PAX Global Technology Limited
百富環球科技有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00327)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended 30 June		
	2012	2011	
	HK$'000	*HK$'000*	+/(-)
RESULTS			
Revenue	**529,827**	451,441	+17%
Gross profit	**208,786**	154,946	+35%
EBITDA	**105,167**	77,988	+35%
Operating profit	**103,508**	76,426	+35%
Net profit (excluding the share option scheme expenses)	**93,844**	67,239	+40%
Net profit	**83,376**	67,239	+24%
Research and development expenses (included in administrative expenses)	**31,057**	18,467	+68%
PER SHARE DATA			
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (HK$)	**0.080**	0.065	
– Diluted (HK$)	**0.080**	0.065	
FINANCIAL RATIOS			
Gross profit margin	**39.4%**	34.3%	
EBITDA margin	**19.8%**	17.3%	
Operating profit margin	**19.5%**	16.9%	
Net profit margin	**15.7%**	14.9%	
	As at 30 June 2012	As at 31 December 2011	
	HK$'000	*HK$'000*	+/(-)
KEY BALANCE SHEET ITEMS			
Total current assets	**1,915,266**	1,994,994	-4%
Total assets	**1,925,270**	2,006,038	-4%
Net current assets	**1,675,893**	1,590,110	+5%
Total equity	**1,685,897**	1,601,154	+5%

* *For identification purposes only*

The board of directors (the "Board") of PAX Global Technology Limited (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 2012 together with the unaudited comparative figures for the corresponding period in 2011 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**529,827**	451,441
Cost of sales	*6*	**(321,041)**	(296,495)
Gross profit		**208,786**	154,946
Other income	*4*	**17,825**	7,742
Selling expenses	*6*	**(56,794)**	(48,540)
Administrative expenses	*6*	**(66,309)**	(37,722)
Operating profit/profit before income tax		**103,508**	76,426
Income tax expense	*8*	**(20,132)**	(9,187)
Profit for the period attributable to the equity holders of the Company		**83,376**	67,239
Earnings per share for profit attributable to the equity holders of the Company:			
– Basic (HK$)	*10(a)*	**0.080**	0.065
– Diluted (HK$)	*10(b)*	**0.080**	0.065

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period	**83,376**	67,239
Other comprehensive income		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**(9,101)**	11,007
Total comprehensive income for the period attributable to the equity holders of the Company	**74,275**	78,246

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2012 *HK$'000*	Audited 31 December 2011 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**9,774**	10,809
Leasehold land		**230**	235
Total non-current assets		**10,004**	11,044
Current assets			
Inventories		**361,300**	305,666
Trade and bills receivables	*11*	**568,117**	503,715
Deposits and other receivables		**12,603**	17,305
Restricted cash		**15,960**	16,017
Cash and cash equivalents		**957,286**	1,152,291
Total current assets		**1,915,266**	1,994,994
Total assets		**1,925,270**	2,006,038
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**103,773**	103,773
Reserves		**1,582,124**	1,497,381
Total equity		**1,685,897**	1,601,154

	Notes	Unaudited 30 June 2012 *HK$'000*	Audited 31 December 2011 *HK$'000*
LIABILITIES			
Current liabilities			
Trade payables	*12*	**170,036**	249,570
Other payables and accruals		**45,392**	140,414
Taxation payable		**23,945**	14,900
Total current liabilities and liabilities		**239,373**	404,884
Total equity and liabilities		**1,925,270**	2,006,038
Net current assets		**1,675,893**	1,590,110
Total assets less current liabilities		**1,685,897**	1,601,154

Notes:

1 GENERAL INFORMATION

PAX Global Technology Limited (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 is an investment holding company and together with its subsidiaries (collectively referred to as the "Group") are principally engaged in the development and sale of point-of-sale ("POS") products and provision of related services (collectively, the "POS terminal solutions business").

