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 2017

FINANCIAL HIGHLIGHTS

	2017	2016	
	HK$'000	*HK$'000*	+/(-)
RESULTS			
Revenue	**3,591,080**	2,914,842	+23.2%
Gross profit	**1,457,593**	1,261,994	+15.5%
Operating Profit	**428,023**	689,093	-37.9%
Profit before income tax	**424,540**	678,299	-37.4%
Profit for the year	**336,566**	603,434	-44.2%
Profit attributable to the owners of the Company	**407,507**	600,908	-32.2%
Profit for the year (excluding the impairment of assets)	**513,037**	603,434	-15.0%
Profit attributable to the owners of the Company (excluding the impairment of assets)	**548,954**	600,908	-8.6%

	2017	2016	+/(-)
	HK$	*HK$*	
Earnings per share			
– Basic	**0.367**	0.539	-31.9%
– Diluted	**0.367**	0.535	-31.4%
Proposed final dividend per ordinary share	**0.04**	0.04	–

	2017	2016	
	HK$'000	*HK$'000*	+/(-)
KEY BALANCE SHEET ITEMS			
Total current assets	**4,839,173**	4,220,419	+14.7%
Total assets	**5,232,216**	4,433,063	+18.0%
Net current assets	**3,521,846**	3,295,002	+6.9%
Total equity	**3,897,066**	3,501,283	+11.3%

* *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 results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017, with comparative figures for the year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is an innovative global electronic payment point-of-sale terminals ("E-payment Terminals") solutions provider, engaging in the development and sales of E-payment Terminals products and the provision of payment solutions services and maintenance and installation services (collectively "E-payment Terminals solutions business").

PAX is renowned in the international payment industry for its superior research and development ("R&D") capabilities, cutting edge production facilities and dedicated technical support, offering best-in-class product quality and innovative product portfolio. Attributing to a huge customer base spreading across 100 countries, an extensive sales network of local offices, channel partners and payment system integrators, PAX has established a strong global presence and achieved a leadership position.

Since 2010, the Group's shipments of global E-payment Terminals have increased by at least 10% year-on-year. During this period, overseas sales grew rapidly which contributed 72% of the Group's total revenue in 2017, as compared to 22% in 2010.

The Group is confident and well-positioned to continue on leveraging our strong international brand reputation, capturing ongoing growth opportunities arising from industry consolidation, further expanding our global market share in the payment terminal market and strengthening our payment solution technology and software services.

MARKET ANALYSIS AND INDUSTRY TRENDS

(i) Overseas Markets

In recent years, the rise of cashless societies has become a growing trend worldwide, and non-cash payment becomes the main payment method for most overseas markets. The demand for E-payment Terminals solutions will continue to flourish, owing to strong promotion of cashless transactions by the governments, especially the number of E-payment Terminals installed in emerging markets has grown substantially (for example, India: from about 1.8 million units in 2016 to about 3 million units in 2017).

Over the years, PAX has steadily expanded its overseas sales network of channel partners to around 90 reputable payment system integrators in over 100 countries worldwide. PAX has also established subsidiaries in different regions and continues to expand its footprint in the countries along the Silk Road Economic Belt such as Russia, Germany and Italy, laying a solid foundation for the Group's development by utilizing the opportunities arising from global integration and the "Belt and Road" initiative.

Latin America and the Commonwealth of Independent States ("LACIS")

In 2017, PAX continued to be the dominant leader in mobile payment terminals ("mPOS") market in Brazil. Since the successful launch of traditional payment terminals in 2016, the shipment volume grew rapidly which contributed a substantial sales growth in LACIS region, leading PAX to become one of the major terminals providers in the region.

Sales in other parts of the Latin American region grew rapidly. Demand for PAX payment solutions continues to rise in Argentina driven by the government launched cashless payment initiatives. In Russia, PAX's high quality products have been well recognised by major acquiring banks. Strong demand of payment terminal is expected to be driven by the preparation of the forthcoming 2018 World Cup.

Europe, Middle East and Africa ("EMEA")

PAX continues to achieve solid results in the EMEA region, where more acquiring banks, payment service providers and retail groups have chosen to use PAX's innovative solutions. Two major trends in this region are the growing market demand for Android based E-payment Terminals solutions and increasing popularity of mPOS. In Europe, PAX achieved significant sales growth in Germany, Poland and Belgium. In other European countries such as France, Spain and the Nordics region, our channel partners are conducting certification procedures for PAX solutions. PAX's market share in the Middle East region grew further, attributing to transition towards using PAX payment solutions by the acquiring banks in the Gulf Cooperation Council (GCC) region. In Africa, the Group has commenced market development in the West Africa, where E-payment Terminals solutions are comparatively under-developed.

