**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 2017

**FINANCIAL HIGHLIGHTS**

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2017** | 2016 | +/(-) |
| **RESULTS** ***(in HK$'000)*** | | | |
| Revenue | **1,605,699** | 1,332,715 | +20.5% |
| Gross profit | **669,792** | 581,558 | +15.2% |
| EBITDA | **305,729** | 358,369 | -14.7% |
| Profit attributable to the owners of the Company | **264,942** | 310,569 | -14.7% |
| Research and development expenses (included in administrative expenses) | **119,290** | 62,105 | +92.1% |
| **PER SHARE** ***(in HK$)*** | | | +/(-) |
| Earnings per share for profit attributable to the owners of the Company | | | |
| – Basic | **0.238** | 0.279 | -14.7% |
| – Diluted | **0.237** | 0.276 | -14.1% |
| Interim dividend per ordinary share | **0.040** | 0.040 | |

| | **As at 30 June 2017** | As at 31 December 2016 | +/(-) |
|---|---|---|---|
| **KEY BALANCE SHEET ITEMS** ***(in HK$'000)*** | | | |
| Total current assets | **4,351,378** | 4,220,419 | +3.1% |
| Total assets | **4,700,344** | 4,433,063 | +6.0% |
| Net current assets | **3,457,835** | 3,295,002 | +4.9% |
| Total equity | **3,797,784** | 3,501,283 | +8.5% |

* *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 2017 together with the unaudited comparative figures for the corresponding period in 2016 as follows:

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | | **Unaudited** | |
|---|---|---|---|
| | | **Six months ended 30 June** | |
| | | **2017** | 2016 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **1,605,699** | 1,332,715 |
| Cost of sales | *6* | **(935,907)** | (751,157) |
| Gross profit | | **669,792** | 581,558 |
| Other income | *4* | **27,253** | 31,922 |
| Selling expenses | *6* | **(195,083)** | (125,759) |
| Administrative expenses | *6* | **(209,885)** | (132,917) |
| Operating profit | | **292,077** | 354,804 |
| Finance costs | | **(1,199)** | (7,369) |
| Profit before income tax | | **290,878** | 347,435 |
| Income tax expense | *8* | **(37,110)** | (40,222) |
| **Profit for the period** | | **253,768** | 307,213 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **264,942** | 310,569 |
| Non-controlling interests | | **(11,174)** | (3,356) |
| | | **253,768** | 307,213 |
| | | ***HK$ per share*** | *HK$ per share* |
| **Earnings per share for profit attributable to the owners of the Company:** | | | |
| – Basic | *9(a)* | **0.238** | 0.279 |
| – Diluted | *9(b)* | **0.237** | 0.276 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| **Profit for the period** | **253,768** | 307,213 |
| **Other comprehensive income, net of tax** | | |
| *Items that may be subsequently reclassified to profit or loss* | | |
| Change in value of available-for-sale financial asset | **1,156** | – |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | **56,429** | (1,842) |
| **Total comprehensive income for the period** | **311,353** | 305,371 |
| **Total comprehensive income for the period attributable to:** | | |
| Owners of the Company | **322,690** | 309,155 |
| Non-controlling interests | **(11,337)** | (3,784) |
| | **311,353** | 305,371 |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | **Unaudited 30 June 2017** *HK$'000* | Audited 31 December 2016 *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **64,100** | 67,919 |
| Land use rights | | **188** | 186 |
| Prepayment for land use rights | | **83,333** | – |
| Intangible assets | | **118,613** | 89,392 |
| Deferred income tax assets | | **18,107** | 16,794 |
| Available-for-sale financial asset | | **18,282** | – |
| Other non-current assets | | **46,343** | 38,353 |
| **Total non-current assets** | | **348,966** | 212,644 |
| **Current assets** | | | |
| Inventories | | **728,849** | 596,539 |
| Trade and bills receivables | *11* | **1,743,572** | 1,347,446 |
| Deposits and other receivables | | **92,492** | 68,919 |
| Restricted cash | | **11,916** | 310 |
| Cash at bank and on hand | | **1,774,549** | 2,207,205 |
| **Total current assets** | | **4,351,378** | 4,220,419 |
| **Total assets** | | **4,700,344** | 4,433,063 |
| **EQUITY** | | | |
| **Equity attributable to the owners of the Company** | | | |
| Share capital | | **111,319** | 110,787 |
| Reserves | | **3,658,233** | 3,354,748 |
| | | **3,769,552** | 3,465,535 |
| Non-controlling interests | | **28,232** | 35,748 |
| **Total equity** | | **3,797,784** | 3,501,283 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **9,017** | 6,363 |
| **Current liabilities** | | | |
| Trade payables | *12* | **704,928** | 662,485 |
| Other payables and accruals | | **129,489** | 226,791 |
| Taxation payable | | **59,126** | 36,141 |
| **Total current liabilities** | | **893,543** | 925,417 |
| **Total liabilities** | | **902,560** | 931,780 |
| **Total equity and liabilities** | | **4,700,344** | 4,433,063 |

*Notes:*

## 1 GENERAL INFORMATION

The Company is an investment holding company and the Group is principally engaged in the development and sales of electronic funds transfer point-of-sale terminals ("E-payment Terminals") products, provision of payment solutions services and maintenance services (collectively, the "E-payment Terminals 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 interim condensed consolidated financial information is presented in thousands of Hong Kong dollar (HK$'000), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue by the Board of the Company on 9 August 2017.

