PAX Global Technology Limited
百富環球科技有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 327)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2015	2014	
	HK$'000	*HK$'000*	+/(-)
RESULTS			
Revenue	**1,107,638**	1,005,663	+10%
Gross profit	**459,267**	379,661	+21%
EBITDA	**299,680**	216,269	+39%
Operating profit	**297,625**	214,389	+39%
Net profit (excluding the share option scheme expenses)	**319,032**	215,500	+48%
Net profit	**309,039**	198,218	+56%
Research and development expenses (included in administrative expenses)	**53,845**	46,098	+17%
PER SHARE DATA			
Earnings per share for profit attributable to the equity holders of the Company			+/(-)
— Basic (HK$)	**0.279**	0.187	+49%
— Diluted (HK$)	**0.275**	0.180	+53%
Interim Dividend (HK$)	**0.020**	–	

	As at 30 June 2015	As at 31 December 2014	
	HK$'000	*HK$'000*	+/(-)
KEY BALANCE SHEET ITEMS			
Total current assets	**3,583,716**	3,322,664	+8%
Total assets	**3,613,238**	3,334,313	+8%
Net current assets	**2,849,470**	2,536,531	+12%
Total equity	**2,878,992**	2,548,180	+13%

* *For identification purpose only*

The board of directors (the "Directors") (the "Board") of PAX Global Technology Limited ("PAX" or the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015 together with the unaudited comparative figures for the corresponding period in 2014 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**1,107,638**	1,005,663
Cost of sales	*6*	**(648,371)**	(626,002)
Gross profit		**459,267**	379,661
Other income	*4*	**44,882**	30,735
Selling expenses	*6*	**(92,300)**	(82,605)
Administrative expenses	*6*	**(114,224)**	(113,402)
Operating profit/profit before income tax		**297,625**	214,389
Income tax credit/(expense)	*8*	**11,414**	(16,171)
Profit for the period attributable to the equity holders of the Company		**309,039**	198,218
		HK$ per share	*HK$ per share*
Earnings per share for profit attributable to the equity holders of the Company:			
— Basic	*9(a)*	**0.279**	0.187
— Diluted	*9(b)*	**0.275**	0.180

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period	**309,039**	198,218
Other comprehensive income, net of tax		
Item that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**(3,728)**	(36,970)
Total comprehensive income for the period attributable to the equity holders of the Company, net of tax	**305,311**	161,248

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited 30 June 2015** *HK$'000*	Audited 31 December 2014 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**10,476**	11,428
Leasehold land		**218**	221
Other non-current assets		**15,900**	–
Deferred tax assets		**2,928**	–
Total non-current assets		**29,522**	11,649
Current assets			
Inventories		**734,875**	475,461
Trade and bills receivables	*11*	**1,111,952**	898,278
Deposits and other receivables		**37,259**	14,084
Restricted cash		**12,819**	16,112
Short-term bank deposit		**50,000**	–
Cash and cash equivalents		**1,636,811**	1,918,729
Total current assets		**3,583,716**	3,322,664
Total assets		**3,613,238**	3,334,313
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**111,147**	110,081
Reserves		**2,767,845**	2,438,099
Total equity		**2,878,992**	2,548,180
LIABILITIES			
Current liabilities			
Trade payables	*12*	**581,084**	423,754
Other payables and accruals		**110,652**	284,864
Taxation payable		**42,510**	77,515
Total current liabilities and total liabilities		**734,246**	786,133
Total equity and liabilities		**3,613,238**	3,334,313
Net current assets		**2,849,470**	2,536,531
Total assets less current liabilities		**2,878,992**	2,548,180

Notes:

1 GENERAL INFORMATION

The Company is an investment holding company and the Group are principally engaged in the development and sale of electronic funds transfer point-of-sale terminal ("E-payment Terminal") products and provision of related services (collectively, the "E-payment Terminal solutions business").

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2010.

This 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 of the Company on 6 August 2015.

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 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

4 REVENUE AND OTHER INCOME

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

	Unaudited Six months ended 30 June **2015** ***HK$'000***	 2014 *HK$'000*
Turnover		
Sales of electronic payment products	**1,093,675**	992,878
Provision of electronic payment services	**13,963**	12,785
	1,107,638	1,005,663
Other income		
Interest income	**10,950**	11,566
Value added tax refund *(Note (i))*	**26,738**	18,168
Subsidy income	**6,548**	140
Others	**646**	861
	44,882	30,735
	1,152,520	1,036,398

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

The management reviews the Group's internal reporting in order to assess performance and allocate resource. 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 Terminal 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) and the United States of America (the "US"). 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).

