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

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

RESULTS	**2015** *HK$'000*	2014 *HK$'000*	+/(-)
Revenue	**2,870,794**	2,373,272	+21%
Gross profit	**1,092,490**	864,866	+26%
EBITDA	**662,977**	467,195	+42%
Operating profit/profit before income tax	**657,973**	463,194	+42%
Profit attributable to owners of the Company (excluding the share option scheme expenses)	**635,426**	420,413	+51%
Profit attributable to owners of the Company	**620,736**	391,806	+58%

	2015	2014	+/(-)
Earnings per share			
— Basic (HK$)	**0.560**	0.363	+54%
— Diluted (HK$)	**0.551**	0.353	+56%
Proposed final dividend per ordinary share (HK$)	**0.02**	–	–

KEY BALANCE SHEET ITEMS	**2015** *HK$'000*	2014 *HK$'000*	+/(-)
Total assets	**4,080,199**	3,334,313	+22%
Total liabilities	**989,600**	786,133	+26%
Total equity	**3,090,599**	2,548,180	+21%

* *For identification purpose only*

The board of directors (the "Board") of PAX Global Technology Limited (the "Company" or "PAX") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 together with comparative figures for the year ended 31 December 2014. The annual results have been reviewed by the Company's Audit Committee (the "Audit Committee").

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an innovative global electronic funds transfer point-of-sale terminal ("E-payment Terminal") solutions provider engaged in the development and sale of E-payment Terminal products and provision of related services (collectively the "E-payment Terminal solutions business"). Owing to its outstanding services and leading position, PAX is one of the fastest growing suppliers in the payment industry which possesses the most advanced production facilities, excellent research and development ("R&D") capabilities as well as sales networks and cooperation channels around the globe. Today, the Group has a huge customer base and works with nearly 90 distributors or partners from all over the world. The Company sells products to over 100 countries and regions and has established a strong global presence.

MARKET OVERVIEW

Having at least 10% annual growth in global E-payment Terminal shipment since 2010, there were numerous mergers and acquisitions within the industry which brings along tremendous opportunities in mature and emerging markets to PAX. After years of hard work, PAX's global market share has continuously recorded notable growth, especially the rapid growth in overseas sales. The contribution from overseas markets to the total turnover increased with the approximate percentage from 22% in 2010 to 47% in 2015. It is expected that the contribution from overseas markets to the total turnover will continue to increase in the coming years. This trend has established our target to become one of the leading E-payment Terminal solutions providers in the world.

OVERSEAS MARKETS

Significant Room for Growth in Emerging Markets with low penetration rate

According to The Nilson Report issued in July 2015, Asia Pacific region (including Mainland China), Middle East and Africa and Latin America accounted for 75% of global shipment volume in 2014. The penetration rate of E-payment Terminals in these emerging markets was far below than that in mature markets. With a booming middle class, the pace of domestic financial computerisation has accelerated. The number of E-payment Terminals installed per 1,000 inhabitants in major countries, such as India, Indonesia and Russia is less than 10 on average. It is expected that there will be a strong demand growth of E-payment Terminals in these regions in the coming years. At the same time, government promotion is another growth catalyst in Russia, Middle East and Africa. The advent of mobile E-payment Terminal (the "mPOS") captured many micro merchants in emerging markets such as Brazil, India and Indonesia and gave more room for growth to the industry.

In major emerging markets around the world, PAX has become one of the market leaders. In most of the areas in the Asia Pacific expect for the Mainland China ("APAC") region, PAX has already secured a leading position. With its comprehensive 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 and New Zealand. As at the end of 2015, PAX worked with one of the largest acquiring banks in Taiwan to install mPOS into 14,000 taxis, which enhanced the efficiency of payments and improved the in-taxi payment system. In October 2015, PAX successfully became one of the major providers of Bank Rakyat Indonesia in Indonesia. In India, the direct sales team of PAX and its local partners have begun to make sales contribution. In the Latin America and commonwealth Independent States ("LACIS") region, Brazil is the largest economy with approximately 8.5 million small and micro merchants according to statistics. PAX has become the first provider which obtained all required certifications in Brazil with its prescient strategies at the end of 2014 and commenced launching mPOS with new features and enhanced functions customised for the market demand in 2015. These have made PAX the absolute leader in the Brazilian mPOS market. In Middle East, PAX has already been in a leading position where the Group's mPOS was awarded an Award of Excellence by a payment processing company in Middle East in November 2015 and selected by a renowned fast-food restaurant chain in launching its delivery service; multimedia payment terminals ("Multilane") is also planned to be initiated in the Middle East in order to enhance customers' experience of the retail terminals. In November 2015, PAX became one of the major payment terminal providers of the Sberbank in Russia; hence it is optimistic towards the growth in overseas sales in the coming year.

According to The Nilson Report issued in July 2015, PAX's market share of E-payment Terminal Shipments in the Middle East and Africa, the Asia Pacific and Latin America reached 15%, 13% and 9% in 2014, respectively, which are expected to rise next year.

Increasing Requirement in Security in the United States of America ("US") after Europay, MasterCard and Visa ("EMV") Migration

Since October 2015, the US has officially established Fraud Liability Shift, in which merchants are required to upgrade or replace their E-payment Terminals by adopting the chip-and-pin or near field communications ("NFC") in replacement of the magnetic swipe-and-sign system. If a counterfeit transaction occurs on an E-payment Terminal which only accepts magnetic strip card payments, the merchant will be liable for the fraud as its E-payment Terminal has not been EMV certified. According to the estimation by industry experts, as of the end of 2015, approximately 7 million to 9 million card accepting facilities needed to be replaced. The annual demand of E-payment Terminals in the US in the coming three years is expected to raise significantly from the existing level.

The US market has been very mature. Participation by various market players in the payment value chain has led to high industry barriers. Since from the Group established its subsidiary, Pax Technology Inc., in the US in 2008, we strived to develop the Integrated Payment Solutions and simplify the payment procedures of merchants and reduce the operating costs, such as labour costs. As an E-payment Terminal Solutions provider, PAX provides not only secure payment processing facilities, but also solutions for integrating E-payment Terminal, cashiers and commercial terminals. PAX's Terminal Management System ("TMS") is popular and widely-used by merchants in the US. This innovation allows merchants to receive information of immediate sales and management system through computers, tablets or mobile phones, emails or text messages in different retail settings.