This interim condensed consolidated financial information has not been audited.

**Significant event and transaction**

The operational highlight of the period is the completion of the acquisition and subscription of an aggregate of 60% equity stake in CSC Italia S.r.l. ("CSC Italia"), a company that is principally engaged in the business of installation and technical assistance on E-payment Terminals, personal computers, systems cash-in or cash-out and automatic teller machines in Italy.

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2017 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 interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, 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 2016, as described in those annual financial statements.

### (a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are subsequently carried at fair values. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the interim condensed consolidated income statement.

Dividends on available-for-sale equity instruments are recognised in the interim condensed consolidated income statement as part of other income when the Group's right to receive payments is established.

### (b) Amendments to HKFRSs effective for the financial year ending 31 December 2017 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.

### (c) Impact of standards issued but not yet applied by the Group

#### *(i) HKFRS 9 "Financial instruments"*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, equity instrument held by the Group currently classified as available-for-sale financial asset would appear to satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") for which a FVOCI election is available and hence there will be no change to the accounting for these assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

## 3 ACCOUNTING POLICIES (Continued)

### (c) Impact of standards issued but not yet applied by the Group (Continued)

#### *(i) HKFRS 9 "Financial instruments" (Continued)*

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from contracts with customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

#### *(ii) HKFRS 15 "Revenue from contracts with customers"*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sales of goods and the rendering of services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

- Rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

## 3 ACCOUNTING POLICIES (Continued)

### (c) Impact of standards issued but not yet applied by the Group (Continued)

#### *(ii) HKFRS 15 "Revenue from contracts with customers" (Continued)*

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

#### *(iii) HKFRS 16, "Leases"*

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$41,788,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

## 4 REVENUE AND OTHER INCOME

The Group is principally engaged in the sales of E-payment Terminals products, the provision of payment solutions services and maintenance services. Revenue and other income recognised during the period are as follows:

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Sales of E-payment Terminals products | **1,504,630** | 1,296,986 |
| Services: | | |
| Payment solutions services | **76,477** | 20,216 |
| Maintenance services | **24,592** | 15,513 |
| | **1,605,699** | 1,332,715 |
| **Other income** | | |
| Interest income | **7,936** | 8,404 |
| Value-added tax refund *(Note (i))* | **8,535** | 22,404 |
| Subsidy income | **9,233** | 152 |
| Others | **1,549** | 962 |
| | **27,253** | 31,922 |

*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 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 Terminals 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), 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 for the period by segment is as follows:

| | **Unaudited Six months ended 30 June 2017** | | | | | |
|---|---|---|---|---|---|---|
| | **PRC, excluding 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 | **693,429** | **733,659** | **149,368** | **29,243** | **–** | **1,605,699** |
| Inter-segment turnover | **521,093** | **46,242** | **–** | **–** | **(567,335)** | **–** |
| Total turnover | **1,214,522** | **779,901** | **149,368** | **29,243** | **(567,335)** | **1,605,699** |
| Segmental earning/(loss) before interest expense, taxes, depreciation and amortisation ("EBITDA/(LBITDA)") | **12,508** | **271,101** | **27,995** | **(3,224)** | **(2,651)** | **305,729** |
| Depreciation | **(11,308)** | **(135)** | **(59)** | **(223)** | **–** | **(11,725)** |
| Amortisation | **(1,497)** | **–** | **–** | **(430)** | **–** | **(1,927)** |
| Segmental operating profit/(loss) | **(297)** | **270,966** | **27,936** | **(3,877)** | **(2,651)** | **292,077** |
| Finance costs | | | | | | **(1,199)** |
| Profit before income tax | | | | | | **290,878** |
| Income tax expense | | | | | | **(37,110)** |
| Profit for the period | | | | | | **253,768** |

## 5 SEGMENT INFORMATION (Continued)

| | Unaudited Six months ended 30 June 2016 | | | | | |
|---|---|---|---|---|---|---|
| | PRC, excluding Hong Kong, Macau and Taiwan | Hong Kong | US | Italy | Elimination | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover from external customers | 770,724 | 420,642 | 96,090 | 45,259 | – | 1,332,715 |
| Inter-segment turnover | 393,404 | 97,632 | – | – | (491,036) | – |
| Total turnover | 1,164,128 | 518,274 | 96,090 | 45,259 | (491,036) | 1,332,715 |
| Segmental EBITDA | 234,853 | 126,040 | 7,260 | 3,614 | (13,398) | 358,369 |
| Depreciation | (1,824) | (134) | (185) | (149) | – | (2,292) |
| Amortisation | (831) | – | – | (442) | – | (1,273) |
| Segmental operating profit | 232,198 | 125,906 | 7,075 | 3,023 | (13,398) | 354,804 |
| Finance costs | | | | | | (7,369) |
| Profit before income tax | | | | | | 347,435 |
| Income tax expense | | | | | | (40,222) |
| Profit for the period | | | | | | 307,213 |