5 SEGMENT INFORMATION *(continued)*

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

	Unaudited Six months ended 30 June 2015				
	PRC, excluding Hong Kong, Macau and Taiwan	**Hong Kong**	**US**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Turnover from external customers	**728,125**	**341,012**	**38,501**	**–**	**1,107,638**
Inter-segment turnover	**264,224**	**28,347**	**–**	**(292,571)**	**–**
Total turnover	**992,349**	**369,359**	**38,501**	**(292,571)**	**1,107,638**
Segmental earnings/(loss) before interest expense, taxes, depreciation and amortisation ("EBITDA")	**207,831**	**103,692**	**(5,145)**	**(6,698)**	**299,680**
Depreciation	**(1,717)**	**(130)**	**(205)**	**–**	**(2,052)**
Amortisation	**(3)**	**–**	**–**	**–**	**(3)**
Segmental operating profit/(loss)/ profit/(loss) before income tax	**206,111**	**103,562**	**(5,350)**	**(6,698)**	**297,625**
Income tax credit					**11,414**
Profit for the period					**309,039**

	Unaudited Six months ended 30 June 2014				
	PRC, excluding Hong Kong, Macau and Taiwan	Hong Kong	US	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover from external customers	815,843	168,213	21,607	–	1,005,663
Inter-segment turnover	156,270	16,875	–	(173,145)	–
Total turnover	972,113	185,088	21,607	(173,145)	1,005,663
Segmental EBITDA	177,016	44,190	(2,111)	(2,826)	216,269
Depreciation	(1,575)	(49)	(253)	–	(1,877)
Amortisation	(3)	–	–	–	(3)
Segmental operating profit/(loss)/ profit/(loss) before income tax	175,438	44,141	(2,364)	(2,826)	214,389
Income tax expense					(16,171)
Profit for the period					198,218

5 SEGMENT INFORMATION *(continued)*

The segment assets and liabilities as at 30 June 2015 and additions to non-current assets for the six months ended 30 June 2015 are as follows:

	Unaudited As at 30 June 2015				
	PRC, excluding Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong** *HK$'000*	**US** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Segment assets	**2,447,704**	**1,294,019**	**58,818**	**(187,303)**	**3,613,238**
Segment liabilities	**683,800**	**135,228**	**84,342**	**(169,124)**	**734,246**

	Unaudited Six months ended 30 June 2015				
	PRC, excluding Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong** *HK$'000*	**US** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets	**1,977**	**17,888**	**60**	**–**	**19,925**

5 SEGMENT INFORMATION *(continued)*

The segment assets and liabilities as at 31 December 2014 and additions to non-current assets for the six months ended 30 June 2014 are as follows:

	Audited As at 31 December 2014				
	PRC, excluding Hong Kong, Macau and Taiwan *HK$'000*	Hong Kong *HK$'000*	US *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment assets	2,415,257	1,142,449	38,297	(261,690)	3,334,313
Segment liabilities	884,063	99,881	59,781	(257,592)	786,133

	Unaudited Six months ended 30 June 2014				
	PRC, excluding Hong Kong, Macau and Taiwan *HK$'000*	Hong Kong *HK$'000*	US *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Additions to non-current assets	599	10	–	–	609

5 SEGMENT INFORMATION *(continued)*

Segmental EBITDA represents segmental operating profit/(loss) before 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, other non-current assets, deferred tax assets, inventories, trade and bills receivables, deposits and other receivables, short-term bank deposit, restricted cash and cash and cash equivalent. Segment liabilities consist primarily of trade payables, other payables and accruals and taxation payable.

Additions to non-current assets mainly comprise prepayment for acquisition of a subsidiary, deferred tax assets and additions to property, plant and equipment.

