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

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board wishes to inform the shareholders of the Company and potential investors that based on the preliminary assessment by the Board on the unaudited consolidated management accounts of the Group and the information currently available to the Board, the Group is expected to record a decrease of approximately 40% to 50% in its net profit for the Reporting Period as compared to the corresponding period in 2016.

Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

This announcement is made by PAX Global Technology Limited (the "**Company**", and together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**").

The board of directors (the "**Board**") of the Company wishes to inform the shareholders of the Company and potential investors that based on the preliminary assessment by the Board on the unaudited consolidated management accounts of the Group and the information currently available to the Board, the Group is expected to record a decrease of approximately 40% to 50% in net profit for the financial year ending 31 December 2017 (the "**Reporting Period**") as compared to that for the financial year ended 31 December 2016.

* *For identification purpose only*

The Board considers that the expected decrease in net profit is primarily attributable to the following factors:

(i) the significant increase in research and development ("**R&D**") expenses of the Group in relation to the development of new and innovative products by approximately HK$76 million; and

(ii) the intended recognition of impairment losses of the following assets as part of the operation of the Company's indirect subsidiary Shanghai New Kashuo Information Technology Company Limited and its subsidiaries ("**Kashuo**"):

- full amount of goodwill and other intangible assets of approximately HK$53 million recognized on the date of completion of the acquisition; and

- receivables, plant and equipment and other assets of up to approximately HK$115 million in aggregate.

The increased R&D expenses was mainly due to the increase in headcounts and the expansion of product certification in relation to the development of new and innovative products, such as smart E-payment terminals in order to strengthen the Group's competitive edge and cope with the challenges in the payment industry.

The competition in the China payment market is intensifying. Various types of new operating models have created immense pressure on the operation of payment-related value-added services, particularly the online-to-offline (O2O) closed loop business which Kashuo primarily operates. The business model and profitability of Kashuo have been accordingly affected by unexpected market competition and increasing uncertainties. Based on the Board's preliminary assessment, the Group intends to recognize impairment losses of the aforesaid assets as part of the operation of Kashuo for the Reporting Period. The Board is currently considering whether adjustment of the business model and/or restructuring of Kashuo would be in the interests of the Company and its shareholders as a whole, and if not, the Board may consider not to further the business of Kashuo. Should Kashuo liquidate, the Group is expected to recognize a potential gain of up to approximately HK$55 million in reversal of the existing liabilities of Kashuo.

Information contained in this announcement is based on the preliminary review by the Board on the unaudited consolidated management accounts of the Group which has not been reviewed nor audited by the auditor of the Company and the information currently available to the Board which has not been discussed with the auditor of the Company. Further details and the financial results of the Group for the Reporting Period shall be disclosed when the Group publishes its annual results which is expected to be released in March 2018.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 16 November 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.