The segment assets and liabilities as at 30 June 2017 and additions to non-current assets for the six months ended 30 June 2017 are as follows:

| | **Unaudited As at 30 June 2017** | | | | | |
|---|---|---|---|---|---|---|
| | **PRC, excluding Hong Kong, Macau and Taiwan** | **Hong Kong** | **US** | **Italy** | **Elimination** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Segment assets | **3,334,692** | **1,703,612** | **143,120** | **134,001** | **(615,081)** | **4,700,344** |
| Segment liabilities | **1,193,845** | **92,714** | **155,146** | **46,247** | **(585,392)** | **902,560** |

## 5 SEGMENT INFORMATION (Continued)

| | **Unaudited Six months ended 30 June 2017** | | | | | |
|---|---|---|---|---|---|---|
| | **PRC, excluding Hong Kong, Macau and Taiwan** | **Hong Kong** | **US** | **Italy** | **Elimination** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Additions to non-current assets | **95,262** | **300** | **240** | **31.166** | **–** | **126,968** |

The segment assets and liabilities as at 31 December 2016 and additions to non-current assets for the six months ended 30 June 2016 are as follows:

| | Audited As at 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | PRC, excluding Hong Kong, Macau and Taiwan | Hong Kong | US | Italy | Elimination | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets | 3,360,671 | 1,483,999 | 127,537 | 70,631 | (609,775) | 4,433,063 |
| Segment liabilities | 1,224,057 | 113,234 | 167,499 | 20,695 | (593,705) | 931,780 |

| | Unaudited Six months ended 30 June 2016 | | | | | |
|---|---|---|---|---|---|---|
| | PRC, excluding Hong Kong, Macau and Taiwan | Hong Kong | US | Italy | Elimination | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Additions to non-current assets | 85,058 | 29 | 170 | 615 | – | 85,872 |

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

## 5 SEGMENT INFORMATION (Continued)

Additions to non-current assets mainly comprise additions to property, plant and equipment, prepayment for land use rights, and intangible assets including additions resulting from acquisitions through business combinations.

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

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

| | **Unaudited As at 30 June 2017** | Audited As at 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current assets** | | |
| PRC, other than Hong Kong, Macau and Taiwan | **279,215** | 196,845 |
| Hong Kong | **23,129** | 626 |
| US | **306** | 125 |
| Italy | **46,316** | 15,048 |
| | **348,966** | 212,644 |

For the period ended 30 June 2017, revenue of approximately HK$455,132,000 is derived from the largest customer, representing 28.3% of the total revenue, which is attributable to the Hong Kong operating segment; HK$110,570,000 is derived from the second largest customer, representing 6.9% of the total revenue, which is attributable to PRC operating segment. For the period ended 30 June 2016, revenue of approximately HK$151,417,000 is derived from the largest customer, representing 11.4% of the total revenue, which is attributable to the PRC operating segment; HK$142,668,000 is derived from the second largest customer, representing 10.7% of the total revenue, which is attributable to Hong Kong operating segment.

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

## 6 EXPENSES BY NATURE

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

| | Unaudited<br>Six months ended 30 June<br>2017<br>*HK$'000* | <br><br>2016<br>*HK$'000* |
|---|---|---|
| Auditor's remuneration | **1,447** | 1,097 |
| Depreciation of property, plant and equipment | **11,725** | 2,292 |
| Amortisation of land use rights | **3** | 3 |
| Amortisation of intangible assets | **1,924** | 1,270 |
| Employee benefits expense (including Directors' emoluments) *(Note 7)* | **200,910** | 123,824 |
| Costs of inventories sold | **919,641** | 738,140 |
| Operating lease rentals in respect of buildings | **13,377** | 11,007 |
| Research and development costs | **119,290** | 62,105 |
| Reversal of provision for obsolete inventories | **(2,928)** | (6,684) |
| Donation | **750** | – |

## 7 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

| | Unaudited<br>Six months ended 30 June<br>2017<br>*HK$'000* | <br><br>2016<br>*HK$'000* |
|---|---|---|
| Wages and salaries | **174,177** | 102,989 |
| Share options granted to employees | **–** | 3,513 |
| Social security and pension costs | **26,733** | 17,322 |
| | **200,910** | 123,824 |

## 8 INCOME TAX EXPENSE

| | Unaudited<br>Six months ended 30 June<br>2017<br>*HK$'000* | <br><br>2016<br>*HK$'000* |
|---|---|---|
| Current income tax | | |
| – PRC corporate income tax | **783** | 24,065 |
| – Hong Kong profits tax | **45,143** | 21,892 |
| (Over)/under provision in prior years | **(7,471)** | 453 |
| Total current income tax | **38,455** | 46,410 |
| Deferred income tax | **(1,345)** | (6,188) |
| Income tax expense | **37,110** | 40,222 |

## 8 INCOME TAX EXPENSE (Continued)

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profit for the six months ended 30 June 2017.