As at 30 June 2015, revenue of approximately HK$131,489,000 is derived from the largest customer, representing 11.9% of the total revenue, which is attributable to the PRC operating segment; HK$116,346,000 is derived from the second largest customer, representing 10.5% of the total revenue, which is attributable to Hong Kong operating segment. As at 30 June 2014, revenue of approximately HK$218,088,000 is derived from the largest customer, representing 21.7% of the total revenue, which is attributable to the PRC operating segment; HK$90,281,000 is derived from the second largest customer, representing 9.0% of the total revenue, which is attributable to PRC operating segment.

Information provided to the Executive Directors is measured in a manner consistent with that of the condensed consolidated interim financial information.

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	
	2015	2014
	HK$'000	*HK$'000*
Auditor's remuneration	**1,037**	775
Depreciation of property, plant and equipment	**2,052**	1,877
Amortisation of leasehold land	**3**	3
Employee benefits expense (including Directors' emoluments) *(Note 7)*	**102,547**	92,571
Costs of inventories sold	**632,531**	614,088
Operating lease rentals in respect of buildings	**7,844**	7,524
Research and development costs	**53,845**	46,098
Provision for obsolete inventories	**15,329**	6,215
Donation	**249**	1,255

7 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Wages and salaries	**81,363**	66,656
Share options granted to Directors and employees	**8,976**	16,169
Social security and pension costs	**12,208**	9,746
	102,547	92,571

8 INCOME TAX (CREDIT)/EXPENSE

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax	**13,007**	16,740
— Hong Kong profits tax	**18,188**	8,918
Over provision in prior years *(Note a)*	**(39,686)**	(9,487)
Total current income tax	**(8,491)**	16,171
Deferred income tax	**(2,923)**	–
Income tax (credit)/expense	**(11,414)**	16,171

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profit for the six months ended 30 June 2015.

Taxes on overseas profits have been calculated at the rates of taxation prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Pax Computer Technology (Shenzhen) Co., Ltd. ("Pax Computer Shenzhen"), a subsidiary of the Company, is located in the Shenzhen Special Economic Zone. Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the "CIT Law"), Pax Computer Shenzhen is subject to income tax of 25% in 2015 unless preferential rate is applicable. Pax Computer Shenzhen is qualified as a High and New Technology Enterprise under the CIT Law and is eligible to enjoy a preferential tax rate of 15% for 3 years from 2015 to 2017.

Pax Technology, Inc., a subsidiary of the Company in the US, was operating at a net loss position and did not have any assessable profit for the period ended 30 June 2015 (six months ended 30 June 2014: same).

Note a:

Wonder Pax Technology (Shenzhen) Co. Ltd. ("Wonder Pax"), a subsidiary of the Group, obtained the approval from the relevant applicable tax authorities in April 2015 for a preferential tax treatment and is fully exempted from PRC corporate tax for two years, beginning in 2014, followed by a 50% tax exemption for the ensuing three years. The over provision of income tax accrued by Wonder Pax in financial year 2014, which was calculated at the tax rate of 25%, of approximately HK$32,976,000 was credited to the profit and loss in the current period.

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the six months ended 30 June 2015 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 2015.

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company (HK$'000)	**309,039**	198,218
Weighted average number of ordinary shares in issue (thousand shares)	**1,106,117**	1,060,193
Basic earnings per share (HK$ per share)	**0.279**	0.187

(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.

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company (HK$'000)	**309,039**	198,218
Weighted average number of ordinary shares in issue (thousand shares)	**1,106,117**	1,060,193
Adjustments for share options (thousand shares)	**18,453**	39,791
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**1,124,570**	1,099,984
Diluted earnings per share (HK$ per share)	**0.275**	0.180

10 DIVIDEND

The board of directors of the Company has resolved to declare an interim dividend of HK$0.02 per ordinary share for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil), totaling to HK$22,229,000 (six months ended 30 June 2014: Nil) payable on 11 September 2015 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 26 August 2015. The amount of interim dividend declared was calculated based on the number of ordinary shares in issue at the date of approval of the condensed consolidated interim financial information.