EMV migration, merchants' awareness of data security and the needs in controlling operating costs have provided unique opportunities for PAX to develop in the US market. Currently, several pilot projects have been smoothly undertaken through the cooperation with retailers. The development of PAX in the US market will most likely accelerate in the coming years.

Industry consolidation brings with expansion opportunities

Over the past few years, there were numerous mergers and acquisitions in the payment industry including horizontal and vertical acquisitions. To date, PAX is the only Asian E-payment Terminal solutions provider which rank alongside other international mainstream providers. PAX has a complete product portfolio. Meanwhile, our products are sold to all major global markets while our services are provided to the local partners. We have confidence and ability to continue capitalising our good international reputation to seize the expansion opportunities of industry consolidation and raise the market share of E-payment Terminal sales as well as increasing the transaction service income.

CHINA MARKET

Acceptance of bank cards has been improving

According to China payment industry data released by the People's Bank of China ("PBoC"), the number of in-network bank card merchants reached 15.14 million as of third quarter of 2015 (third quarter of 2014: 10.91 million) and in-network E-payment Terminals continued to grow to 19.89 million units (third quarter of 2014: 14.67 million units), with an increase of 36% or 5.2 million units. Today, the penetration rate of E-payment Terminals in the People's Republic of China excluding Hong Kong, Macau and Taiwan ("China Market") is still relatively low, representing large room for growth. More and more consumers are getting used to payment by bankcards. As of third quarter of 2015, there were 5.252 billion cards issued in Mainland China, which increased 10.7% or 0.506 billion as compared with third quarter of 2014, while the number of bankcards held per capita was 3.85 (third quarter of 2014: 3.5). The habit of settlement and acceptance of payment and purchases with bank cards have been successfully extended to medical, education, transportation, insurance and telecommunication services from traditional commercial retail, food and beverage and hotels etc. Mainland China has become one of the biggest bank card issuers and one of the fastest growing markets with the most potential in the global bankcard business industry.

The emergence of diversified payment methods, such as NFC and QR code

PBoC and China UnionPay are proactively building the electronic terminal network with NFC. More than 700 million chip cards with "Quick Pass" function have been issued by China UnionPay globally. Over 7 million E-payment Terminals support the "Quick Pass" function in the Mainland China while around 100,000 E-payment Terminals in overseas markets such as Australia, Korea, Hong Kong, Macau, Taiwan and Singapore, have started to accept "Quick Pass". In December 2015, China UnionPay allied with 15 commercial banks to promote the "Cloud Quick Pass", which applies HCE technology and enter into cooperation with "Apple Pay" launched by Apple Inc., and with "Samsung Pay" by Samsung Electronics respectively. It is expected that the demand for E-payment Terminals with built-in NFC and wireless communication functions will be stimulated in the China Market.

Additionally, alongside with the development of QR Code as a payment method, PAX stays abreast of the latest trends of the industry development and pioneered upgrading its conventional E-payment Terminals with the QR code payment function. With the functions of displaying or scanning QR code, PAX E-payment Terminals not only carry functions for bankcard payment in compliance with the security standards in the industry but also support the latest QR code payments. Therefore, the innovation achieves perfect integration of online and offline payments.

The third party payment service operators (the "Operators") have become one of the main forces

Since PBoC gradually issued the third party payment licenses to 270 companies from 2011, over 60 of those companies obtained bankcard acceptance licenses. Those Operators and their agents have become the major force for the growth of E-payment Terminal markets and actively expanded the second, third and fourth level merchants in second and third tier cities in Mainland China, which contributed to a large popularity of the E-payment Terminal products in China Market in recent years. To date, Operators have recorded the fastest growth in the acquiring business alongside China UnionPay Merchant Services Co. Ltd. ("UMS") and financial institutions. Based on the continuous requirements for upgrading from consumers and merchants, PAX worked with an Operator to launch a brand new Smart E-payment Terminal (the "Smart POS"), the first innovative design of PAX that is based on the Android system and combines smartphones and secure contactless payment terminals. The product supports QR code payment and back-end management system of merchants. The trend of an intelligent, mobilising E-payment Terminal and its operations under big data is inevitable.

FINANCIAL REVIEW

The key financial figures for the year ended 31 December 2015 are extracted as follows:

	For the year ended 31 December		
	2015	2014	
	HK$'000	*HK$'000*	*+/(-)*
Revenue	**2,870,794**	2,373,272	+21%
Gross profit	**1,092,490**	864,866	+26%
Other income	**109,235**	70,445	+55%
Selling expenses	**(235,715)**	(218,568)	+8%
Administrative expenses	**(308,037)**	(253,549)	+21%
Operating profit/profit before income tax	**657,973**	463,194	+42%
Income tax expense	**(37,687)**	(71,388)	-47%
Profit attributable to owners of the Company	**620,736**	391,806	+58%
EBITDA	**662,977**	467,195	+42%
Research and development costs (included in administrative expenses)	**(157,734)**	(113,841)	+39%

	As at 31 December		
	2015	2014	
	HK$'000	*HK$'000*	*+/(-)*
Total current assets	**4,020,585**	3,322,664	+21%
Total non-current assets	**59,614**	11,649	+412%
Total assets	**4,080,199**	3,334,313	+22%
Total current liabilities	**987,543**	786,133	+26%
Total non-current liabilities	**2,057**	–	–
Total liabilities	**989,600**	786,133	+26%
Net current assets	**3,033,042**	2,536,531	+20%
Total equity	**3,090,599**	2,548,180	+21%

	For the year ended 31 December		
	2015	2014	*+/(-)*
PER SHARE DATA			
Earnings per share for the profit attributable to owners of the Company			
— Basic (HK$)	**0.560**	0.363	+54%
— Diluted (HK$)	**0.551**	0.353	+56%

	For the year ended 31 December	
	2015	2014
FINANCIAL RATIOS		
Gross profit margin	**38.1%**	36.4%
EBITDA margin	**23.1%**	19.7%
Net profit margin	**21.6%**	16.5%

Revenue

Turnover increased by 21% or HK$497.5 million to HK$2,870.8 million for the year ended 31 December 2015 from HK$2,373.3 million for the year ended 31 December 2014. Turnover from the China Market grew by 10% year on year or HK$143.9 million to HK$1,529.9 million. Similarly, turnover from overseas markets grew by HK$353.6 million to HK$1,340.9 million, representing a growth of 36%.