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

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the "CIT Law"), companies in the PRC are subject to income tax of 25% unless preferential rate is applicable. Pax Computer Technology (Shenzhen) Co., Ltd. ("Pax Computer Shenzhen"), a wholly-owned subsidiary of the Company, is located in the Shenzhen Special Economic Zone. Pursuant to Caishui [2016] Circular 49 jointly released by the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology of the PRC, management performed self-assessment on the eligibility for the tax incentives. Management estimated that Pax Computer Shenzhen was qualified as a National Key Software Enterprise and entitled to the preferential corporate income tax rate of 10% starting from the year ended 31 December 2016. As such, the applicable corporate income tax rate of Pax Computer Shenzhen is 10% for the six months ended 30 June 2017.

Wonder Pax Technology (Shenzhen) Co. Ltd. ("Wonder Pax"), a wholly-owned subsidiary of the Group, obtained approval from the relevant 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. As such, the applicable corporate income tax rate of Wonder Pax is 12.5% for the six months ended 30 June 2017.

The application of the preferential tax rate is a critical accounting estimate.

## 9 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit for the six months ended 30 June 2017 attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2017.

| | **Unaudited** | |
|---|---|---|
| | **Six months ended 30 June** | |
| | **2017** | 2016 |
| Profit attributable to the owners of the Company *(HK$'000)* | **264,942** | 310,569 |
| Weighted average number of ordinary shares in issue *(thousand shares)* | **1,111,019** | 1,114,220 |
| Basic earnings per share *(HK$ per share)* | **0.238** | 0.279 |

## 9 EARNINGS PER SHARE (Continued)

### (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<br>Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| Profit attributable to the owners of the Company *(HK$'000)* | **264,942** | 310,569 |
| Weighted average number of ordinary shares in issue *(thousand shares)* | **1,111,019** | 1,114,220 |
| Adjustments for share options *(thousand shares)* | **4,792** | 10,563 |
| Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)* | **1,115,811** | 1,124,783 |
| Diluted earnings per share *(HK$ per share)* | **0.237** | 0.276 |

## 10 DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.04 per ordinary share for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$0.04 per ordinary share), totaling to approximately HK$44,528,000 (six months ended 30 June 2016: HK$44,715,000) payable on 11 September 2017 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 28 August 2017. The amount of interim dividend declared was calculated based on the number of ordinary shares in issue at the date of approval of the interim condensed consolidated financial information.

## 11 TRADE AND BILLS RECEIVABLES

| | Unaudited 30 June 2017 HK$'000 | Audited 31 December 2016 HK$'000 |
|---|---|---|
| Trade receivables *(Note (a))* | **1,642,804** | 1,245,947 |
| Amount due from a related party *(Note (a))* | **76,488** | 65,196 |
| *Less:* provision for impairment of receivables | **(5,022)** | (4,067) |
| Trade receivables, net | **1,714,270** | 1,307,076 |
| Bills receivables *(Note (b))* | **29,302** | 40,370 |
| Trade and bills receivables | **1,743,572** | 1,347,446 |

*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 2017 and 31 December 2016, the ageing analysis of the trade receivables based on invoice date was as follows:

| | Unaudited 30 June 2017 HK$'000 | Audited 31 December 2016 HK$'000 |
|---|---|---|
| Up to 90 days | **1,137,600** | 846,807 |
| 91 days to 180 days | **210,750** | 277,772 |
| 181 days to 365 days | **233,260** | 58,915 |
| Over 365 days | **137,682** | 127,649 |
| | **1,719,292** | 1,311,143 |

As at 30 June 2017, trade receivables included retention money receivables of HK$98,475,000 (31 December 2016: HK$77,874,000) which represents approximately 2% to 5% (31 December 2016: 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 2017, retention money receivables aged over 365 days amounted to HK$65,843,000 (31 December 2016: HK$57,932,000).