Asia Pacific Region (Except for Mainland China) ("APAC")

In most of the Asia Pacific region, PAX continues to be a leading market player. At the same time, PAX has established subsidiaries in Japan and India in order to capture opportunities arising from the ongoing preparation of the Tokyo Olympics, the Europay, MasterCard and Visa ("EMV") migration in Japan and the promotion of non-cash society by the Indian government. In November 2017, PAX further penetrated into Korea's payment market by acquiring a Korean payment terminal company, Kwang Woo Information & Communication Co. Ltd ("Kwang Woo"), so as to further realise the globalisation objective of PAX. It is expected that these strategic layouts will drive sales in the Asia Pacific region and inject momentum into the Group's future revenue growth.

United States of America and Canada Region ("USCA")

PAX made excellent progress in the United States of America ("US") market. In addition to working with several large new customers to expand their business, the new generation of smart electronic cash register, the E-Series, was successfully launched at the end of 2017 and was well received by the customers. According to the Nilson Report, an industry report, card payments contributed approximately 60% of the total consumer payment in the US in 2016, compared with approximately 50% in 2011, reflecting an increase of card usage and card related payment products stickiness in the US market.

Since the establishment of Pax Technology Inc, a subsidiary of PAX, in the US in 2008, PAX has been striving to develop integrated payment solutions, streamline merchants' payment processing procedures and reduce their operating costs. PAX's comprehensive product line and reputation for high product quality continue to be well received by North American merchants, where PAX plans to introduce more diversified payment products with excellent and professional services, in order to gain more market shares.

(ii) China Market

The development of cashless payment in China is leading around the world. With increasing economic growth, the E-payment Terminals market in China offers lots of opportunities and challenges. According to the Central Bank of China, the number of E-Payment Terminals installed across China has rapidly increased from approximately 23 million units in 2015 to around 31 million units in 2017. During the same time, the average number of bank cards held by a Chinese citizen has increased from 3.99 to 4.84. With the support of strong and powerful payment data, the payment terminal market presents tremendous opportunities in China. Due to various market factors, PAX has not taken part in the first round of bidding exercise of a renowned bank in People's Republic of China ("PRC") in 2018. While this will put further pressure on the forthcoming gross margin of our China business, we will continue to devote more resources to strengthening our core value of high product quality so as to capture future opportunities.

With the aim of building a regulated "cashless society", the Chinese government has continued to implement payment related regulations and standards. In the middle of 2017, the People's Bank of China announced that starting from the end of June 2018, all online payment would be handled through Nets Union Clearing Corporation ("NUCC"), a centralised non-bank payment online clearing platform. This initiative will strengthen the financial supervision, reduce the risk of non-compliance and improve the transparency of operations of the third-party payment operators. In December 2017, the People's Bank of China launched "Barcode Payment Business Regulation No. 296", a security standard regulating the use of QR code payment and its security. These regulations and industry standards will bring huge benefits to the entire payment environment by enhancing the payment terminals security and related product quality requirements. In response to the changes towards high-reaching quality and security of future payment products, PAX is well-prepared to launch comprehensive products with accordingly compelling quality, such as QR55 for QR code payment and other smart terminals that fully support QR code and other payment modes to cope with the needs of various merchants.

MANAGEMENT STRATEGY

Transaction security for consumers and merchants is critical to the payment industry. By upholding the corporate culture of continuous innovation and the pursuit of excellence, PAX continues carrying out R&D and providing secure and user-friendly payment solutions.

The Group is committed to ongoing R&D investments, introducing new products and maintaining a product portfolio of solutions that satisfy market expectations, in order to maintain its strong competitive advantage. In 2017, we increased our investment in R&D to focus on the development of the payment products tailored for the Chinese market and the certifications in international markets, while at the same time expanding our Android-based solutions products and related application development team and after-sales technical support staff.

In terms of software, during 2017, PAX successfully launched two new payment services solutions, PAXPAY and PAXSTORE, to further enhance customer loyalty to the PAX brand:

- PAXPAY: An omni-channel payment gateway system supporting access between new forms of mobile payment and multiple acquiring channels.