11 TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Trade receivables *(Note (a))*	**912,960**	662,703
Amounts due from a related party *(Note (a))*	**456**	–
Less: provision for impairment of receivables	**(660)**	(660)
Trade receivables, net	**912,756**	662,043
Bills receivables *(Note (b))*	**199,196**	236,235
Trade and bills receivables	**1,111,952**	898,278

Notes:

(a) Trade receivables

The Group's credit terms to trade debtors range generally from 0 to 180 days. However, credit terms of more than 180 days may be granted to customers on a case-by-case basis upon negotiation. As at 30 June 2015 and 31 December 2014, the ageing analysis of the trade receivables is as follows:

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Up to 90 days	**533,530**	425,205
91 days to 180 days	**129,416**	121,188
181 days to 365 days	**183,670**	54,135
Over 365 days	**66,800**	62,175
	913,416	662,703

As at 30 June 2015, trade receivables included retention money receivables of HK$65,397,000 (31 December 2014:HK$55,877,000) which represents approximately 2% to 5% (31 December 2014: approximately 2% to 5%) of the relevant contract sum granted to certain number of customers in the PRC that has a retention period of three to five years. As at 30 June 2015, retention money receivables aged over 365 days amounted to HK$49,302,000 (31 December 2014: HK43,565,000).

11 TRADE AND BILLS RECEIVABLES *(continued)*

(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 2015 ***HK$'000***	Audited 31 December 2014 *HK$'000*
Up to 90 days	**72,123**	97,600
91 days to 180 days	**127,073**	138,635
	199,196	236,235

12 TRADE PAYABLES

As at 30 June 2015 and 31 December 2014, the ageing analysis of the trade payables is as follows:

	Unaudited 30 June 2015 ***HK$'000***	Audited 31 December 2014 *HK$'000*
Up to 90 days	**558,288**	394,896
91 days to 180 days	**19,927**	25,952
181 days to 365 days	**95**	380
Over 365 days	**2,774**	2,526
	581,084	423,754

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

13 SUBSEQUENT EVENTS

On 13 July 2015, Pax Technology Limited, a wholly owned subsidiary of the Company, completed its subscription of a 70% of the enlarged corporate capital of Pax Italia S.r.l. for a cash consideration of Euro Dollar 4,670,000 (equivalent to approximately HK$39,776,000) and Pax Italia S.r.l. became a subsidiary of the Group. Management is still in the process of completing the purchase price allocation of this subscription.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.02 per ordinary share for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil) payable on 11 September 2015 (Friday) to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") at the close of business on 26 August 2015 (Wednesday).

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to interim dividend, the Register of Members will be closed from 24 August 2015 (Monday) to 26 August 2015 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 August 2015 (Friday).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Revenue

Turnover increased by 10.1% or HK$101.9 million to HK$1,107.6 million for the six months ended 30 June 2015 from HK$1,005.7 million for the six months ended 30 June 2014. The period sales volume of electronic funds transfer point-of-sale terminal ("E-payment Terminal") was close to 1.5 million units. Turnover from overseas markets increased by HK$102.7 million to HK$555.4 million, representing strong growth of 22.7%. Turnover from the People's Republic of China (the "PRC") excluding Hong Kong, Macau and Taiwan ("China Market") slightly decreased by 0.1% period on period or HK$0.7 million to HK$552.2 million.

Sales by Product Category

	For the six months ended 30 June		
	2015	2014	+/(-)
	HK$'000	*HK$'000*	
E-payment Terminals	**1,050,410**	941,505	+11.6%
Consumer activated devices	**33,768**	34,842	-3.1%
Contactless readers	**1,444**	8,954	-83.9%
Services	**13,963**	12,785	+9.2%
Others*	**8,053**	7,577	+6.3%
	1,107,638	1,005,663	+10.1%

* The relevant 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.

E-payment Terminals

Turnover from the sales of E-payment Terminals increased by 11.6% to HK$1,050.4 million for the six months ended 30 June 2015 from HK$941.5 million for the six months ended 30 June 2014. Turnover growth has been mainly driven by the increase in sales in overseas markets during the period.

After years of hard work, sales in international markets are finally bearing fruit. Meanwhile, mobile payment has been gaining increasing popularity in China Market and the major emerging markets. Financial institutions and third party payment service providers (the "Operators") have been aggressively building the E-payment Terminal networks for micro merchants in order to capture the benefits from the rising usage of electronic payment and high levels of retail consumption. Furthermore, recent state policies have also encouraged the building of electronic transaction networks, which further fuel the fast growth of E-payment Terminal demand.

Consumer Activated Devices

Turnover from the sales of consumer activated devices decreased by 3.1% to HK$33.8 million for the six months ended 30 June 2015 from HK$34.8 million for the six months ended 30 June 2014.