## 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 2017 *HK$'000*** | Audited 31 December 2016 *HK$'000* |
|---|---|---|
| Up to 90 days | **15,543** | 40,370 |
| 91 days to 180 days | **13,759** | – |
| | **29,302** | 40,370 |

## 12 TRADE PAYABLES

As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade payables based on invoice date was as follows:

| | **Unaudited 30 June 2017 *HK$'000*** | Audited 31 December 2016 *HK$'000* |
|---|---|---|
| Up to 90 days | **647,502** | 567,613 |
| 91 days to 180 days | **51,052** | 92,649 |
| 181 days to 365 days | **758** | – |
| Over 365 days | **5,616** | 2,223 |
| | **704,928** | 662,485 |

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

## 13 EVENT AFTER THE REPORTING PERIOD

On 3 July 2017, Pax Technology Limited, a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Kwang Woo Information & Communication Co., Ltd. ("Kwang Woo") and its existing shareholders to conditionally acquire up to 80% of the issued share capital of Kwang Woo (the "Acquisition") at an aggregate consideration of up to US$6,400,000 in up to four tranches. Subject to fulfillment of certain conditions precedents, the Group shall acquire an aggregate of 51% of the Kwang Woo's issued share capital upon completion of the first tranche of the Acquisition at a consideration of US$4,080,000. Immediately after completion of the first tranche, Kwang Woo shall become an indirect subsidiary of the Company and the accounts of Kwang Woo shall be consolidated to the accounts of the Group. As at the date on which the interim condensed consolidated financial information was issued, the Acquisition has not been completed.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

### Revenue

Turnover increased by 20.5% or HK$273.0 million to HK$1,605.7 million for the six months ended 30 June 2017 from HK$1,332.7 million for the six months ended 30 June 2016. Turnover from overseas markets increased by HK$348.7 million to HK$1,087.0 million, representing a strong growth of 47.2%. Turnover from the People's Republic of China (the "PRC") excluding Hong Kong, Macau and Taiwan ("China Market") decreased by 12.7% or HK$75.7 million to HK$518.7 million.

### *i) Sales by Geographical Region*

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2017** | 2016 | +/(-) |
| | ***HK$'000*** | *HK$'000* | |
| **Overseas markets** | | | |
| – Latin America and the Commonwealth of Independent States ("LACIS") | **569,653** | 230,787 | +146.8% |
| – Europe, Middle East and Africa ("EMEA") | **263,464** | 326,243 | -19.2% |
| – United States of America and Canada Region ("USCA") | **149,368** | 96,090 | +55.4% |
| – Asia Pacific Region (except for Mainland China) ("APAC") | **104,485** | 85,199 | +22.6% |
| | **1,086,970** | 738,319 | +47.2% |
| **China Market** | **518,729** | 594,396 | -12.7% |
| Total | **1,605,699** | 1,332,715 | +20.5% |

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

Turnover generated from overseas markets increased by 47.2% to HK$1,087.0 million for the six months ended 30 June 2017 from HK$738.3 million for the six months ended 30 June 2016. Most overseas business units recorded notable growth especially in the LACIS and USCA. Overseas markets turnover contributed to 67.7% of total revenue compared with 55.4% for the six months ended 30 June 2016. As at 30 June 2017, we had in aggregate over 90 overseas distributors and partners worldwide.

Turnover generated from the China Market decreased by 12.7% to HK$518.7 million for the six months ended 30 June 2017, from HK$594.4 million for the six months ended 30 June 2016. China Market turnover contributed to 32.3% of total revenue compared with 44.6% for the six months ended 30 June 2016. The decrease was mainly due to the indirect influence of the newly implemented interchange rate payment policy and the continuously keen market competition.

### ii) *Sales by Product Category*

| | **For the six months ended 30 June** | | |
|---|---|---|---|
| | **2017** | 2016 | +/(-) |
| | ***HK$'000*** | *HK$'000* | |
| E-payment Terminals | 1,467,938 | 1,272,538 | +15.4% |
| Services: | | | |
| Payment Solutions Services | 76,477 | 20,216 | +278.3% |
| Maintenance Services | 24,592 | 15,513 | +58.5% |
| Others* | 36,692 | 24,448 | +50.1% |
| Total | 1,605,699 | 1,332,715 | +20.5% |

* *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 products**

E-payment Terminals products include smart E-payment Terminals, traditional E-payment Terminals (countertop and wireless E-payment Terminals, pin pad devices and multilane E-payment Terminals) and mobile E-payment Terminals.

Turnover from the sales of E-payment Terminals products increased by 16.0% to HK$1,504.6 million for the six months ended 30 June 2017 from HK$1,297.0 million for the six months ended 30 June 2016. The increase is mainly due to the increase in sales in the overseas markets during the period.

**Services**

***i) Payment Solutions Services***

Turnover from the provision of payment solutions services increased by 278.3% to HK$76.5 million for the six months ended 30 June 2017 as compared to HK$20.2 million for the six months ended 30 June 2016. Payment solutions services income was mainly generated from the provision of value-added solutions services in the China Market.

***ii) Maintenance Services***

Turnover from the provision of maintenance services increased by 58.5% to HK$24.6 million for the six months ended 30 June 2017 as compared to HK$15.5 million for the six months ended 30 June 2016. Maintenance services income was generated in Hong Kong and Italy.