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 20 August 2012.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) There are no new and amended standards to existing HKFRS that are effective for the Group's accounting year commencing 1 January 2012 that could be expected to have a material impact on the Group.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

HKFRS 9 "Financial instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial instruments: Recognition and measurement" and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

HKFRS 10 "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 12 "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 13 "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

HKAS 19 (Amendment) "Employee benefits" eliminates the corridor approach and calculates finance costs on a net funding basis. The Group is yet to assess the amendments to HKAS 19's impact.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 REVENUE AND OTHER INCOME

The Group is principally engaged in the sale of POS products and provision of related services. Revenue and other income recognised during the period are as follows:

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sales of electronic payment products	**520,621**	444,959
Provision of electronic payment services	**9,206**	6,482
	529,827	451,441
Other income		
Interest income	**5,545**	1,660
Value added tax refund *(Note (i))*	**11,840**	5,902
Others	**440**	180
	17,825	7,742
	547,652	459,183

Note (i): The amount represents the Group's entitlement to value added tax refund in relation to sales of self-developed software products in the People's Republic of China (the "PRC").

5 SEGMENT INFORMATION

Management reviews the Group's internal reporting in order to assess performance and allocate resource. Management has determined the operating segments based on the internal reports reviewed by the Board of Directors that are used to make strategic decisions. The Group is principally engaged in the POS terminal solutions business, management considers that the Group operates in one single business segment.

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

Management assesses the performance of the operating segments based on a measure of segment operating profit/(loss).

An analysis of the Group's revenues and results for the period by operating segment is as follows:

	Unaudited Six months ended 30 June 2012				
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong** *HK$'000*	**US** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**337,523**	**179,381**	**12,923**	**–**	**529,827**
Inter-segment revenue	**113,903**	**14,560**	**–**	**(128,463)**	**–**
Total revenue	**451,426**	**193,941**	**12,923**	**(128,463)**	**529,827**
Segmental earnings/(loss) before interest expense, taxes, depreciation and amortisation ("EBITDA")	**58,873**	**52,399**	**(4,586)**	**(1,519)**	**105,167**
Depreciation	**(1,370)**	**(24)**	**(262)**	**–**	**(1,656)**
Amortisation	**(3)**	**–**	**–**	**–**	**(3)**
Segment operating profit/(loss)/profit/(loss) before income tax	**57,500**	**52,375**	**(4,848)**	**(1,519)**	**103,508**
Income tax expense					**(20,132)**
Profit for the period					**83,376**

	Unaudited Six months ended 30 June 2011				
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	Hong Kong *HK$'000*	US *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from external customers	288,243	161,282	1,916	–	451,441
Inter-segment revenue	116,692	249	–	(116,941)	–
Total revenue	404,935	161,531	1,916	(116,941)	451,441
Segmental EBITDA	58,824	26,871	(7,568)	(139)	77,988
Depreciation	(1,281)	(19)	(259)	–	(1,559)
Amortisation	(3)	–	–	–	(3)
Segment operating profit/(loss)/profit/(loss) before income tax	57,540	26,852	(7,827)	(139)	76,426
Income tax expense					(9,187)
Profit for the period					67,239

The segment assets and liabilities at 30 June 2012 and additions to non-current assets for the six months ended 30 June 2012 are as follows:

	Unaudited As at 30 June 2012			
	PRC, other than Hong Kong, Macau and Taiwan	**Hong Kong**	**US**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**1,028,766**	**869,995**	**26,509**	**1,925,270**
Segment liabilities	**213,754**	**24,451**	**1,168**	**239,373**

	Unaudited Six months ended 30 June 2012			
	PRC, other than Hong Kong, Macau and Taiwan	**Hong Kong**	**US**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Additions to non-current assets	**678**	**16**	**26**	**720**

The segment assets and liabilities at 31 December 2011 and additions to non-current assets for the six months ended 30 June 2011 are as follows:

	Audited As at 31 December 2011			
	PRC, other than Hong Kong, Macau and Taiwan	Hong Kong	US	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	1,124,047	873,729	8,262	2,006,038
Segment liabilities	375,197	29,276	411	404,884

	Unaudited Six months ended 30 June 2011			
	PRC, other than Hong Kong, Macau and Taiwan	Hong Kong	US	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets	993	14	–	1,007

Segmental EBITDA represents operating profit/(loss) before finance costs, income tax expense, depreciation of property, plant and equipment and amortisation of leasehold land. Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, trade and bills receivables, deposits and other receivables, restricted cash and cash at bank and on hand. Segment liabilities consist primarily of trade payables, other payables and accruals and taxation payable.