	For the year ended 31 December		
	2015	2014	
	HK$'000	*HK$'000*	*+/(-)*
E-payment Terminals	**2,711,313**	2,221,605	+22%
Consumer activated devices	**103,855**	91,733	+13%
Contactless devices	**5,840**	11,537	-49%
Services	**29,401**	26,435	+11%
Others*	**20,385**	21,962	-7%
	2,870,794	2,373,272	+21%

* 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 sale of E-payment Terminals increased by 22% to HK$2,711.3 million for the year ended 31 December 2015 from HK$2,221.6 million for the year ended 31 December 2014. Turnover growth has been driven by the increase in both China and overseas sale during the year.

Meanwhile, bankcard payment has been gaining popularity in the Mainland China. Besides UMS, financial institutions and the Operators have been aggressively building their E-payment Terminal networks in order to capture the benefits from the rising usage of electronic payment and high levels of retail consumption in the Mainland China. Furthermore, due to the consideration of revenue tax control and speeding up economic flow, state policies in the recent years have supported building of electronic transaction networks and deducted commission charges to encourage merchants to accept electronic payment, which further fuels the fast growth of E-payment Terminals demand.

Consumer Activated Devices

Turnover from the sale of consumer activated devices increased by 13% to HK$103.9 million for the year ended 31 December 2015 from HK$91.7 million for the year ended 31 December 2014. Since 2014, there has been increasing demand in PIN pads as a result of the provision of PAX's integrated payment solution in APAC and United States of America and Canada Region ("USCA").

Contactless Devices

Turnover from the sale of contactless readers decreased to HK$5.8 million for the year ended 31 December 2015, and by 49% from HK$11.5 million for the year ended 31 December 2014. The fall in demand was mainly because that our upgraded E-payment Terminals generally have built-in contactless card reader.

Services

Turnover from the provision of services increased by 11% to HK$29.4 million for the year ended 31 December 2015 as compared to HK$26.4 million for the year ended 31 December 2014. Maintenance services made up the bulk of service income and were mainly generated in Hong Kong, and contributed a main portion of the service income growth.

Sales by Geographical Region

	For the year ended 31 December		
	2015	2014	
	HK$'000	*HK$'000*	*+/(-)*
Overseas markets	**1,340,907**	987,286	+36%
China Market	**1,529,887**	1,385,986	+10%
	2,870,794	2,373,272	+21%

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

Turnover generated from China Market increased by 10% to HK$1,529.9 million for the year ended 31 December 2015, from HK$1,386.0 million for the year ended 31 December 2014. Turnover generated from China Market accounted for 53% of total revenue compared with 58% for the fiscal year of 2014. The growth was mainly attributable to the increase of shipment volume to UMS and the financial institutions.

Mainland China has experienced rapid economic growth in recent years. However, the overall E-payment Terminal penetration rate is still relatively low compared with that in mature markets. The bankcard issuance and transaction volume continue to grow. The demand for E-payment Terminals is still significant. As the China Unionpay's "Cloud Quick Pass" and Apple Pay becomes one of the major tools for payment, the demand for E-payment Terminals with built-in NFC and wire-less communication functions will increase.

Turnover generated from overseas markets increased by 36% to HK$1,340.9 million for the year ended 31 December 2015 from HK$987.3 million in last accounting year. Turnover generated from overseas markets accounted for 47% of total revenue, growing from 42% in fiscal year 2014. All overseas business units recorded growth, especially USCA and LACIS region business units. North America, Middle East, Africa and Latin America have become PAX's key markets. As of the end of 2015, we had nearly 90 overseas distributors and partners worldwide.

Gross Profit Margin

Gross profit margin for the year ended 31 December 2015 was 38.1%, rise in 1.7 points as compared with 36.4% in last accounting year. The increase 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, interest income from time deposit and subsidy income. It increased by 55% to HK$109.2 million for the year ended 31 December 2015 from HK$70.4 million in last accounting year. The increase was mainly due to the increase of value added tax refund and government grant and subsidy.

Selling Expenses

Selling expenses increased by 8% to HK$235.7 million for the year ended 31 December 2015, from HK$218.6 million for the year ended 31 December 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.

Administrative Expenses

Administrative expenses increased by 21% to HK$308.0 million for the year ended 31 December 2015 from HK$253.5 million in the preceding financial year, mainly reflecting the expansion of R&D centres and teams, staff salary raises and increase of tax.

Profit attributable to owners of the Company and Net Profit Margin

As a result of the foregoing, the profit attributable to owners of the Company increased by 58% to HK$620.7 million for the year ended 31 December 2015 from HK$391.8 million for the year ended 31 December 2014.

The net profit margin improved to 21.6% for year ended 31 December 2015 from 16.5% in the preceding financial year mainly as a result of improved operating efficiency and thus decrease in the proportion of selling and administrative expenses, preferential tax treatment and thus decreased effective tax rate and increase of other income in the financial year.

OUTLOOK

To date, PAX has deployed more than 10 million E-payment Terminals in over 100 countries and worked with nearly 90 distributors and partners worldwide since the establishment of the Group. According to a report issued by The Nilson Report in July 2015, PAX ranked third place globally in terms of the shipment volume of E-payment Terminals in 2014.

INDUSTRY TREND

Offline Payment Remains Dominant; Cashless Payment Gradually Overtakes Use of Cash

The global payment system is still dominated by offline payment. The offline transaction by bank card far surpasses online payment both in terms of the transaction amount and the total number of transactions. As at the end of 2015, the sales volume of Ecommerce accounts for only less than 10% of global retail sales, which means that offline payment still accounts for a substantial proportion. As observed, the recent development of emerging online payment tools like E-wallets, which includes Alipay and Wechat Pay in Mainland China, has not hindered the room for growth of offline payment, but enabled Operators to vigorously develop new types of payment methods which integrate online and offline payments. The future trend will possibly be online payment dominates in the fields of small amount shopping while offline payment still takes priority in terms of general consumptions, especially for the large amount consumptions or large scale merchants after taking into consideration of security concern, tax control and commission charge. For instance, this industry trend is evidenced by the circumstance that some North European countries have already taken the lead to enter into a cashless society. PAX as an E-payment Terminal solutions provider has its irreplaceable edge.