**Gross Profit Margin**

Gross profit margin for the six months ended 30 June 2017 was 41.7%, representing a slight decrease in 190 basis points compared to 43.6% for the six months ended 30 June 2016. This was mainly due to the keen competition in the China Market and the incentive given to long-term customers in overseas markets.

**Other Income**

Other income, comprising primarily value-added tax refund and interest income decreased by 14.6% to HK$27.3 million for the six months ended 30 June 2017 from HK$31.9 million for the six months ended 30 June 2016. The decrease was mainly due to the decrease of value-added tax refund.

**Selling Expenses**

Selling expenses increased by 55.1% to HK$195.1 million for the six months ended 30 June 2017, from HK$125.8 million for the six months ended 30 June 2016. The increase was mainly due to the increase of sales and after-sales service staff headcounts.

**Administrative Expenses**

Administrative expenses increased by 57.9% to HK$209.9 million for the six months ended 30 June 2017 from HK$132.9 million for the six months ended 30 June 2016. The increase was mainly due to the expansion of research and development ("R&D") centres and teams and additional headcounts.

**Profit Attributable to the Owners of the Company and Net Profit Margin**

As a result of the foregoing, the profit attributable to the owners of the Company decreased by 14.7% to HK$264.9 million for the six months ended 30 June 2017 from HK$310.6 million for the six months ended 30 June 2016. The net profit margin decreased to 15.8% for the six months ended 30 June 2017 from 23.3% for the six months ended 30 June 2016.

## OVERVIEW

The Group is an innovative global E-payment Terminals solutions provider, engaging in the development and sales of E-payment Terminals products and E-payment Terminals solutions business. Owing to its outstanding services and leading position, the Group is one of the fastest growing suppliers in the payment industry which possesses the most advanced production facilities, excellent R&D capabilities as well as sales networks and cooperation channels worldwide. Today, the Group has a huge customer base and works with over 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 ANALYSIS AND INDUSTRY TRENDS

**i) Overseas Markets**

Overseas market demand for PAX E-payment Terminals is expected to grow consistently in coming years, as driven by four key factors: (i) increasing global trend of cashless and contactless transactions, (ii) new demand for payment terminals with built-in cameras and scanners catering for QR code technology, (iii) still low penetration level of E-payment Terminals in many emerging markets, and (iv) supportive government and industry policies.

- ***LACIS***

  With its dominant leading position in the Brazilian mobile payment terminals ("mPOS") market, Pax recorded substantial growth in LACIS, attributing to the gradual expansion of customer scale and successful launch of traditional payment terminals in Brazilian market in the fourth quarter of 2016. According to the data from the Central Bank of Brazil, the approximately 8.7% and 6.8% year-on-year respective increase in volume and amount of credit card transactions in Brazilian market in 2016, and the quarter-on-quarter positive growth of Brazil's gross domestic product in the first quarter of 2017 have altogether provided positive driving force to the Brazilian payment industry. While PAX maintains strong relationship with major merchant acquirers in Brazil, other acquirers have also started using PAX's products gradually. In terms of products, in addition to its principal sales of mPOS, PAX also continues to promote traditional payment terminals to customers. Meanwhile, benefiting from the renowned acceptance and reputation in Brazil, the Group's sales and market share have continued to record growth in other Latin America markets. Under the Central Bank of Argentina's promulgation of streamlined and secure payment transactions with reduced use of cash, PAX achieved an exciting sales increment in Argentina and we expect to receive more and more sales orders in the second half of 2017. In Russia, PAX's market recognition has further enhanced through the deployment of model D200 payment terminals on all metro ticket machines in Moscow in 2016. We are looking forward to achieving new sales record in Russia this year.

- ***USCA***

  In the US market, PAX is in growth stage and keeps on gaining more new customers and larger market share, primarily driven by our diversified and high-quality products, established team of experienced American staffs and PAX's growing brand recognition over the years. Going with the prevailing trend of Europay, Mastercard and Visa ("EMV") migration and the further delay of EMV migration in certain markets such as retail and petroleum stations, we expect the demand of E-payment Terminals in the US will remain strong over the next few years. PAX will introduce a new family of payment terminals to target three market segments: integrated multilane for large chain stores, new generation cash registers for small to medium sized merchants and unattended solutions for petroleum stations.

- ***APAC***

  According to the data from the Reserve Bank of India, the number of E-payment Terminals installed in the Indian market recorded a growth of more than 50% from December 2016 to June 2017, reflecting the implementation of demonetization policies in second half of 2016, such as banknote replacement and reduction of electronic transaction charges which have brought positive stimulation to the payment market. With a more than one billion population, we expect the demand of mPOS in the Indian market to grow substantially in the future. In many other APAC markets, owing to our comprehensive and high-quality product line and its adaptiveness to local infrastructure environment, PAX will continue to be in a leading position.