Additions to non-current assets comprise additions to property, plant and equipment.

Information provided to the Board of Directors is measured in a manner consistent with that in the consolidated financial statements.

The Group is mainly domiciled in Hong Kong, the PRC and the US.

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses and administrative expenses are analysed as follows:

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration	**594**	818
Depreciation of property, plant and equipment	**1,656**	1,559
Amortisation of leasehold land	**3**	3
Employee benefits expense (including Directors' emoluments *(note7)*)	**52,676**	35,091
Costs of inventories sold	**314,504**	283,433
Operating lease rentals in respect of buildings	**5,160**	3,416
Research and development costs	**31,057**	18,467
Loss on disposal of property, plant and equipment	**8**	–
Donation	**1,236**	–

7 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Wages and salaries	**37,427**	31,393
Social security and pension costs	**4,781**	3,698
Share options granted to directors and employees	**10,468**	–
	52,676	35,091

8 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Current income tax		
– PRC corporate income tax	**14,867**	6,978
– Hong Kong profits tax	**8,943**	4,810
Over provision in prior year	**(3,678)**	(2,601)
Income tax expense	**20,132**	9,187

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profit for the six months ended 30 June 2012.

Taxation on overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2012 at the rates of taxation prevailing in the countries in which the Group operates.

9 DIVIDEND

No dividend on ordinary shares has been paid or declared by the Company for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the six months ended 30 June 2012 attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2012.

	Unaudited Six months ended 30 June	
	2012	2011
Profit attributable to the equity holders of the Company (HK$'000)	**83,376**	67,239
Weighted average number of ordinary shares in issue (thousand shares)	**1,037,728**	1,035,227
Basic earnings per share (HK$ per share)	**0.080**	0.065

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Over-allotment Option for year 2011 and share options for year 2012. For the Over-allotment Option, 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 from 1 January 2011 to the date exercised Over-allotment Option) based on the monetary value of the subscription right attached to outstanding Over-allotment Option. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Over-allotment Option. The remaining Over-allotment Option not exercised was expired on 13 January 2011. 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.

Diluted earnings per share for the six months ended 30 June 2012 and 30 June 2011 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding Over-allotment Option and share options would have anti-dilutive effect to the basic earnings per share.

11 TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2012 *HK$'000*	Audited 31 December 2011 *HK$'000*
Trade receivables *(Note (a))*	**454,203**	430,313
Less: provision for impairment of receivables	**(1,933)**	(1,953)
Trade receivables, net	**452,270**	428,360
Bills receivables *(Note (b))*	**115,847**	75,355
Trade and bills receivables	**568,117**	503,715

(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. At 30 June 2012 and 31 December 2011, the ageing analysis of the trade receivables is as follows:

	Unaudited 30 June 2012 *HK$'000*	Audited 31 December 2011 *HK$'000*
Up to 90 days	**283,782**	290,318
91 days to 180 days	**36,352**	84,058
181 days to 365 days	**105,161**	21,593
Over 365 days	**28,908**	34,344
	454,203	430,313

As at 30 June 2012, trade receivables included retention money receivables of HK$43,663,000 (31 December 2011: HK$46,726,000) with a retention period of three to five years representing approximately 2% to 5% of the relevant contract sum granted to certain number of customers in the PRC.

(b) Bills receivables

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

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

	Unaudited 30 June 2012 *HK$'000*	Audited 31 December 2011 *HK$'000*
Up to 90 days	**51,026**	21,937
91 days to 180 days	**64,821**	53,418
	115,847	75,355

12 TRADE PAYABLES

At 30 June 2012 and 31 December 2011, the ageing analysis of the trade payables is as follows:

	Unaudited 30 June 2012 *HK$'000*	Audited 31 December 2011 *HK$'000*
Up to 90 days	**144,298**	228,969
91 days to 180 days	**19,964**	18,904
181 days to 365 days	**5,774**	1,369
Over 365 days	**–**	328
	170,036	249,570

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Revenue

Turnover increased by 17% or HK$78.4 million to HK$529.8 million for the six months ended 30 June 2012 from HK$451.4 million for the six months ended 30 June 2011. Turnover from the People's Republic of China ("PRC") other than Hong Kong, Macau and Taiwan ("China market") grew by 9% period on period or HK$24.8 million to HK$313.1 million. Similarly, turnover from overseas market grew by HK$53.6 million to HK$216.8 million, representing a growth of 33%.