Innovative Technology Promotes the Requirements for E-payment Terminals

Since the promotion of contactless payment such as PayPass and payWave by Visa and MasterCard, to Apple Pay launched by Apple Inc. in October 2014 and "Quick Pass" and "Cloud Quick Pass" launched by China UnionPay. NFC function has been gaining popularity and it is expected to become an indispensable function in high-end E-payment Terminals. Other technologies, such as QR code has been widely used in Mainland China, photonic payment, signature capture, touch screen and palm print identification which realises biological identification will in turn provide the industry with growth opportunities.

"Cloud Platform" and "Mobile Payment" will be two of the trends for payment innovation in the industry. In 2015, PAX unveiled the Smart POS, an Android E-payment Terminals series. This is the first innovative design based on the Android system and fusion between smart mobile phones and secure contactless E-payment Terminals with a small and trendy appearance and a 5-inch HD capacitive touch screen, a quick thermal printer on the back, and it supports various communication methods such as bluetooth, wireless network and 3G, etc. It is equipped with dual cameras to support QR code payment. At the same time, it offers the merchants with a wide variety of services such as cash management, inventory control, contactless payment support, collection and analysis of consumption data, loyalty and other value-added services.

Such new product line will optimise PAX's existing broad product portfolio of the secure E-payment Terminals and offer the merchants new business development opportunities in the new mobile generation.

Overseas Markets

Overseas markets accounted for more than 80% of the sales volume of E-payment Terminals globally and became the major growth driver for PAX. Overseas markets enable the Company's business to develop in a steady and balanced way and also diversify our business risks. Currently, PAX's mainstream products comply with or achieve better than major international standards, and are accredited with international certifications. For more than ten years, we have invested significant resources in building our sales network, worked tirelessly with our international partners and established specialised teams to focus on major markets, including Europe, Middle East and Africa, LACIS, APAC and USCA. Meanwhile, we also set up after-sales support team for international sales. Besides China Market, several of PAX's major customers are domiciled in overseas markets. In recent years, our significant sales growth in overseas markets has attested to our efforts.

North America, Brazil, the Middle East and Africa together with Mainland China will be PAX's four home based markets. Each market is featured by huge potential, different characteristics and challenges. After years of hard work, PAX has had direct sales teams or appointed distributors with good track record and reputation to provide after-sale services and software development support locally. Those overseas markets with high entry barriers (e.g. certificates, TMS and application software, etc.) tend to be less competitive and thus bring about better gross profit. This represents a great opportunity for PAX as an international mainstream brand. In regard to those major markets, we successfully obtained stringent

3-level certificates. For instance, we obtained the Class A certification accredited by a few of the largest leading acquirers in the US. Further based on the success of mPOS which has been well-accepted by the merchants, PAX will launch the traditional E-payment Terminals into Brazil market which has a very high threshold for certification. PAX's complete product lines, including E-payment Terminals, mPOS and Multilane, can provide secure and efficient payment solutions for all types of merchants. For example, the mPOS introduced in Brazil in late 2014 has gradually entered into other markets in 2015 and at present, some of the products have been well-equipped with built-in GPRS communication module. According to market estimation, the CAGR of global mPOS shipment from 2015 to 2022 will reach 47% with a huge growth potential. The Multilane, launched in the beginning of 2015, has successfully entered into US and the sales efforts on promotion are expected to increase in 2016. Meanwhile, our customised products were also recognised well by the clients in Middle East and Africa. In the coming years, we will render more supports to overseas markets, such as TMS, application development and software development kit. We will also strengthen our promotion in overseas markets through participating in various major industry exhibitions, so as to introduce the products of PAX to all over the world and establish PAX as a globally renowned brand.

In addition, we succeeded to gain market share in Italy and Germany in 2015. Our products also began to be sold in over 10 countries in Eastern and Southern Europe including Bulgaria and Poland. The management is confident that PAX will be one of the leading brands in the European market and obtain a stable and prolonged market share in the coming few years.

China Market

Mainland China is the second largest economy in the world with huge commercial potential yet to be tapped. In China Market, the payment industry still has huge room for growth. Over the past several years, the surge in consumer spending and the increasing demand for secure and reliable payment methods have formed the foundation upon which the E-payment Terminal solutions industry can flourish. Research has indicated that the number of E-payment Terminals installed in the Mainland China is about 13–15 terminals per 1,000 inhabitants in 2015 as compared to an average of 20–30 installed E-payment Terminals per 1,000 inhabitants in certain mature markets. Further, according to the review of China overall payment system published by PBoC, the penetration rate of bankcards in the consumer business was 48.01% as of third quarter of 2015. As compared to the mature markets, there is still great room for increase in terms of Cardholders consumption per capital and per bankcard. On the other hand, the booming of mobile payment and vertical application bring the merchants with a replacement demand for Smart POS, while the demands for upgraded future products will create a vast market share.

PAX is one of the leading E-payment Terminal providers in Mainland China. PAX's customers include UMS, financial institutions and the Operators. Some of them are the Group's major customers. UMS, financial institutions and the Operators together drove the market growth. According to market data, in 2015, over 50% of the supplies were provided by Operators, who spared no effort in identifying mid-sized and small-sized merchants. The low penetration rate in second and third tiers cities provided them with enormous room for business growth. The support from the state policies aimed at facilitating the economic development in less developed regions through the accelerated economic flow of electronic payment. In the meantime, taking into consideration of the deducted merchant acquiring rate, tax control and management, transaction cost and security concern, offline electronic payment became the first choice. It is expected that the demand for mid-low end models among mid-sized and small-sized merchants will experience significant growth. Alongside the prevalence of IC Card and China UnionPay's NFC standard "Quick Pass" carried forward by PBoC and China UnionPay respectively, the demand for the high-end built-in contactless function and mobile E-payment Terminals will also grow. The strategy of PAX is to focus on three particular customer groups (UMS, financial institutions and Operators) by offering various integrated services.

In the coming year, we will continue to look for other strategic business partners to enter other market segments with a mix of products. Capitalising Nanchang Kashuo Information Technology Company Limited ("Nanchang Kashuo")'s bank card promotion, customer relationship management ("CRM") platform, big data analysis, and Suzhou Ieasy Information Technology Co., Ltd ("Ieasy")'s vertical application for catering industry, PAX's revenue model in the Mainland China will be diversified.

OVERALL MANAGEMENT STRATEGIES

The corporate culture of PAX is adherence to compliance and prudence while incorporating perseverance and creativity. The foundation of the payment industry is security of transaction for consumers and merchants while PAX places a strong emphasis on the provision of secure and user-friendly payment solutions for them.