Contactless Readers

Turnover from the sales of contactless readers decreased by 83.9% to HK$1.4 million for the six months ended 30 June 2015 from HK$9.0 million for the six months ended 30 June 2014.

Services

Turnover from the provision of services increased by 9.2% to HK$14.0 million for the six months ended 30 June 2015 as compared to HK$12.8 million for the six months ended 30 June 2014. Maintenance services made up the bulk of service income and were still mainly generated from Hong Kong.

Sales by Geographical Region

	For the six months ended 30 June		
	2015	2014	+/(-)
	HK$'000	*HK$'000*	
Overseas markets	**555,470**	452,804	+22.7%
China Market	**552,168**	552,859	-0.1%
	1,107,638	1,005,663	+10.1%

* Overseas markets and China Market turnover classification is according to locality of customers.

Turnover generated from the overseas markets increased by 22.7% to HK$555.4 million for the six months ended 30 June 2015 from HK$452.8 million for the six months ended 30 June 2014. Most overseas business units recorded notable growth especially in Latin America and the Commonwealth Independent States ("LACIS") and the United States of America and Canada Region ("USCA") business units. North Africa, Middle East and South America have become new focal points for business growth of PAX. Overseas markets turnover contributed to 50.1% of total turnover compared with 45.0% for the six months ended 30 June 2014. As at 30 June 2015, we had in aggregate close to 90 overseas distributors and partners worldwide.

E-payment Terminals with built-in near field communications ("NFC") and wireless communication functions have gradually become the mainstream products.

Turnover generated from the China Market slightly dropped by 0.1% to HK$552.2 million for the six months ended 30 June 2015, from HK$552.9 million for the six months ended 30 June 2014. The growth in the China Market turned flattish in the first half of 2015, and is expected to pick up in the second half. China Market turnover contributed to 49.9% of total turnover compared with 55.0% for the six months ended 30 June 2014. Shipment to the Operators accounted for major revenue contribution.

Gross Profit Margin

Gross profit margin for the six months ended 30 June 2015 was 41.5%, a significant rise in 3.7 points compared to 37.8% for the six months period ended 30 June 2014. This was mainly due to an increase of contribution from overseas sales and successful cost reduction.

Other Income

Other income comprised primarily of value added tax refund and interest income. It increased by 46.0% to HK$44.9 million for the six months ended 30 June 2015 from HK$30.7 million for the six months ended 30 June 2014 mainly due to the increase of value added tax refund and government grant and subsidy.

Selling Expenses

Selling expenses increased by 11.7% to HK$92.3 million for the six months ended 30 June 2015, from HK$82.6 million for the six months ended 30 June 2014. The increase was mainly attributable to the significant increase of sales and after-sales service staff salaries and commissions but was partly offset by the decrease of service charges and advertising expenses.

Administrative Expenses

Administrative expenses increased by 0.7% to HK$114.2 million for the six months ended 30 June 2015 from HK$113.4 million for the six months ended 30 June 2014. The increase was mainly due to the aggressive expansion of research and development team, staff salary raises and increase in service charges but was partly offset by the decrease of share based payment 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 55.9% to HK$309.0 million for the six months ended 30 June 2015 from HK$198.2 million for the six months ended 30 June 2014.

The net profit margin increased to 27.9% for the six months ended 30 June 2015 from 19.7% for the six months ended 30 June 2014 mainly as a result of improvement of gross profit margin, increase of other income and income tax credit.

OUTLOOK

Since the establishment of the Group in 2000. PAX has achieved installed base of more than 9 million E-payment Terminals in more than 80 countries and regions. Across major markets, the installed base included the United States of America ("US"), Singapore, Taiwan, Brazil, India, Japan, South Korea, New Zealand, Europe, Middle East and Africa ("EMEA"), Latin America and Middle Asian countries, etc. The number of distributors and partners increased to nearly 90 from approximately 30 in 2012. PAX has been recognised as one of the three major international mainstream brands. According to The Nilson Report issued in July 2015, PAX was ranked number 3 globally in terms of the shipping volume of E-payment Terminals in 2014.