Sales by Product Category

	For the six months ended 30 June		
	2012	2011	
	HK$'000	*HK$'000*	+/(-)
POS terminals	**470,032**	388,863	+21%
Consumer activated devices	**46,211**	49,378	-6%
Contactless devices	**2,825**	4,143	-32%
Services	**9,206**	6,482	+42%
Others*	**1,553**	2,575	-40%
	529,827	451,441	+17%

* The amount mainly represented accessory items sold to customers. Examples of such accessory items were download cable, telephone line, thermal paper, sticker and barcode scanning gun etc.

POS Terminals

Turnover from the sales of POS terminals increased by 21% to HK$470.0 million for the six months ended 30 June 2012 from HK$388.9 million for the six months ended 30 June 2011. Turnover growth has been driven by the increase in sales in both China market and overseas market during the period. Regional business units of emerging markets in Europe, Middle East and Africa ("EMEA"), contributed significantly to sale growth in overseas market.

Meanwhile, bankcard payment has been gaining increasingly popularity in China market. Financial institutions and third party payment service providers have been aggressively building their POS networks in order to capture the benefits from the rising usage of electronic payment and high levels of retail consumption in China market. Furthermore, recent state policies have also encouraged the building of electronic transaction networks, which further fuels the fast growth of POS terminals demand.

Consumer Activated Devices

Turnover from the sales of consumer activated devices decreased slightly by 6% to HK$46.2 million for the six months ended 30 June 2012 from HK$49.4 million for the six months ended 30 June 2011.

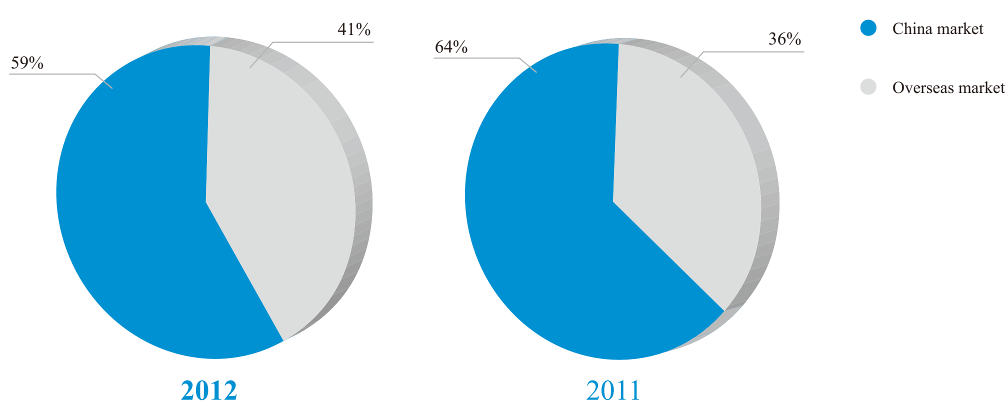
Contactless Readers

Turnover from the sales of contactless readers decreased by 32% to HK$2.8 million for the six months ended 30 June 2012, from HK$4.1 million for the six months ended 30 June 2011. The fall in demand was mainly due to certain models of POS terminal and consumer activated device equipped with the built-in contactless card reader as well as other extra functions. We expect that this type of peripheral products' demand would continuously decrease as more and more POS terminals and consumer activated devices embedded built-in contactless function.

Services

Turnover from provision of services increased by 42% to HK$9.2 million for the six months ended 30 June 2012 as compared to HK$6.5 million for the six months ended 30 June 2011. Maintenance services made up the bulk of service income and were mainly generated in Hong Kong. Product modification service contributed to the rest service income. Both maintenance service and product modification service income increased due to the increase of installed POS terminal base and product customization service demand respectively.