Expanding along the payment value chain through mergers and acquisitions is the major development strategy for PAX over the past few years. Opportunities arise in four significant areas in the payment industry, namely, hardware infrastructure, software development, service of payment solution and payment value-added services. In the past few years, there were numerous mergers and acquisitions in the payment industry. The key to success, whether online or offline, is creating values for merchants. On the merchant side, combination of the integrated payment solution and professional management tools such as CRM or enterprise resource planning management ("ERP") system and the provision of integrated services to merchants will be one of the trajectories the Group will deploy. PAX has currently built a stronghold in the payment software and hardware arenas of the payment industry. 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 mergers and acquisitions in major markets. Eventually, the goal is to establish a payment ecosystem across major markets and completely cover the payment value chain. Among these, additional E-payment Terminal product line, transforming overseas distribution into a direct sales model, overseas payment gateway (Gateway) for transaction processing services and payment-related value-added services are the key layout. These business models will ultimately build a direct relationship between PAX and the merchants, transform to a recurring income model with stronger ties with customer and higher gross profit and extend PAX's presence along the payment value chain.

In December 2014, Pax Technology Limited ("Pax Technology") entered into an agreement with the shareholders of Nanchang Kashuo to indirectly acquire 51% equity interests in Nanchang Kashuo. This acquisition is expected to be completed soon. The income generating from the bank card promotion of Nanchang Kashuo and its CRM platform may enable the Group to go towards the direction of "Big Data", as well as directly establish a relationship with merchants and maintain sustainable income. In July 2015, Pax Technology completed the subscription for an amount of Pax Italia S.r.l. ("Pax Italia"), a distributor, representing 70% of the enlarged corporate capital. Through providing a stronger financial support and other corporate supports to which, coupled with software and hardware services in order to strengthen the support to the regional distributors, sales of Pax Italia in the Italian market in 2015 grew remarkably, leading PAX to become one of the local leading brands. In addition, Pax Italia engages in development and customisation software system for banks in Italy and provides after-sales services for a wide range of models of the Group's products such as maintenance, installation, and software development service. The acquisition may enhance the position of PAX in the European market and facilitate the business expansion of the Group in Europe. In November 2015, Wonder Pax Technology (Shenzhen) Co. Ltd ("Wonder Pax"), a wholly owned subsidiary of the Group, entered into an agreement with Ieasy and its shareholders, to acquire and subscribe for an aggregate of 60% of the enlarged equity interests in Ieasy for a consideration of RMB30 million. Such acquisition and subscription completed in February 2016. Ieasy is a cloud-based ERP provider for the F&B chains, providing software and hardware all-in-one solutions to enhance the use of technology in the catering industry. The platform will enable the Group to foster the link between payment and the operation of merchants in the catering industry. As the consumption among local people in the Mainland China continues to grow, we are confident that these value-added services will consolidate PAX's leadership in the Mainland China. Through these projects, the Group is confident it can create the new generation Smart POS, with ERP, CRM functions, and generate further recurring service income in three to five years.

Note: The aforesaid three acquisitions and subscriptions of the Group neither constitute the discloseable transactions of the Company under Rule 13.09, nor notifiable transactions under Chapter 14 of the Listing Rules.

PAX has been operating with an asset-light business model and maintain an excellent and stable partnership with every supplier in order to source its product assembly and procession to independent EMS manufacturer and devote the resources of the Group to R&D and sales. Looking forward, PAX will continue to focus on strengthening and enhancing our R&D capabilities as well as establishing global sales network. Not only is R&D the foundation of secure payment but it is also the core competitiveness of PAX. PAX keeps on expanding the R&D team to cope with the rising application needs. Among which, a R&D centre has been set up in Arizona in the US. The overseas software engineer team develops applications targeting on the US market. A number of R&D teams have been newly formed in Hangzhou and Chongqing in the People's Republic of China ("PRC") to support overseas markets.

Many of PAX's products passed rigorous testing procedures of China's State Cryptography Administration and successfully obtained special cryptographic certification. In the international market, PAX's key injection facility (KIF) has been certified PCI PIN security requirements. We enhance R&D investment continuously, recruit the experienced and top hardware and software key designers in the industry and retain the talented employees through effective incentive mechanism. In 2015, the Group established a new business sector and was committed to the development of new Smart POS. In few years ahead, PAX will have the opportunities to build direct and close relationship with merchants and participate in the bank card promotion market in the Mainland China with a scope of tens billions every year.

In short, our long term goals are to enhance R&D (for example software application), develop new models of E-payment Terminal, raise the service income proportion to 20% in five years, consolidate sales network and to seize the growth opportunities in the global market through mergers and acquisitions. Leveraging our strong position in E-payment Terminal solutions in the China Market and the comprehensive global market experience, we are certain to capture the business opportunities arising rapidly from the Mainland China and emerging markets as well as other important international markets. We believe we are moving forward to become one of the forerunners in the E-payment Terminal multi-solutions around the globe.

Liquidity and Capital Resources

During the years of 2014 and 2015, the main source of funding to the Group was the proceeds generated from operating activities in the usual course of business of the Company. Certain financial data are summarised as follows:

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Cash at bank and on hand	**2,144,312**	1,918,729
Net current assets	**3,033,042**	2,536,531
Net cash generated from operating activities	**317,135**	154,341
Net cash (used in)/generated from financing activities	**(4,097)**	74,109

	As at 31 December	
	2015	2014
Current ratio (times)	**4.1**	4.2
Quick ratio (times)	**3.5**	3.6

As at 31 December 2015, the Group had cash at bank and on hand and short-term bank deposits of HK$2,144.3 million (2014: HK$1,918.7 million) and no short-term borrowings (2014: Nil). As at 31 December 2015, the Group reported net current assets of HK$3,033.0 million, as compared with HK$2,536.5 million as at 31 December 2014. For the year ended 31 December 2015, net cash generated from operating activities was HK$317.1 million, as compared with net cash generated from operating activities of HK$154.3 million for the year ended 31 December 2014. For the year ended 31 December 2015, net cash used in financing activities of HK$4.1 million as compared with net cash generated from financing activities of HK$74.1 million for the year ended 31 December 2014.