OVERSEAS MARKETS

The overseas markets are sizeable, accounting for over 80% of the global E-payment Terminal sales. While extending its reach to the international markets has always been the goal of PAX since its establishment. In 2001, PAX became the first payment terminal solutions provider in Asia with Europay, MasterCard and Visa ("EMV") 2000 certification. Leveraging the experience of continuous overseas markets expansion in the past 14 years and the well-developed sales channels, PAX's branding, product techniques, quality and good reputation have been affirmed in the international market, PAX has become the only Asian listed company in the league with other top competitors worldwide. Subsequent to the encouraging results achieved in Brazil and the Middle East in 2014, the overseas sales revenue of PAX reached 50.1% in the first half of 2015.

In the overseas emerging markets, PAX has become one of the leading E-payment Terminal providers. In most of the areas in the Asia-Pacific region except PRC ("APAC"), PAX has already secured a prominent leading position. Characterized by a complete product line and adaptation to the local infrastructure environment, PAX has become one of the major E-payment Terminal providers in Hong Kong, Macau, Taiwan, Vietnam, Australia and New Zealand. Among the LACIS, Brazil is the largest economy with a conservative estimation of approximately 8.5 million small-sized merchants, among which over 90% are micro merchants. To those micro merchants, Mobile E-payment Terminals ("mPOS") offers flexibility, convenience and promptness with all important payment certifications. Capitalizing on the precise strategies, PAX has become the first provider in Brazil to complete the mPOS certifications and quickly obtained the recognition from the merchants. Since 2014, PAX has stably maintained an unrivaled leading position in respect of the mobile payment terminals in Brazil. In the Middle East, PAX has played a dominant role for a long time. In 2015, PAX also launched several new products, such as the multimedia payment terminals ("Multilane") and mPOS in the Middle East market. Strong sales from new models are expected in the future while sales from existing models will continue to grow through expansion of sales channels with new certifications.

In the developed markets, the US is undergoing vigorous EMV migration. Starting from October 2015, when a counterfeit transaction occurs on an E-payment Terminal which only accepts magnetic strip card payment, the merchant will be responsible for the fraud as its E-payment Terminal has not been EMV certified. This standard requires the adoption of chip-and-pin or NFC in replacement of the magnetic swipe-and-sign system in the past. It is expected that the demand for E-payment Terminals in the US market will increase significantly. According to market estimation, by the end of 2015, approximately 40% of E-payment Terminals will be EMV complicant with the large scale retailers being the majority. It is estimated that over 70% of the small-sized merchants will not complete EMV migration by October 2015. PAX has already captured the market trends and cooperated with several partners to provide merchants with EMV compliant payment terminals in the coming years.

NFC technology has been widely applied in the overseas markets, such as payWave launched by Visa and PayPass by MasterCard as well as Apple Pay by Apple since October 2014. Currently, over 300 banks and credit institutions have agreed to support Apple Pay in the US. Tens of large scale retailers and more than 0.7 million stores accept Apple Pay. Alongside with the rapid acceptance of Apple Pay in the US, demand for E-payment Terminals with NFC function has been stimulated.

Multilane is the most advanced product in the industry targeting at the US market. Nowadays, only few providers around the world are able to develop and produce it, with PAX being one of them. Since being officially launched in 2015, the Multilane PX series has been positively received by the market and customers. In the future, PAX will also promote this high-end product to other overseas markets.

Starting from 2015, PAX has generated meaningful sales in Europe. In Germany, PAX together with one of the leaders in electronic payment service promoted new electronic payment devices such as mPOS and other advanced payment terminals to local markets and the Netherlands, Belgium, Luxemburg and Switzerland. The PAX E-payment Terminals have gradually gained popularity in some Eastern European countries such as Bulgaria and Poland. Products of PAX have gone through the certification process in other major European countries such as the United Kingdom, Portugal and Spain, and will continuously bring in market shares for the Company in the coming years. In Italy, Pax Technology Limited ("Pax Technology"), a wholly-owned subsidiary of the Company, entered into an agreement with the distributor Pax Italia S.r.l. ("Pax Italia") and its quotaholders in May 2015, to subscribe for quota representing 70% of the enlarged corporate capital of Pax Italia. Being the system integrator, Pax Italia integrates patent software of numerous European banks into the Points-of-Sales ("POS") platform of the Group and offers after sales services for a wide range of product models under the Group. Through providing strong financial support and various assistance to the local distributors, with hardware and software services, the deal will facilitate the Group's business expansion in EMEA. The subscription was completed in July 2015.