- PAXSTORE: An innovative open platform software-as-a-service solution providing customers appstore marketplace functionalities combined with advanced terminal management system features.

In terms of hardware, PAX will introduce its comprehensive smart E-payment Terminals product line globally, in order to further penetrate into different markets and cater the market demand for the new generation of payment terminals. In order to strengthen the Group's payment terminals distribution, new products will be launched in the market from time to time, more resources will be spending on increasing sales channels and distributors. Meanwhile, in view of the emergence of a wave of cross-segment business consolidation activities in the payment industry in recent years, PAX will grasp these opportunities by offering incentive to potential customers in order to gain further market shares in certain overseas markets.

Merger & Acquisition Activities and Latest Developments

PAX has remained proactive in seeking quality assets and distinct merger and acquisition ("M&A") opportunities. As of the date of this announcement, the Group has completed a number of M&A projects, including fund investment, minority stake investment and subsidiary acquisitions in 2017 and 2018. Through M&A, the Group further improved the business by enhancing and diversifying the payment related products and services of the Group's hardware and software divisions.

Expansion of the Group's sales channel into new markets:

- The Group acquired 51% equity stake in a Korean company, Kwang Woo, for an aggregate consideration of US$4.08 million in November 2017. Kwang Woo is principally engaged in the development, manufacturing and sales of E-Payment Terminals in Korea.

- The Group established subsidiaries in Japan and India in 2017 and 2018 respectively, with an aim to strengthen local sales capacity and to prepare for future opportunities in the local payment markets.

Expansion of diversified solutions and services:

- The Group acquired and subscribed for an aggregate of 60% equity stake in an Italian company, CSC Italia S.r.l. ("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.

- 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 the development and marketing of a software-as-a-service platform for managing payments and other value-added applications, deployed on merchant point-of-sale solutions globally.

- The Group subscribed for a 20% equity stake in a Shanghai company, Shanghai Coshine Software Co., Ltd. ("Shanghai Coshine"), for a consideration of RMB17.0 million in September 2017. Shanghai Coshine is an advanced system and services provider in payment infrastructure, electronic business software solution and outsourcing operation.

Exploration of innovative technologies:

- In September 2017, the Group has invested in a fund based in Beijing, with the total investment of RMB51.0 million for the year. The objective is to further strengthen PAX's competitive and technological edge in the rapidly changing fintech environment in China. This fund mainly invests in numbers of outstanding emerging technology projects and startups.

Enhancement of the Group's operational efficiency:

- Keeping up with the growth of our business and human resources, the Group, through its subsidiary, acquired the land use right 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 Commission of Shenzhen Municipality (Longgang Authority) in 2017. The Land will be principally used as the China headquarters of the Group.

FINANCIAL REVIEW

The key financial figures for the year ended 31 December 2017 are extracted as follows:

	For the year ended 31 December		
	2017	2016	
	HK$'000	*HK$'000*	+/(-)
Revenue	**3,591,080**	2,914,842	+23.2%
Gross profit	**1,457,593**	1,261,994	+15.5%
Other income	**75,054**	71,593	+4.8%
Selling expenses	**(426,432)**	(297,396)	+43.4%
Administrative expenses	**(501,721)**	(347,098)	+44.5%
Impairment of assets (one-off in 2017)	**(176,471)**	–	N/A
Profit before income tax	**424,540**	678,299	-37.4%
Income tax expense	**(87,974)**	(74,865)	+17.5%
Profit for the year	**336,566**	603,434	-44.2%
Profit attributable to the owners of the Company	**407,507**	600,908	-32.2%
Research and development costs (included in administrative expenses)	**(287,230)**	(183,614)	+56.4%

	As at 31 December		
	2017	2016	
	HK$'000	*HK$'000*	+/(-)
Total current assets	**4,839,173**	4,220,419	+14.7%
Total non-current assets	**393,043**	212,644	+84.8%
Total assets	**5,232,216**	4,433,063	+18.0%
Total current liabilities	**1,317,327**	925,417	+42.3%
Total non-current liabilities	**17,823**	6,363	+180.1%
Total liabilities	**1,335,150**	931,780	+43.3%
Net current assets	**3,521,846**	3,295,002	+6.9%
Total equity	**3,897,066**	3,501,283	+11.3%