Sales by Geographical Region



	For the six months ended 30 June		
	2012	2011	
	HK$'000	*HK$'000*	+/(-)
China market	**313,056**	288,243	+9%
Overseas market	**216,771**	163,198	+33%
	529,827	451,441	+17%

Turnover generated from the China market increased by 9% to HK$313.1 million for the six months ended 30 June 2012, from HK$288.2 million for the six months ended 30 June 2011. China market turnover contributed to 59% of total turnover compared with 64% for the six months ended 30 June 2011. The growth was attributable to financial institutions, third party payment services providers and vertical application sectors. Among the sectors, the increase of shipment volume to third party payment service providers achieved the most prominent growth.

Turnover generated from the overseas market increased by 33% to HK$216.8 million for the six months ended 30 June 2012 from HK$163.2 million for the six months ended 30 June 2011. Overseas market turnover contributed to 41% of total turnover compared with 36% for the six months ended 30 June 2011. The growth was mainly attributable to increased segmental sales in EMEA and the United States and Canada ("USCA") regions. The Group has continuously expanded its international market presence in countries including Canada, Dominica and Brazil in the Americas, Uzbekistan, Kazakhstan and Tajikistan in Middle Asia, Latvia, Finland and France in Europe, Kuwait and Turkey in the Middle East, Nigeria in Africa as well as Japan and New Zealand in Asia Pacific. As at 30 June 2012, we had over 30 overseas distributors and partners worldwide.

Gross Profit Margin

Gross profit margin for the six months ended 30 June 2012 was 39.4%, increased 5.1 points as compared with 34.3% for the six months ended 30 June 2011. The increase of overall gross profit margin was mainly contributed by overseas market sales gross profit margin increase and successful penetration to several new markets.

Other Income

Other income comprised primarily of value added tax refund and interest income. It increased by 130% to HK$17.8 million for the six months ended 30 June 2012 from HK$7.7 million for the six months ended 30 June 2011.

Selling Expenses

Selling expenses increased by 17% to HK$56.8 million for the six months ended 30 June 2012, from HK$48.5 million for the six months ended 30 June 2011. The growth in expenses was in line with turnover growth.

Administrative Expenses

Administrative expenses increased by 76% to HK$66.3 million for the six months ended 30 June 2012 from HK$37.7 million for the six months ended 30 June 2011. The increase was mainly due to the aggressive expansion of research and development team, share option scheme expenses and increase of corporate office expenses.

Net Profit and Net Profit Margin

As a result of the foregoing, the net profit for the period attributable to the equity holders of the Company increased by 24% to HK$83.4 million for the six months ended 30 June 2012 from HK$67.2 million for the six months ended 30 June 2011.

The net profit margin slightly increased to 15.7% for the six months ended 30 June 2012 from 14.9% for the six months ended 30 June 2011 mainly as a result of our improvement of gross profit margin but which was partly offset by increase in percentage of administrative expense to total revenue and the increase in effective tax rate.

OUTLOOK

To date, PAX Global Technology Limited ("PAX Global" or the "Group") has sold more than 2 million POS terminals in over 60 countries and regions and worked with over 30 distributors and partners worldwide since the establishment of the Group. In the report issued by The Nilson Report in September 2011, PAX Global was ranked number 7 globally in terms of volume of POS terminals shipped in 2010.

CHINA MARKET

As the world's second largest economy, China has experienced rapid economic growth in recent years; however, the overall POS terminals penetration ratio is still far below that of other developed mature markets such as the United States. With the continuous improvement of the bank card acceptance environment, more consumers have developed the habit of using bank cards for payment. Other factors, including the increasingly popular vertical applications such as merchant membership cards and prepaid cards, and Chinese government's support of the development of national e-payment facilities, have promoted the development of the whole industry and brought POS terminal solution providers enormous business opportunities.

As of 30 June 2012, The People's Bank of China has issued more than 150 third-party payment licenses, some of those licensed third-party payment operators have commenced installing POS terminals in merchants. Some Industry players have estimated that demand growth in this new market segment will be much higher than other market segments. Lastly, third-party payment operators are expected to grow rapidly, which will improve customer concentration ratio and bring more growth to the industry.