- ***EMEA***

  Following the acquisition of CSC Italia in early 2017, one of the largest local service providers for installation and maintenance of E-payment Terminals and other electronic equipment in Italy, PAX is positioned as a key payment terminals solution supplier to acquiring banks in Italy. In Eastern Europe, sales grew steadily, while new product certifications have been in progress in certain major European markets in mid-2017. Shipments slightly slowed down in certain parts of the Middle East region in the first half of the year. In the African region, PAX continues to diversify its product line in order to strive for stable growth and market share.

**ii) China Market**

China Market remained volatile in the first half of the year for two key reasons: the influence of the newly implemented interchange rate payment policy in September 2016, and the continuously keen market competition.

The increasingly competitive China payment market continues to put pressure on our product price and gross margin. Through R&D, the Group keeps on developing low-cost and high-quality products in order to alleviate the margin compression. New payment policy of interchange rates, has led to the emergence of two main market trends towards the low-end mPOS or the smart payment terminals. While the extent of influence of the latter trend will be subject to market receptiveness and yet to be determined, the driving force of the low-end mPOS during the period has been evident which has stimulated the demand of PAX's high-quality and low-cost mPOS products, thus partially offset the impact on revenue affected by product mix shifting.

Payment technology in China has developed rapidly over the past few years. QR code payment, being one of the payment trends, has opened up more opportunites for the payment terminals industry. This year, PAX has introduced QR55, a new payment terminal type focusing on near field communications (NFC) and QR code payments, targeting to take advantage of the micro and small merchants' demand for secure and low-cost payment terminals. Notwithstanding the aforesaid newly generated demand, some merchants choosing to use solely QR code technology for transaction processing will nonetheless impact on the demand of traditional payment terminals, as well as stimulating the transition of the terminals market.

In terms of service income, Shanghai Kashuo Information Technology Company Limited, a subsidiary of the Company, is currently in the business development and investment phase, and we consider factors such as the rapid technological changes and unexpected market responses in China may pose challenges to the growth potential of the recently launched business initiatives.

According to market research, the penetration rate of cashless payment is still less than 50%. Additionally, the penetration rate of credit card in the China Market (a per capita credit card possession of 0.34 card in 2016) remains remarkably low when compared with more mature markets, such as the US (a per capita credit card possession of 1.65 cards in 2016). Relevant payment industry data reveals a continuous growth of the number of installed terminals, and the number of bank cards in China will increase from 6 billion in 2016 to 9 billion in 2020 according to market forecast. In the future, we believe that there will be lots of room for growth of different forms of cashless payments in China. In recent years, the Chinese government has stepped up its efforts to implement new payment policies and initiatives, leading to a more standardized payment market in the long run. Owing to persistent growth of China's gross domestic product, huge population, and its world-class leading payment technology, the growth opportunities in China's payment industry are innumerous.

## MANAGEMENT STRATEGIES

PAX is committed to continuing to invest in R&D so as to launch new products and maintain a solutions roadmap that meets market expectations in order to maintain a strong competitive edge.

In the second half of 2017, we will introduce a new generation of payment terminals integrated with electronic cash register (E-series) to address the needs of customers for one-stop payment platform. PAX will form a dedicated product development team catering for the China Market. In the second quarter of 2017, PAX has launched two new services, PAXPAY and PAXSTORE, to enhance our customers' stickiness and diversify the Group's service income:

- PAXPAY: An all-round payment gateway system supporting access between new mobile payment forms, and multiple acquiring channels.

- PAXSTORE: A software-as-a-service platform providing application management, terminals management, and value-added solution to customers.

In terms of service, while continuing to explore possibilities of cooperation with our business partners, we will also carefully monitor the market response and consummate more effective management and optimization of service investment in the future. In overseas markets, the Group will invest more resources in increasing sales channels and distributors, to enhance our market share in the overseas regions.

### Mergers & Acquisitions Activities and Latest Developments

PAX maintains a proactive stance towards mergers and acquisitions opportunities to move the Group further towards the provision of an array of diversified payment related services, for both hardware and software.

As of the date of this announcement, the Group completed one minority stake investment and one acquisition in 2017 as follows:

- The Group subscribed for a 20% equity stake in a Swedish company Onslip AB ("Onslip"), for a consideration of EUR2.1 million in April 2017. Onslip is principally engaged in developing and marketing a software-as-a-service platform for offering and managing payment and other value-added applications and deploying point-of-sale solutions to merchants globally. This investment has been recognized as available-for-sale financial asset in the unaudited interim condensed consolidated financial information.

- The Group acquired and subscribed for an aggregate of 60% equity stake in an Italian company CSC Italia, for an aggregate consideration of EUR3.0 million in April 2017. CSC Italia is one of the Italy's leading installation and service support companies for E-payment Terminals, personal computers, cash handling equipment and automatic teller machines.