CHINA MARKET

Penetration remains low

According to China payment industry data in the first quarter of 2015 released by the People's Bank of China ("PBoC"), the number of in-network bank card merchants reached 12.48 million (the first quarter of 2014: 8.77 million) and in-network E-payment Terminals continued to grow to 16.42 million units (the first quarter of 2014: 12.01 million sets) in the China Market. The number of bank cards held per capita in the China Market was 3.69 (the first quarter of 2014: 3.24). In terms of installed E-payment Terminals, approximately 23 to 24 E-payment Terminals are installed for every 1,000 persons in the developed market while the number is only 12 in the China Market for every 1,000 persons. Compared with the developed market, the penetration rate of E-payment Terminals in the China Market is still relatively low, especially in the second and third tier cities and rural areas, where payments are still mainly settled in cash. The PBoC has repeatedly issued guidelines in order to facilitate payment service in rural areas, and encouraged financial institutions to promote non-cash payments in rural areas, such as comprehensive financial supermarkets and "micro banking" for assistance to farmers. In cities with a relatively mature payment environment, more consumers have already fostered a habit of settling the payments by cards. Other gradually popular applications in the industry also result in development in the industry, such as the application of E-payment Terminals with marketing functions and the merchant membership cards and prepaid cards.

Rapid development in the new market segment of micro merchants by the Operators

As of April 2015, the PBoC has already issued eight batches of payment licenses to 270 Operators, among which over 50 Operators are qualified for bank card acceptance. Since the major Operators returned to the acquiring market in early 2015, the E-payment Terminal network has expanded rapidly resulting in a rapid jump in the number of merchants which accept electronic payment. To date, Operators have recorded the fastest growth in the acquiring business alongside UnionPay Merchant Services Co. Ltd. ("UMS") and financial institutions. According to market estimation, the number of meaningful small-sized merchants in China Market would be approximately 20 million to 30 million. By offering mid-low end mPOS, these Operators substantially penetrate into the micro merchant niche market while providing the micro merchants with more options as to the acquirers in the market, which brings in further growth for the industry.

The era of the Internet, the emergence of mobile payment

In addition to the trend of non-cash payment and with the mobile phones now being one of the necessities for mass consumers, mPOS functions together with mobile phone are suitable for micro merchants to settle payments through mobile phone instead of conventional cash payments. This avoids the inconvenience caused by fumbling for exact changes and prevents merchants from receiving counterfeit banknotes. Meanwhile, consumers can save time and effort and avoid risks of carrying cash. Characterized by small size, portability and lower procurement costs, mPOS has been well received by micro merchants and opened up an incremental market segment. Besides, alongside with the widely used QR Code business model, PAX stays close to the latest trend of the industry development and was a pioneer in equipping its conventional E-payment Terminals with the QR code payment function. With the QR code display or scan functions, the PAX E-payment Terminals not only carry functions for bank card payment in compliance with the safety standards in the industry but also support the latest QR code payment. Therefore, the innovation achieves perfect integration of online and offline payment.

Moreover, the PBoC and China UnionPay are currently promoting the electronic terminal network with NFC. More than 700 million chip cards with "Quick Pass" function have been issued by China UnionPay globally. Over 5 million E-payment Terminals support the "Quick Pass" function in PRC while overseas markets such as Australia, Korea, Hong Kong, Macau and Taiwan, have started to accept "Quick Pass", stimulating the demand for E-payment Terminals with NFC function in each market.

OVERALL MANAGEMENT STRATEGIES

In December 2014, Pax Technology entered into an agreement with the shareholders of Nanchang Kashuo Information Technology Company Limited ("Nanchang Kashuo") to acquire an attributable 51% equity interest in Nanchang Kashuo. This acquisition is expected to be completed in 2015.

