

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



PAX Global Technology Limited

百富環球科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 327)

**CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK AGREEMENT
FOR THE PURCHASE OF CHIPS**

Reference is made to the announcement of the Company dated 31 December 2013 in relation to, among others, the purchase of the Security Decoder Chips by the Group from the Hi Sun Group under the Existing Framework Agreement which will expire on 31 December 2016.

The Parties entered into the 2017 Framework Agreement on 30 December 2016, pursuant to which the Group will: (i) continue to purchase the Security Decoder Chips; and (ii) purchase the Controller Unit Chips and the Contactless Reader Chips from the Hi Sun Group for a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

As at the date of announcement, Hi Sun is a substantial Shareholder holding approximately 32.86% of the Company's issued share capital and is therefore a connected person of the Company under Chapter 14A of the Listing Rules, hence the transactions contemplated under the 2017 Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps of the Consideration under the 2017 Framework Agreement on an annual basis exceeds 0.1% but is less than 5%, the continuing connected transactions contemplated under the 2017 Framework Agreement are subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

* For identification purposes only

BACKGROUND INFORMATION

Reference is made to the announcement of the Company dated 31 December 2013 in relation to, among others, the continuing connecting transactions between the Group and the Hi Sun Group under the Existing Framework Agreement.

As the Existing Framework Agreement will expire on 31 December 2016 and the Company intends to (i) continue to purchase the Security Decoder Chips; and (ii) purchase the Controller Unit Chips and the Contactless Reader Chips from the Hi Sun Group (the “Sale and Purchase”) in its ordinary and usual course of business, the Company and Hi Sun entered into the 2017 Framework Agreement, pursuant to which the Group will purchase and the Hi Sun Group will sell the Chips for a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

THE 2017 FRAMEWORK AGREEMENT

The key terms of the 2017 Framework Agreement are summarized as follows:

- Date: 30 December 2016
- Parties: (1) the Company (as purchaser); and
(2) Hi Sun (as seller) (collectively as the “Parties”)
- Subject matter: The Group will purchase and the Hi Sun Group will sell the Chips in accordance with the terms of the Individual Agreements.
- Individual agreements: During the Term, respective members of the Group and the Hi Sun Group will from time to time enter into individual agreements (the “Individual Agreements”) which will set out the terms of the individual Sale and Purchase negotiated based on the following principles:
- (a) the Sale and Purchase would be on normal commercial terms following arm’s length negotiations;
 - (b) the prices of the Chips would be determined by making reference to the prices of the same or similar products sold by the Hi Sun Group to its customers and the prevailing market prices of similar products in the industry; and
 - (c) the terms and conditions of the Sale and Purchase, including terms of settlement, would be no less favourable to the Group than those available from independent third parties from time to time.

Undertaking: The Company has undertaken in favour of the Hi Sun Group that the Chips to be purchased under the 2017 Framework Agreement will be used by the Group for production of E-Payment Terminal related products.

Term: The term of the 2017 Framework Agreement is three years commencing from 1 January 2017 and ending on 31 December 2019 (the “Term”).

ANNUAL CAP

The annual caps of the Consideration of the Sale and Purchase under the 2017 Framework Agreement for each of the years ending 31 December 2017, 31 December 2018 and 31 December 2019 are set out as below:

Period	Consideration not exceeding
1 January 2017–31 December 2017	HK\$65,000,000
1 January 2018–31 December 2018	HK\$70,000,000
1 January 2019–31 December 2019	HK\$75,000,000

In determining the above annual caps, the Board took into account the following factors:

- (i) the historical sales amount of the E-Payment Terminal related products of the Group;
- (ii) the estimated market demand of the E-Payment Terminal related products during the Term and the anticipated business development and capabilities of the Group; and
- (iii) the estimated market prices of the Chips.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2017 FRAMEWORK AGREEMENT

The Group is an E-Payment Terminal solutions provider principally engaged in the development and sale of E-Payment Terminal products and provision of related services. It is expected that the Group will be continuously in demand of the Chips in its ordinary and usual course of business as the Chips are essential components of E-Payment Terminal related products.

The Directors consider that the entering into of the 2017 Framework Agreement can ensure continuous and stable supply of the Chips for production of the Group’s E-Payment Terminal related products and lower the production cost by saving the operational cost in sourcing suitable market suppliers, as the Chips supplied by the Hi Sun Group are fit for production needs of the Group with specifications not commonly found in those sold and supplied by other market suppliers.

In view of the above, the Directors consider that the terms of the 2017 Framework Agreement are fair and reasonable, on normal commercial terms, and are entered into in the ordinary and usual course of business of the Group and in the interests of the Group and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of announcement, Hi Sun is a substantial Shareholder holding approximately 32.86% of the Company's issued share capital and is therefore a connected person of the Company under Chapter 14A of the Listing Rules, hence the transactions contemplated under the 2017 Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps of the Consideration under the 2017 Framework Agreement on an annual basis exceeds 0.1% but is less than 5%, the continuing connected transactions are subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li Wenjin, who concurrently serves as a Director of the Company and also a director of Hi Sun, is deemed to have a material interest in the continuing connected transactions contemplated under the 2017 Framework Agreement and has accordingly abstained from voting on the Board resolution approving the 2017 Framework Agreement, including the annual caps in accordance with Rule 13.44 of the Listing Rules.

DEFINITIONS

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

“2017 Framework Agreement”	the 2017 framework agreement entered into between the Company and Hi Sun dated 30 December 2016 in relation to the purchase of the Chips by the Group from the Hi Sun Group;
“Board”	the board of Directors;
“Chips”	collectively the Contactless Reader Chips, Controller Unit Chips and Security Decoder Chips;
“Company”	PAX Global Technology Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“Consideration”	the total contract value of the Sale and Purchase;
“Contactless Reader Chips”	the contactless reader chips (非接觸卡讀卡芯片);

“Controller Unit Chips”	the security micro controller unit chips (加密安全處理器芯片);
“Directors”	the directors of the Company;
“E-Payment Terminal”	electronic fund transfer point-of-sale terminal;
“Existing Framework Agreement”	the framework agreement entered into between the Company and Hi Sun dated 31 December 2013 in relation to the purchase of the Security Decoder Chips by the Group from the Hi Sun Group;
“Group”	the Company and its subsidiaries;
“Hi Sun”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“Hi Sun Group”	Hi Sun and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Security Decoder Chips”	the mag-stripe card security decoder chips (磁條卡加密解碼芯片);
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“HK\$”	Hong Kong dollars, lawful currency of Hong Kong.

By Order of the Board of
PAX Global Technology Limited
Li Wenjin
Executive Director

Hong Kong, 30 December 2016

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.