As of the date of this announcement, the Group, through its subsidiaries, entered into one share purchase agreement and one minority stake investment agreement in 2017 as follows:

- A subsidiary of the Group entered into a share purchase agreement with Kwang Woo and its existing shareholders to conditionally acquire up to 80% equity stake of Kwang Woo, for an aggregate consideration of up to US$6.4 million in up to four tranches in July 2017. Kwang Woo is principally engaged in the business of development, manufacturing and sales of E-payment Terminals in the Korean market.

- A subsidiary of the Group entered into an investment agreement with Shanghai Coshine Software Co., Ltd. ("Shanghai Coshine") to conditionally acquire and subscribe for an aggregate of 20% of equity stake of Shanghai Coshine in July 2017, for an aggregate consideration of RMB17.0 million. Shanghai Coshine is an advanced system and services provider in payment infrastructure, electronic business software solution and outsourcing operation.

As of the date of this announcement, the Group, through its subsidiary, entered into an acquisition of land use rights agreement in 2017 as follows:

- Keeping up with the growth of our business and human resources, one of the Group's subsidiaries in China acquired the land use rights of a land at Pinghu, Longgang District, Shenzhen, Guangdong Province with a total planning construction area of more than 25,000 square meters (the "Land"), for a term of 20 years for a consideration of RMB73 million, pursuant to an agreement entered into with the Urban Planning, Land and Resources Comission of Shenzhen Municipality (Longgang Authority). The Land will be mainly used as the China headquarters of the Group.

**Liquidity and Financial Resources**

As at 30 June 2017, the Group had cash at bank and on hand and short-term bank deposit of HK$1,774.5 million (31 December 2016: HK$2,207.2 million). As at 30 June 2017, the Group reported net current assets of HK$3,457.8 million, as compared with HK$3,295.0 million as at 31 December 2016. For the six months ended 30 June 2017, net cash used in operating activities was HK$325.7 million, as compared to HK$117.3 million for the six months ended 30 June 2016.

**Capital Structure and Details of Charges**

As at 30 June 2017, the Group did not have any borrowings or charge on the Group's assets and the gearing ratio is not applicable (2016: Nil).

Approximately HK$762.8 million, HK$756.8 million, HK$232.7 million, 22.1 million and HK$0.1 million (31 December 2016: HK$1,356.5 million, HK$721.5 million, HK$103.3 million, HK$25.3 million and HK$0.6 million) of the Group's cash balances were denominated in Renminbi ("RMB"), Hong Kong dollar ("HK$"), US dollar ("US$"), European dollar ("EUR") and other currency respectively as at 30 June 2017.

**Significant Investment**

Save as disclosed in this announcement, the Group had no significant investment held as at 30 June 2017 (2016: Nil).

**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 2017 (2016: Nil).

**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 2017, 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 mergers and acquisitions | 282.1 | 124.8 |
| General working capital | 80.6 | 80.6 |
| | 805.9 | 648.6 |

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

**Future Plans for Significant Investment or Capital Assets**

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 30 June 2017 (2016: Nil).

**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 2017 (2016: Nil).

**Human Resources and Remuneration Policies**

The total number of employees of the Group as at 30 June 2017 was 1,917. The following table shows a breakdown of employees of the Group by function as at 30 June 2017:

| | |
|---|---|
| Management | 14 |
| Sales and after-sales services and marketing | 689 |
| R&D | 982 |
| Quality assurance | 42 |
| Administration and human resources | 75 |
| Accounting | 58 |
| Production, procurement and inventory control | 57 |
| | 1,917 |

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 2017 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.*

## INTERIM DIVIDEND

The Board of the Company has resolved to declare an interim dividend of HK$0.04 per ordinary share for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$0.04 per ordinary share) payable on 11 September 2017 (Monday) to Shareholders whose names appear on the register of members of the Company (the "Register of Members") at the close of business on 28 August 2017 (Monday).

## CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to interim dividend, the Register of Members will be closed from 24 August 2017 (Thursday) to 28 August 2017 (Monday), 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 23 August 2017 (Wednesday).

## PURCHASE, SALE OR REDEMPTION OF SHARES

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 2017.

## DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code regulating the securities transaction of Directors and executive officers named in the Company's Annual Report (the "Executive Officers"), on terms no less exacting than the required standard set out in 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 Executive Officers and they have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2017.

The Company has also established written guidelines regulating the transactions of securities of the Company by senior management and employees who are likely to be in possession of any inside information of the Company.

## CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles (the "Principles") and code provisions (the "Code Provisions") in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

In formulating and implementing its corporate governance practices, the Company has applied the Principles and complied with all applicable Code Provisions for the six months ended 30 June 2017.

## REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles as well as practices adopted by the Group and discussed risk management and internal control as well as financial reporting matters including the review of the unaudited interim condensed consolidated financial information for the six months ended 30 June 2017 with the Directors.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 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 Company's 2017 interim report will be despatched to all shareholders and available on the above websites in due course.

The interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2017. Instead, it has been derived from the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2017, which will be included in the Company's 2017 interim report.

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

Hong Kong, 9 August 2017

*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.*