	For the year ended 31 December		
	2017	2016	+/(-)
PER SHARE *(IN HK$)*			
Earnings per share for the profit attributable to the owners of the Company			
– Basic	**0.367**	0.539	-31.9%
– Diluted	**0.367**	0.535	-31.4%

	For the year ended 31 December	
	2017	2016
FINANCIAL RATIOS		
Gross profit margin	40.6%	43.3%
Net profit margin	9.4%	20.7%
Net profit margin (excluding the impairment of assets)	14.3%	20.7%

Revenue

Turnover increased by 23.2% or HK$676.3 million to HK$3,591.1 million for the year ended 31 December 2017 from HK$2,914.8 million for the year ended 31 December 2016. Turnover from overseas markets grew by HK$945.8 million to HK$2,602.5 million, representing a growth of 57.1%. Turnover from the China Market decreased by 21.4% year-on-year or HK$269.6 million to HK$988.6 million.

i) Sales by Geographical Region

	For the year ended 31 December		
	2017	2016	
	HK$'000	*HK$'000*	+/(-)
Overseas markets			
– LACIS	**1,479,993**	689,902	+114.5%
– EMEA	**609,284**	553,990	+10.0%
– APAC	**258,477**	236,092	+9.5%
– USCA	**254,723**	176,669	+44.2%
	2,602,477	1,656,653	+57.1%
China Market	**988,603**	1,258,189	-21.4%
	3,591,080	2,914,842	+23.2%

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

Turnover generated from overseas markets increased by 57.1% to HK$2,602.5 million for the year ended 31 December 2017 from HK$1,656.7 million for the year ended 31 December 2016. Turnover generated from overseas markets accounted for 72% of total revenue for the year ended 31 December 2017, growing from 57% for the year ended 31 December 2016. All overseas business units recorded growth, especially the LACIS and USCA region. Brazil, the US and Italy have become PAX's key overseas markets. As of the end of 2017, we had over 90 overseas distributors and partners worldwide.

Turnover generated from the China Market decreased by 21.4% to HK$988.6 million for the year ended 31 December 2017, from HK$1,258.2 million for the year ended 31 December 2016. Turnover generated from the China Market accounted for 28% of total revenue for the year ended 31 December 2017 compared with 43% for the year ended 31 December 2016. The decrease was mainly due to the influence of the product mix shifting and the continuously keen price competition.

ii) Sales by Revenue Category

	For the year ended 31 December		
	2017	2016	
	HK$'000	*HK$'000*	+/(-)
E-payment Terminals products	**3,429,679**	2,757,632	+24.4%
Services:			
Payment solutions services	**95,612**	125,101	-23.6%
Maintenance and installation services	**65,789**	32,109	+104.9%
	3,591,080	2,914,842	+23.2%

E-payment Terminals products

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

Turnover from the sales of E-payment Terminals products increased by 24.4% to HK$3,429.7 million for the year ended 31 December 2017 from HK$2,757.6 million for the year ended 31 December 2016. The growth is attributed to the increase in sales in the overseas markets during the year.

Services

i) Payment Solutions Services

Turnover from the provision of payment solutions services decreased by 23.6% to HK$95.6 million for the year ended 31 December 2017 from HK$125.1 million for the year ended 31 December 2016. Payment solutions services income was mainly generated from the provision of value-added solutions services in the China Market.

ii) Maintenance and Installation Services

Turnover from the provision of maintenance and installation services increased by 104.9% to HK$65.8 million for the year ended 31 December 2017 as compared to HK$32.1 million for the year ended 31 December 2016. Maintenance and installation services income was mainly generated in Hong Kong and Italy.

Gross Profit Margin

Gross profit margin for the year ended 31 December 2017 was 40.6%, representing a decrease in 270 basis points as compared to 43.3% for the year ended 31 December 2016. The decrease was mainly due to the keen price competition in China Market and the incentives given to long-term customers in overseas markets.

Other Income

Other income comprised primarily of value-added tax refund, interest income from time deposit and subsidy income. It increased by 4.8% to HK$75.1 million for the year ended 31 December 2017 from HK$71.6 million for the year ended 31 December 2016. The increase was mainly due to the increase of interest income.

Selling Expenses

Selling expenses increased by 43.4% to HK$426.4 million for the year ended 31 December 2017, from HK$297.4 million for the year ended 31 December 2016. The increase was mainly due to the significant increase of sales and after-sales service staff headcounts.