Capital Structure and Details of Charges

As at 31 December 2015, the Group did not have any borrowings or charge on Group assets, and the gearing ratio is not applicable (2014: Nil). As at 31 December 2015, approximately HK$1,029.0 million, HK$849.0 million, HK$246.4 million and HK$19.9 million (2014: HK$891.5 million, HK$726.7 million, HK$300.4 million and HK$0.1 million) of the Group's cash balances were denominated in Renminbi ("RMB"), Hong Kong dollar ("HK$"), United States dollar ("US$") and European dollar ("EUR") respectively.

Significant Investment

Save as disclosed in this announcement, the Group held no significant investment as at 31 December 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 year ended 31 December 2015 (2014: Nil).

Use of Proceeds

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

As at 31 December 2015, the planned and utilised amounts of usage of total net proceeds are as follows:

	Planned amount *HK$ million*	**Utilized amount** *HK$ million*
Enhancing research and development effort	322.4	322.4
Expanding distribution network	120.8	120.8
Potential merger and acquisition	282.1	89.2
General working capital	80.6	80.6
	805.9	613.0

Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2015.

Exchange Rates Exposure

The Group derives its turnover, 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 that the foreign exchange risk with respect to US$ is not significant as HK$ is pegged to US$ and transactions denominated in US$ are mainly carried out by entities with the same functional currency. The 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 31 December 2015.

Human Resources and Remuneration Policies

The total number of employees of the Group as at 31 December 2015 was 974. The following table shows a breakdown of employees of the Group by functions as at 31 December 2015:

Management	14
Sales and after-sales services and marketing	329
Research and development	509
Quality assurance	39
Administration and human resources	30
Accounting	25
Production, procurement and inventory control	28
	974

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 annual 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 current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**2,870,794**	2,373,272
Cost of sales	*5*	**(1,778,304)**	(1,508,406)
Gross profit		**1,092,490**	864,866
Other income	*3*	**109,235**	70,445
Selling expenses	*5*	**(235,715)**	(218,568)
Administrative expenses	*5*	**(308,037)**	(253,549)
Operating profit/profit before income tax		**657,973**	463,194
Income tax expense	*6*	**(37,687)**	(71,388)
Profit for the year		**620,286**	391,806
Profit attributable to:			
Owners of the Company		**620,736**	391,806
Non-controlling interests		**(450)**	–
		620,286	391,806
		HK$ per share	*HK$ per share*
Earnings per share for the profit attributable to owners of the Company:			
— Basic	*7(a)*	**0.560**	0.363
— Diluted	*7(b)*	**0.551**	0.353

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Profit for the year	**620,286**	391,806
Other comprehensive loss, net of tax		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**(101,930)**	(33,464)
Total comprehensive income for the year, net of tax	**518,356**	358,342
Attributable to:		
Owners of the Company	**518,801**	358,342
Non-controlling interests	**(445)**	–
	518,356	358,342

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**11,480**	11,428
Leasehold land		**203**	221
Intangible assets		**15,625**	–
Other non-current assets	*8*	**31,400**	–
Deferred income tax assets		**906**	–
Total non-current assets		**59,614**	11,649
Current assets			
Inventories		**562,445**	475,461
Trade and bills receivables	*8*	**1,261,174**	898,278
Deposits and other receivables	*8*	**43,719**	14,084
Restricted cash		**8,935**	16,112
Cash at bank and on hand		**2,144,312**	1,918,729
Total current assets		**4,020,585**	3,322,664
Total assets		**4,080,199**	3,334,313
EQUITY			
Equity attributable to owners of the Company			
Share capital		**111,201**	110,081
Reserves		**2,966,373**	2,438,099
		3,077,574	2,548,180
Non-controlling interests		**13,025**	–
Total equity		**3,090,599**	2,548,180
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**2,057**	–
Current liabilities			
Trade payables	*9*	**710,529**	423,754
Other payables and accruals	*9*	**231,356**	284,864
Taxation payable		**45,658**	77,515
Total current liabilities		**987,543**	786,133
Total liabilities		**989,600**	786,133
Total equity and liabilities		**4,080,199**	3,334,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

PAX Global Technology Limited (the "Company") is an investment holding company and together with its subsidiaries (collectively referred to as the "Group") are principally engaged in the development and sale of electronic funds transfer point-of-sale ("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 Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2010. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 8 March 2016.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by The Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention.

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

(a) New and amended standards adopted by the Group

Amendment to HKAS 19 regarding defined benefit plans: employee contributions. This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Annual improvements 2010–2012. These amendments include changes from the 2010–2012 cycle of the annual improvements project, that affect the below standards: HKFRS 8, 'Operating segments'; HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets'; and HKAS 24, 'Related Party Disclosures'.

Annual improvements 2011–2013. The amendments include changes from the 2011-2013 cycle of the annual improvements project that affect the below standards: HKFRS 3, 'Business combinations'; HKFRS 13, 'Fair value measurement'; and HKAS 40, 'Investment property'.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2015. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through income statement. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through income statement with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through income statement. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 39's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

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.

3 REVENUE AND OTHER INCOME

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

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sales of electronic payment products	**2,841,393**	2,346,837
Provision of electronic payment services	**29,401**	26,435
	2,870,794	2,373,272
Other income		
Interest income	**19,833**	23,198
Value added tax refund *(note (i))*	**79,600**	41,770
Subsidy income	**8,402**	3,934
Others	**1,400**	1,543
	109,235	70,445

note (i) The amount represents the Group's entitlement to value added tax refund in relation to the sales of self-developed software products in the PRC.

4 SEGMENT INFORMATION

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

Due to acquisition of Pax Italia S.r.l. during the year, a separate business unit has been set up for the operation in Italy. The Group has adopted the new organization structure as the internal reporting format to assess performance and allocate resources effective for the year ended 31 December 2015.

