stable income for the Group in the China market.

In view of the above, the Directors consider that the terms of the 2022 Framework Agreement are fair and reasonable, on normal commercial terms or better, and are entered into in the ordinary and usual course of business of the Group and in the interests of the Group and its Shareholders as a whole.

INFORMATION OF THE COMPANY AND HI SUN

The Company is an investment holding company and together with its subsidiaries is principally engaged in the development and sales of E-payment Terminals products, provision of maintenance and installation services and payment solutions services.

Hi Sun is a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange, together with its subsidiaries is principally engaged in the provision of payment processing solutions, operating through six segments, namely the payment processing solutions segment, the fintech solutions and services segment, the information security chips and solutions segment, the platform operation solutions segment, the financial solutions segment and the electronic power meters and solutions segment. As at the date of this announcement, Hi Sun is the controlling shareholder holding approximately 33.31% of the issued share capital of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of the substantial shareholders of Hi Sun are Mr. Kui Man Chun (directly and indirectly holding in aggregate approximately 23.25% of the share capital of Hi Sun) and Mr. Che Fung (indirectly holding approximately 12.04% of the share capital of Hi Sun) and they are both independent third parties of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Hi Sun is a controlling Shareholder holding approximately 33.31% of the Company's issued share capital and is therefore a connected person of the Company under Chapter 14A of the Listing Rules, hence the transactions contemplated under the 2022 Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps of the Consideration under the 2022 Framework Agreement on an annual basis exceeds 0.1% but all are less than 5%, the continuing connected transactions, contemplated under the 2019 Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li Wenjin, who concurrently serves as a Director of the Company and also a director of Hi Sun, is deemed to have a material interest in the continuing connected transactions contemplated under the 2022 Framework Agreement and has accordingly abstained from voting on the Board resolution approving the 2022 Framework Agreement and the Proposed Annual Caps in accordance with Rule 13.44 of the Listing Rules.

DEFINITIONS

In this announcement, the following terms have the meanings set forth opposite them:

“2019 Framework Agreement”	the framework agreement entered into between the Company and Hi Sun dated 5 December 2018 in relation to the supply of the E-payment Terminals products by the Group to Hi Sun Group for a term of three years commencing on 1 January 2019 and ending on 31 December 2021;
“2022 Framework Agreement”	the 2022 framework agreement entered into between the Company and Hi Sun dated 23 December 2021 in relation to the supply of the E-payment Terminals products by the Group to Hi Sun Group for a term of three years commencing on 1 January 2022 and ending on 31 December 2024;
“Board”	the board of Directors;
“Company”	PAX Global Technology Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange (stock code: 327);
“Consideration”	the total contract value of the Sale;
“Directors”	the directors of the Company;
“E-payment Terminals”	electronic fund transfer point-of-sale terminals;
“Group”	the Company and its subsidiaries;
“Hi Sun”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange (stock code: 818);
“Hi Sun Group”	Hi Sun and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“HK\$”	Hong Kong dollars, lawful currency of Hong Kong.

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

Hong Kong, 23 December 2021

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