Administrative Expenses

Administrative expenses increased by 44.5% to HK$501.7 million for the year ended 31 December 2017 from HK$347.1 million for the year ended 31 December 2016. The increase was mainly due to the expansion of R&D centres and teams, and additional headcounts.

Impairment of Assets

The Group has recognised a one-off impairment of assets of HK$176.5 million in total during the year, consisting of impairment of HK$159.0 million and HK$17.5 million respectively in respect of the operation of Shanghai New Kashuo Information Technology Company Limited ("Shanghai Kashuo") and its subsidiaries (collectively, the "Kashuo Group") and Suzhou Ieasy Information Technology Co. ("Suzhou Ieasy"), non-wholly-owned subsidiaries of the Company. Detail is set out in note 9 in this announcement.

Profit for the year and Profit Attributable to the Owners of the Company

As a result of the foregoing, profit for the year was HK$336.6 million, representing a decrease of 44.2% compared to HK$603.4 million in 2016. Profit for the year excluding the one-off impairment of assets was HK$513.0 million, decreased by 15.0% or HK$90.4 million, as compared to last year.

In 2017, profit for the year attributable to the owners of the Company was HK$407.5 million, representing a decrease of 32.2% as compared to HK$600.9 million in 2016. Profit for the year attributable to the owners of the Company excluding the one-off impairment of assets was HK$549.0 million, decreased by 8.6% or HK$51.9 million as compared to last year.

Liquidity and Financial Resources

During the years of 2016 and 2017, 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	
	2017	2016
	HK$'000	*HK$'000*
Cash and cash equivalents	**2,165,224**	2,207,205
Net current assets	**3,521,846**	3,295,002
Net cash generated from operating activities	**214,470**	249,507
Net cash used in financing activities	**(130,913)**	(91,376)

	As at 31 December	
	2017	2016
Current ratio *(times)*	**3.7**	4.6
Quick ratio *(times)*	**3.0**	3.9

As at 31 December 2017, the Group had cash and cash equivalents and short-term bank deposits of HK$2,165.2 million (2016: HK$2,207.2 million) and borrowings of HK$14.4 million (2016: Nil). As at 31 December 2017, the Group reported net current assets of HK$3,521.8 million, as compared with HK$3,295.0 million as at 31 December 2016. For the year ended 31 December 2017, net cash generated from operating activities was HK$214.5 million, as compared with HK$249.5 million for the year ended 31 December 2016. For the year ended 31 December 2017, net cash used in financing activities was HK$130.9 million as compared with HK$91.4 million for the year ended 31 December 2016.

Capital Structure and Details of Charges

As at 31 December 2017, the Group had borrowings of HK$14.4 million (2016: Nil) and banking facilities of approximately HK$18.0 million (2016: Nil). The borrowings were used in the operation in Korea and denominated in Korean Won ("WON"). The borrowings of HK$10.7 million were secured by the land and buildings of a Korean subsidiary of the Company. As at 31 December 2017, approximately HK$1,202.7 million, HK$516.0 million, HK$396.7 million, HK$42.3 million, HK$7.2 million and HK$0.3 million (2016: HK$1,356.5 million, HK$721.5 million, HK$103.3 million, HK$25.3 million, HK$0.6 million and nil) of the Group's cash balances were denominated in Renminbi ("RMB"), Hong Kong dollar ("HK$"), United States dollar ("US$"), European dollar ("EUR"), WON and other currency respectively.

Significant Investment

Save as disclosed in this announcement, the Group held no significant investment as at 31 December 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 year ended 31 December 2017 (2016: 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 2017, the planned and utilised amounts of usage of total net proceeds are as follows:

	Planned amount *HK$ million*	**Utilised 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	282.1
General working capital	80.6	80.6
	805.9	805.9

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 2017 (2016: Nil).

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 2017 (2016: Nil).

Human Resources and Remuneration Policies

The total number of employees of the Group as at 31 December 2017 was 1,514. The following table shows a breakdown of employees of the Group by functions as at 31 December 2017:

Management	14
Sales and after-sales services and marketing	484
Research and development	826
Quality assurance	42
Administration and human resources	44
Accounting	25
Production, procurement and inventory control	79
	1,514

The Group ensures that its remuneration packages are comprehensive and competitive from time to time. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. Share options are granted to employees to reward their contributions under the share option scheme of the Company, details of which are set out in the Company's 2017 annual report. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's business.