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

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

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

	Year ended 31 December 2015					
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong** *HK$'000*	**US** *HK$'000*	**Italy** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Turnover from external customers	**1,748,803**	**999,635**	**105,433**	**16,923**	**–**	**2,870,794**
Intra-group turnover	**894,733**	**112,275**	**–**	**–**	**(1,007,008)**	**–**
Total turnover	**2,643,536**	**1,111,910**	**105,433**	**16,923**	**(1,007,008)**	**2,870,794**
Segmental earnings/(loss) before interest expense, taxes, depreciation and amortisation ("EBITDA")	**367,169**	**323,777**	**(24,159)**	**(906)**	**(2,904)**	**662,977**
Depreciation	**(3,802)**	**(260)**	**(340)**	**(158)**	**–**	**(4,560)**
Amortisation	**(6)**	**–**	**–**	**(438)**	**–**	**(444)**
Segmental operating profit/(loss) and profit/(loss) before income tax	**363,361**	**323,517**	**(24,499)**	**(1,502)**	**(2,904)**	**657,973**
Income tax expense						**(37,687)**
Profit for the year						**620,286**

	Year ended 31 December 2014				
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	Hong Kong *HK$'000*	US *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Turnover from external customers	1,708,104	611,848	53,320	–	2,373,272
Intra-group turnover	566,826	41,981	–	(608,807)	–
Total turnover	2,274,930	653,829	53,320	(608,807)	2,373,272
EBITDA	331,097	145,429	(11,245)	1,914	467,195
Depreciation	(3,289)	(177)	(529)	–	(3,995)
Amortisation	(6)	–	–	–	(6)
Segmental operating profit/(loss) and profit/(loss) before income tax	327,802	145,252	(11,774)	1,914	463,194
Income tax expense					(71,388)
Profit for the year					391,806

The segment assets and liabilities at 31 December 2015 and additions to non-current assets for the year ended 31 December 2015 are as follows:

	As at 31 December 2015					
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong** *HK$'000*	**US** *HK$'000*	**Italy** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Segment assets	**3,064,034**	**1,539,148**	**86,403**	**43,019**	**(652,405)**	**4,080,199**
Segment liabilities	**1,302,751**	**201,504**	**131,075**	**5,467**	**(651,197)**	**989,600**

	Year ended 31 December 2015					
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong** *HK$'000*	**US** *HK$'000*	**Italy** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets (including prepayments for acquisitions of subsidiaries)	**22,431**	**15,124**	**–**	**15,826**	**–**	**53,381**

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

	As at 31 December 2014				
	PRC, other than 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

	Year ended 31 December 2014				
	PRC, other than 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	6,439	826	228	–	7,493

Segmental EBITDA represents segmental operating profit/(loss) before finance costs, income tax expense, depreciation of property, plant and equipment, amortisation of leasehold land and intangible assets. Segment assets consist primarily of property, plant and equipment, leasehold land, intangible assets, inventories, deposits and other receivables, trade and bills 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 mainly comprise additions to property, plant and equipment, intangible assets including additions resulting from acquisition through business combination and prepayments for acquisitions of subsidiaries.

In 2015, revenue of approximately HK$474,805,000 is derived from the largest customer, representing 16.5% of the total revenue, which is attributable to the HK operating segment; HK$256,467,000 is derived from the second largest customer, representing 8.9% of the total revenue, which is attributable to the PRC operating segment. In 2014, revenue of approximately HK$255,850,000 is derived from the largest customer, representing 10.8% of the total revenue, which is attributable to the HK operating segment; HK$222,171,000 is derived from the second largest customer, representing 9.4% of the total revenue, which is attributable to the PRC operating segment.

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

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

The Group's non-current assets by geographical location, which is determined by the geographical location in which the asset is located, is as follows:

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Non-current assets		
PRC, other than Hong Kong, Macau and Taiwan	**27,517**	10,283
Hong Kong	**15,769**	906
US	**306**	460
Italy	**16,022**	–
	59,614	11,649

5 EXPENSES BY NATURE

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

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Auditors' remuneration	**2,152**	1,949
Depreciation of property, plant and equipment	**4,560**	3,995
Amortisation of leasehold land	**6**	6
Amortisation of intangible assets	**438**	–
Employee benefit expenses (including Directors' emoluments)	**280,633**	215,943
Costs of inventories sold	**1,702,730**	1,480,103
Operating lease rentals in respect of buildings	**18,392**	15,828
Research and development costs	**157,734**	113,841
Sales commission	**13,293**	48,991
Provision of trade receivables *(note 8(c))*	**3,666**	632
Loss on disposal of property, plant and equipment	**–**	37
Provision for obsolete inventories	**39,492**	18,687
Donation	**1,106**	1,256

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax	**11,588**	54,407
— Hong Kong profits tax	**59,481**	26,578
Over provision in prior year — net *(Note a)*	**(32,476)**	(9,597)
Total current income tax	**38,593**	71,388
Deferred income tax	**(906)**	–
Income tax expense	**37,687**	71,388

Hong Kong profits tax has been provided for at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year ended 31 December 2015.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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, starting from 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, being calculated at the tax rate of 25%, of approximately HK$32,976,000 was credited to the profit and loss for the year ended 31 December 2015.

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% unless the preferential rate is applicable. Pax Computer Shenzhen is qualified as a High and New Technology Enterprise under the CIT Law and is eligible and approved to enjoy a preferential tax rate of 15% for 3 years from 2015 to 2017. As such, the applicable corporate income tax rate of Pax Computer Shenzhen is 15% for the year ended 31 December 2015.

Pax Technology, Inc. and Pax Italia S.r.l., subsidiaries of the Company in the US and Italy respectively, were operating at net loss positions and did not have any taxable profit for the year ended 31 December 2015 (2014: Nil).

7 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2015	2014
Profit attributable to owners of the Company (HK$'000)	**620,736**	391,806
Weighted average number of ordinary shares in issue (thousand shares)	**1,108,940**	1,079,975
Basic earnings per share (HK$ per share)	**0.560**	0.363

(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 one category of dilutive potential 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 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 share options.

	Year ended 31 December	
	2015	2014
Profit attributable to owners of the Company (HK$'000)	**620,736**	391,806
Weighted average number of ordinary shares in issue (thousand shares)	**1,108,940**	1,079,975
Adjustments for share options (thousand shares)	**16,681**	30,914
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**1,125,621**	1,110,889
Diluted earnings per share (HK$ per share)	**0.551**	0.353

8 TRADE AND BILLS RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Current portion		
Trade receivables *(note (a))*	**995,353**	662,703
Amount due from related parties	**70,912**	–
Less: provision for impairment of receivables *(note (c))*	**(3,694)**	(660)
Trade receivables, net	**1,062,571**	662,043
Bills receivables *(note (b))*	**198,603**	236,235
Trade and bills receivables	**1,261,174**	898,278
Deposits and other receivables	**43,719**	14,084
Trade and bills receivables, deposits and other receivables	**1,304,893**	912,362
Non-current portion		
Prepayments for acquisitions of subsidiaries	**21,975**	–
Others	**9,425**	–
	31,400	–

The fair values of trade and bills receivables, deposits and other receivables approximated their carrying values as at 31 December 2014 and 2015.