POS terminal buyers such as financial institutions are expected to continue installing terminals in merchants aggressively in order to develop their card acquiring businesses and take profit from one of the fastest growing payment markets in the world. Regionally, as the penetration rate of POS terminals in second and third tier cities and rural area is far below the first-tier cities, the People's Bank of China has repeatedly issued guidelines to encourage financial institutions to promote non-cash payments in rural areas to bring POS terminals payment systems to the vast markets in central and western regions. In these areas, financial institutions that have comprehensive branch networks are anticipated to intensify their purchase and deployment of POS terminals.

As the majority of these financial institutions are PAX Global's existing customers, we are expected to benefit from the rapid growth of this market segment.

For each individual market segment, the Group will continue to develop customized products, technical support and services. At the same time, we will strengthen our customer relationship management and enhance our sales network in order to consolidate our existing market-leading position.

Overall, as a market leader in China, the Group will continue to benefit from the rapid growth of its home base market.

OVERSEAS MARKET

The huge overseas market (including Hong Kong, Macau and Taiwan) as a whole especially in emerging markets such as Africa, the Middle East and Latin America has not been significantly impacted by current economic downturn. Many emerging markets' electronic payment systems are promoted or coordinated by government authorities. Hence, the scale is much larger than projects solely participated by non-government organizations, and presented a lot of opportunities to PAX Global.

Near Field Communication ("NFC") technology's wide applications in payment sector and Europay, MasterCard and Visa ("EMV") migration are catalysts driving strong demand in several mature markets. PAX Global's mainstream products are compatible with NFC. After 11 years of continuous experience penetration overseas market, PAX Global has accumulated rich and valuable overseas sales experience and has established sizable sales channels. We have established business units and international sales teams for EMEA, Latin America and Commonwealth of Independent States ("LACIS"), Asia-Pacific ("APAC") and USCA geographic region. Essentially, we developed "GLOBAL PRESENCE" that covers all of the world's major markets.

Facts have proved that our global strategy is correct. In the first half of 2012, we achieved a significant breakthrough in Nigeria and inspiring results in the USCA.

PAX Global's branding, product technology and quality, and good reputation, were once again affirmed by the international markets.

PAX Global is one of the few Chinese POS terminal solutions providers holding PCI, EMV Level 1 and Level 2 certifications. In addition, PAX Global obtained TQM, PayPass and payWave card certifications. These qualifications will enable us to capture huge overseas markets opportunities.

In the second half of 2012, the Group will continue to penetrate other BRICs countries (Russia, South Africa, India and Brazil), other emerging markets, and important mature markets overseas, widely sowing seeds for the sales in the coming years. The USCA is one of PAX Global's strategic markets. We will continue to expand our excellent local team to achieve greater market share. Management believes that overseas market will maintain rapid growth in the foreseeable future.

OVERALL MANAGEMENT STRATEGIES

Looking forward, PAX Global will continue to focus on consolidating and enhancing our strong position in China through (i) continuous development of innovative products to meet customers' demands and capture new market segments; (ii) enhancement of our R&D capability; (iii) expansion and optimization of our sales and after-sales service networks and enlargement of the scope of business and our market share in major international markets; (iv) seeking potential merger and acquisition or partnership opportunities that can enhance our technological know-how or market share.

By leveraging on our strong position in POS terminal solutions market in China and consolidated international market experience, we believe that we will be able to capture the rapid development of China and emerging markets as well as other important international markets. We believe that we are on the right track to become one of the leading global POS terminal solutions providers.

Liquidity and financial resources

As at 30 June 2012, the Group had cash and short-term bank deposit of HK$957.3 million (31 December 2011: HK$1,152.3 million). As at 30 June 2012, the Group reported net current assets of HK$1,675.9 million, as compared with HK$1,590.1 million as at 31 December 2011. For the six months ended 30 June 2012, net cash used in operating activities was HK$197.2 million, as compared with HK$113.6 million for the six months ended 30 June 2011.

Capital structure and details of charges

As at 30 June 2012, the Group did not have any borrowings (31 December 2011: Nil).