Disclaimer:

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures 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	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**3,591,080**	2,914,842
Cost of sales	*5*	**(2,133,487)**	(1,652,848)
Gross profit		**1,457,593**	1,261,994
Other income	*3*	**75,054**	71,593
Selling expenses	*5*	**(426,432)**	(297,396)
Administrative expenses	*5*	**(501,721)**	(347,098)
Impairment of assets	*5*	**(176,471)**	–
Operating profit		**428,023**	689,093
Finance costs		**(3,801)**	(10,794)
Share of result of an investment accounted for using the equity method		**318**	–
Profit before income tax		**424,540**	678,299
Income tax expense	*6*	**(87,974)**	(74,865)
Profit for the year		**336,566**	603,434
Profit/(loss) attributable to:			
Owners of the Company		**407,507**	600,908
Non-controlling interests		**(70,941)**	2,526
		336,566	603,434
		HK$ per share	*HK$ per share*
Earnings per share for the profit attributable to the owners of the Company:			
– Basic	*7(a)*	**0.367**	0.539
– Diluted	*7(b)*	**0.367**	0.535

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**336,566**	603,434
Other comprehensive income/(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	**168,423**	(126,208)
Change in value of available-for-sale financial assets	**(6,145)**	–
Item that will not be subsequently reclassified to profit or loss		
Remeasurement of post-employment benefit obligation	**(141)**	–
Total comprehensive income for the year, net of tax	**498,703**	477,226
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**572,058**	475,534
Non-controlling interests	**(73,355)**	1,692
	498,703	477,226

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**51,558**	67,919
Land use rights		**84,473**	186
Intangible assets	*9*	**90,259**	89,392
Available-for-sale financial assets		**74,517**	–
Investment accounted for using the equity method		**20,720**	–
Other non-current assets	*10*	**52,785**	38,353
Deferred income tax assets		**18,731**	16,794
Total non-current assets		**393,043**	212,644
Current assets			
Inventories		**918,452**	596,539
Trade and bills receivables	*10*	**1,703,414**	1,347,446
Deposits and other receivables	*10*	**39,593**	68,919
Restricted cash		**12,490**	310
Cash and cash equivalents		**2,165,224**	2,207,205
Total current assets		**4,839,173**	4,220,419
Total assets		**5,232,216**	4,433,063
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**110,019**	110,787
Reserves		**3,812,757**	3,354,748
		3,922,776	3,465,535
Non-controlling interests		**(25,710)**	35,748
Total equity		**3,897,066**	3,501,283

		As at 31 December	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**10,123**	6,363
Other non-current liabilities		**7,700**	–
Total non-current liabilities		**17,823**	6,363
Current liabilities			
Trade payables	*11*	**953,084**	662,485
Other payables and accruals	*11*	**281,585**	226,791
Current tax liabilities		**68,291**	36,141
Borrowings		**14,367**	–
Total current liabilities		**1,317,327**	925,417
Total liabilities		**1,335,150**	931,780
Total equity and liabilities		**5,232,216**	4,433,063

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 sales of electronic funds transfer point-of-sale ("E-payment Terminals") products, provision of payment solutions services and maintenance and installation 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 was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2010.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for the available-for-sale financial assets, contingent consideration payable and post-employment benefit obligation which are measured at fair values.

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.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Loss – Amendments to HKAS 12

- Annual improvements 2014-2016 cycle – Amendments to HKAS 12, and

- Disclosure Initiative – Amendments to HKAS 7

The adoption of these amendments did not have material impact on the financial statements for the current year. The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(b) 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 2017, and have not been applied in preparing these consolidated financial statements. None of this 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"

HKFRS 9 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.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

Equity instruments currently classified as available-for-sale ("AFS") for which a fair value through other comprehensive income ("FVOCI") election is available and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

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. Based on the assessments undertaken to date, the Group expects it may result in 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.

This new standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15, "Revenue from contracts with customers"

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

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 consolidated financial statements and has identified the application of HKFRS 15 may result in the identification of separate performance obligations in relation to sales of E-payment terminals products which could affect the timing of the recognition of revenue going forward.

More detailed assessment will be carried out by the Group to estimate the impact of the new rules on the Group's consolidated financial statements.

This new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16, "Leases"

HKFRS 16 was issued in January 2016. It 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 the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$37,351,000.

The Group has not yet assessed the adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's consolidated income statement and classification of cash flows going forward.