(a) Trade receivables

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

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Up to 90 days	**750,231**	425,205
91 to 180 days	**193,517**	121,188
181 to 365 days	**37,174**	54,135
Over 365 days	**85,343**	62,175
	1,066,265	662,703

(b) Bills receivables

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

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

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Up to 90 days	**84,493**	97,600
91 to 180 days	**114,110**	138,635
	198,603	236,235

(c) Provision for impairment of trade receivables

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

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
At beginning of the year	**660**	28
Provision for the year *(note 5)*	**3,666**	632
Bad debt written off in current year	**(597)**	–
Exchange difference	**(35)**	–
At end of the year	**3,694**	660

9 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Trade payables	**702,765**	411,679
Amount due to a related party	**7,764**	12,075
	710,529	423,754
Other payables and accruals		
Receipt in advance from customers	**51,897**	149,292
Other tax payables	**62,560**	63,669
Accrued expenses	**40,506**	38,735
Others	**76,393**	33,168
	231,356	284,864
	941,885	708,618

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Up to 90 days	**636,974**	394,896
91 to 180 days	**71,509**	25,952
181 to 365 days	**33**	380
Over 365 days	**2,013**	2,526
	710,529	423,754

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

10 SUBSEQUENT EVENTS

In November 2015, Wonder Pax, a wholly owned subsidiary of the Group, entered into an agreement with 蘇州知行易信息科技有限公司 (Suzhou Ieasy Information Technology Co., Ltd.) ("Ieasy") and its shareholders, to acquire and subscribe for an aggregate of 60% of the enlarged equity interests in Ieasy with RMB30,000,000 (equivalent to HK$35,407,000). Such acquisition and subscription completed in February 2016.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2015.

DIVIDEND

An interim dividend of HK$0.02 per ordinary share amounting to approximately HK$22.23 million was paid to the shareholders of the Company during the year.

The Board has resolved to recommend a final dividend of HK$0.02 per ordinary share for the year ended 31 December 2015 (year ended 31 December 2014: Nil) to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 13 May 2016 (Friday), subject to the approval of shareholders of the Company at the forthcoming Annual General Meeting of the Company to be held on 22 April 2016 (Friday), and if passed, the final dividend will be paid to the shareholders of the Company on 27 May 2016 (Friday). For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 11 May 2016 (Wednesday) to 13 May 2016 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10 May 2016 (Tuesday). Together with the interim dividend of HK$0.02 ordinary share (six months ended 30 June 2014: Nil), the total dividend per ordinary share for the year was HK$0.04 (2014: Nil).

BUSINESS REVIEW

The Group is a leading Asian E-payment Terminal solutions provider and one of the most active global players. The Group was founded in 2000 and the Company went listed on the Hong Kong Stock Exchange in December 2010. The strategy of PAX is to focus on three key particular customer groups (UMS, Financial Institutions and Operators) by offering various integrated payment solutions services.

Headquartered in Hong Kong, the Group runs R&D and operational center mainly in Shenzhen, PRC. R&D engineers make up 52% and sales and marketing staff 34% of total 974 employees. PAX sources parts and manufacturing of its E-payment Terminals through a wide supplier network, most of which are located in Mainland China. To date, the installed base of PAX E-payment Terminal products reached over 10 million units. With strong global presence, PAX works with nearly 90 distributors or partners worldwide and has sold products to over 100 countries and regions. For the year ended 31 December 2015, 47% of revenue were generated from overseas markets.

Competition in the E-payment Terminal market is moderate as compared to that associated with most other electronic products because of the high entry barrier. According to The Nilson Report issued in July 2015, top three suppliers made nearly 60% of global shipments. Even in Mainland China where competition is relatively keen, number of suppliers is still limited. With long proven track record and strong brand recognition, PAX is recognized as the market leader in China Market. In overseas markets, PAX has been emerging to the top of league especially in APAC, Middle East, Africa and Latin America.

In 2015, PAX officially launched the Multilane. Furthermore, mPOS was promoted to several emerging and developed markets in addition to Brazil. As online payment gradually becomes prevalent, PAX's R&D team has worked on new product series to embrace the trend. The new smart terminal series cites an example that payment technology allows both online and offline payment in one PAX E-payment Terminal. The Group expects a mature and comprehensive product line and further expansion in all regions.

For the year ended 31 December 2015, revenue of the Group rose 21% to HK$2,870.8 million, and profit attributable to owners of the Company surged 58% to HK$620.7 million with basic earnings per share at 56.0 HK cents (2014: 36.3 HK cents). Revenue from overseas markets increased by HK$353.6 million to HK$1,340.9 million, representing a gain of 36%. Revenue from China Market increased 10% year-on-year or by HK$143.9 million to HK$1,529.9 million. Gross profit margin for the period was 38.1%, a rise of 1.7 percentage points compared to 36.4% for the year ended 31 December 2014. This was mainly due to an increase of contribution from overseas sales and successful cost reduction. In addition, Pax Computer Shenzhen was recognized 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. Wonder Pax obtained the approval from the relevant applicable tax authorities in April 2015 for a preferential tax treatment and is fully exempted from China 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 2015.

MODEL CODE FOR 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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Specific enquiry had been made to all the directors of the Company (the "Directors") and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

The Company has also established written guidelines with exact terms as set out in Appendix 10 to the Listing Rules for securities transactions by employees who are likely to possess inside information of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 to the Listing Rules.

The Company has applied in formulating its corporate governance practices the Principles and complied with all the Code Provisions for the year ended 31 December 2015.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to the CG Code and "A Guide for The Formation of An Audit Committee" published by The Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of both external and internal audit and of internal controls and risk evaluation. The Audit Committee was established by the Board on 1 December 2010 with written terms of reference which was amended and adopted by the Board on 28 December 2015. The Audit Committee comprises three independent non-executive Directors, namely Mr. Yip Wai Ming, Dr. Wu Min and Mr. Man Kwok Kuen, Charles. Two meetings were held during the year ended 31 December 2015.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2015.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained during the year ended 31 December 2015 sufficient public float as required under the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This 2015 annual 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 annual 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 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2015. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2015, which will be included in the Company's 2015 annual report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 8 March 2016

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