Approximately HK$115.9 million, HK$717.2 million, HK$123.4 million and HK$0.8 million (31 December 2011: HK$315.3 million, HK$709.5 million, HK$125.9 million and HK$1.6 million) of the Group's cash balances were denominated in Renminbi ("RMB"), Hong Kong dollar ("HK$"), US dollar ("US$") and Euro respectively as at 30 June 2012.

Significant investment

Save as disclosed in this announcement, the Group had no significant investment held as at 30 June 2012.

Material acquisition and disposal of subsidiaries

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2012.

Use of Proceeds

The net proceeds raised from the Global Offering received by the Company was approximately HK$805.9 million. The net proceeds from the Global Offering was intended to be utilised over the three years from 2011 to 2013.

As at 30 June 2012, the planned and utilised amount of usage of total net proceeds are as follows:

	Net IPO Proceeds	
	Planned amount	**Utilised amount**
	HK$ million	*HK$ million*
Enhancing research and development effort	322.4	54.8
Expanding distribution network	120.8	46.3
Potential merger and acquisition	282.1	–
General working capital	80.6	80.6
	805.9	181.7

The remaining net proceeds have been placed on deposits with banks in Hong Kong.

Exchange rates exposure

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in RMB, HK$ and US$. The majority of assets and liabilities are denominated in RMB, HK$ and US$, and there are no significant assets and liabilities denominated in other currencies. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of HK$ 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 same functional currency. The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. 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 30 June 2012.

Human Resources and Remuneration Policies

The total number of employees of the Group as at 30 June 2012 was 514. The following table shows a breakdown of employees of the Group by function as at 30 June 2012:

Management	12
Sales and after-sales services and marketing	163
Research and development	279
Quality assurance	12
Administration and human resources	15
Accounting	11
Production, procurement and inventory control	22
	514

The Group ensures that its remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. 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, such as EBITDA, 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.

Share option scheme of the Company

The Company operates a share option scheme (the "Scheme") for the issuance of in aggregate no more than 10% in nominal amount of the aggregate of shares in issue on 20 December 2010, the listing date of the Company on the Main Board of the Stock Exchange, representing 100,000,000 shares (subject to the terms of the Scheme and the relevant provisions under the Listing Rules) under the Scheme adopted by a resolution of the Board on 1 December 2010.

The purpose of the Scheme is to reward participants who have contributed or will contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

The Scheme became effective on 1 December 2010 and unless otherwise cancelled or amended, will remain valid and effective for the period of 10 years from that date.

On 22 June 2012, 80,400,000 share options were granted to certain directors and employees at an exercise price of HK$1.23 per share. The share options will be vested to the grantees as to 30% of the share options be vested on the date of grant, a further 30% of the share options be vested on the first anniversary of the date of grant and the remaining 40% of the share options be vested on the second anniversary of the date of grant. These options will be expired on 21 June 2017.

During the period ended 30 June 2012, no share options were exercised.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2012.

The Company has also established written guidelines on terms no less exacting than the required standard under Appendix 10 to the Listing Rules for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles (the "Principles") and code provisions (the "Code Provisions") as set out in the Code on Corporate Governance Practices (effective till 31 March 2012) and Revised Corporate Governance Code (effective from 1 April 2012) (collectively, the "CG Code") contained in Appendix 14 of the Listing Rules.

The Company has applied the Principles in formulating its corporate governance practices and complied with all of the Code Provisions for the six months ended 30 June 2012.

The Company periodically reviews its organisational structure to ensure that operations are conducted in accordance with the standards of the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Yip Wai Ming, Dr. Wu Min and Mr. Man Kwok Kuen, Charles. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 with the Directors.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors of the Company have an interest in any business constituting a competing business to the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules throughout the six months ended 30 June 2012.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2012 interim results announcement is published on the Company's website at www.paxglobal.com.hk and the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The 2012 interim report will be available on the websites of The Stock Exchange of Hong Kong Limited and the Company and will be despatched to all shareholders in due course.

The 2012 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2012. Instead, it has been derived from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2012, which will be included in the Company's 2012 interim report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 20 August 2012

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