In the past few years, there were numerous mergers and acquisitions in the payment industry. The key to success, whether online or offline, is to capture the merchants' resources. The management finds that the direction on the merchant side will be the combination of the integrated payment solution and professional management tools such as customer relationship management system ("CRM") or enterprise resource planning management ("ERP"), so as to provide integrated services to the merchants. This will be one of the trajectories the Group will deploy. Based on the established advantages in the E-payment Terminal market, PAX will continue to actively develop services, data, offer convenience to merchants and integrate internal and external systems through acquisitions and mergers in major markets. Eventually, the goal is to establish a payment ecosystem across major markets and completely covers the payment value chain. Among these, distribution channels, payment gateway ("Gateway"), transaction services and value-added services are the key layout. These business models will ultimately build a direct relationship between PAX and the merchants, generate recurring income and extend PAX's presence along the payment value chain.

Research and development capabilities are the competitive advantages of the Company. In addition to NFC and the QR code scanning, other techniques such as signature capture, touch screen, palm print identification which realizes biological identification, or payment solution integrating software such as CRM and ERP, will derive multiple product lines, which in turn provide PAX with tremendous opportunities.

In incoming years, based on the Research and Development team, and leveraging on the strong branding influence and sales channels, PAX will capture the thriving online and offline payment development trend, spare all its effort in expanding the scalable business model and catch up with the predecessors so as to become the forerunner in the global market. Therefore, we expect to increase the proportion of services income to 20% in three to five years so as to create the greatest value for the Shareholders.

Liquidity and Financial Resources

As at 30 June 2015, the Group had cash and short-term bank deposit of HK$1,686.8 million (31 December 2014: HK$1,918.7 million). As at 30 June 2015, the Group reported net current assets of HK$2,849.5 million, as compared with HK$2,536.5 million as at 31 December 2014. For the six months ended 30 June 2015, net cash used in operating activities was HK$236.4 million, as compared to HK$198.9 million for the six months ended 30 June 2014.

Capital Structure and Details of Charges

As at 30 June 2015, the Group did not have any borrowings or charge on the Group's assets and the gearing ratio is not applicable (31 December 2014: Nil).

Approximately HK$575.3 million, HK$827.8 million, HK$233.6 million and HK$0.1 million (31 December 2014: HK$891.5 million, HK$726.7 million, HK$300.4 million and HK$0.1 million) of the Group's cash balances were denominated in Renminbi ("RMB"), Hong Kong dollar ("HK$"), US dollar ("US$") and Euro respectively as at 30 June 2015.

Significant Investment

Save as disclosed in this announcement, the Group had no significant investment held as at 30 June 2015.

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 2015.

Use of Proceeds

The net proceeds raised from the global offering received by the Company was approximately HK$805.9 million.

As at 30 June 2015, the planned and utilised amount of usage of total net proceeds are as follows:

	Net Proceeds	
	Planned amount	**Utilised amount**
	HK$ million	*HK$ million*
Enhancing research and development effort	322.4	322.4
Expanding distribution network	120.8	120.8
Potential merger and acquisition	282.1	15.9
General working capital	80.6	80.6
	805.9	539.7

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

Future Plans for Significant Investment or Capital Assets

Saved as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 30 June 2015.

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 2015.

Human Resources and Remuneration Policies

The total number of employees of the Group as at 30 June 2015 was 863. The following table shows a breakdown of employees of the Group by function as at 30 June 2015:

Management	14
Sales and after-sales services and marketing	290
Research and development	472
Quality assurance	24
Administration and human resources	20
Accounting	18
Production, procurement and inventory control	25
	863

The Group ensures that its remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. Share options are granted to employees of the Group to reward their contributions under the share option scheme of the Company, details of which are set out in the Company's 2015 interim report. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's businesses.

Disclaimer:

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, 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's current financial performance. Additionally as 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the six months ended 30 June 2015. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2015.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Specific enquiry had been made to all Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2015.

The Company has also established written guidelines on terms no less than the required standard under Appendix 10 to the Listing Rules for securities transactions by employees who are likely to possess inside 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 Corporate Governance Code and Corporate Governance Report (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 2015.

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 the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2015 with the Directors.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 June 2015, none of the Directors or any of their respective associates had engaged in any business that competed or may compete with the business of the Group, or had any other conflict of interests with 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 confirm that the Company has maintained the amount of public float as required under the Listing Rules throughout the six months ended 30 June 2015.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2015 interim results announcement is published on the Company's website at www.paxglobal.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2015 interim report will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2015 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2015. Instead, it has been derived from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2015, which will be included in the Company's 2015 interim report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 6 August 2015

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.