This 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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards and interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 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 and installation services. Revenue and other income recognised during the year are as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of E-payment Terminals products	**3,429,679**	2,757,632
Services:		
Payment solutions services	**95,612**	125,101
Maintenance and installation services	**65,789**	32,109
	3,591,080	2,914,842
Other income		
Interest income	**20,847**	15,005
Value-added tax refund *(Note (i))*	**35,182**	44,840
Subsidy income	**12,286**	10,138
Others	**6,739**	1,610
	75,054	71,593

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 People's Republic of China (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 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 (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 2017					
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong and others** *HK$'000*	**US** *HK$'000*	**Italy** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Turnover from external customers	**1,417,336**	**1,811,570**	**254,723**	**107,451**	**–**	**3,591,080**
Inter-segment turnover	**1,368,869**	**130,505**	**–**	**123**	**(1,499,497)**	**–**
Total turnover	**2,786,205**	**1,942,075**	**254,723**	**107,574**	**(1,499,497)**	**3,591,080**
Segmental earnings before interest expense, taxes, depreciation and amortisation ("EBITDA")	**127,879**	**494,079**	**3,659**	**2,110**	**7,774**	**635,501**
Depreciation *(note 5)*	**(21,023)**	**(567)**	**(170)**	**(1,066)**	**–**	**(22,826)**
Amortisation *(note 5)*	**(6,227)**	**(500)**	**–**	**(1,454)**	**–**	**(8,181)**
Impairment of assets *(note 5)*	**(176,471)**	**–**	**–**	**–**	**–**	**(176,471)**
Segmental operating (loss)/profit	**(75,842)**	**493,012**	**3,489**	**(410)**	**7,774**	**428,023**
Finance costs						**(3,801)**
Share of result of an investment accounted for using equity method						**318**
Profit before income tax						**424,540**
Income tax expense						**(87,974)**
Profit for the year						**336,566**

	Year ended 31 December 2016					
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	Hong Kong and others *HK$'000*	US *HK$'000*	Italy *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Turnover from external customers	1,622,321	1,042,909	176,669	72,943	–	2,914,842
Inter-segment turnover	914,695	163,560	–	–	(1,078,255)	–
Total turnover	2,537,016	1,206,469	176,669	72,943	(1,078,255)	2,914,842
Segmental EBITDA	438,711	249,023	5,055	3,065	3,623	699,477
Depreciation *(note 5)*	(6,180)	(253)	(345)	(377)	–	(7,155)
Amortisation *(note 5)*	(2,352)	–	–	(877)	–	(3,229)
Segmental operating profit	430,179	248,770	4,710	1,811	3,623	689,093
Finance costs						(10,794)
Profit before income tax						678,299
Income tax expense						(74,865)
Profit for the year						603,434

The segment assets and liabilities as at 31 December 2017 and additions to non-current assets for the year ended 31 December 2017 are as follows:

	As at 31 December 2017					
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong and others** *HK$'000*	**US** *HK$'000*	**Italy** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Segment assets	**3,728,617**	**1,877,835**	**193,693**	**99,475**	**(667,404)**	**5,232,216**
Segment liabilities	**1,484,612**	**319,254**	**230,166**	**50,835**	**(749,717)**	**1,335,150**

	Year ended 31 December 2017					
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong and others** *HK$'000*	**US** *HK$'000*	**Italy** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets	**112,194**	**66,981**	**608**	**33,888**	**–**	**213,671**

The segment assets and liabilities at 31 December 2016 and additions to non-current assets for the year ended 31 December 2016 were as follows:

	As at 31 December 2016					
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	Hong Kong and others *HK$'000*	US *HK$'000*	Italy *HK$'000*	Elimination *HK$'000*	Total *HK$'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

	Year ended 31 December 2016					
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	Hong Kong and others *HK$'000*	US *HK$'000*	Italy *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Additions to non-current assets	179,980	122	170	887	–	181,159

Segmental EBITDA represents segmental operating profit/(loss) before finance costs, income tax expense, depreciation of property, plant and equipment, amortisation of land use rights and intangible assets and impairment of assets. Segment assets consist primarily of property, plant and equipment, land use rights, intangible assets, available-for-sale financial assets, investment accounted for using the equity method, other non-current assets, inventories, trade and bills receivables, deposits and other receivables, restricted cash and cash and cash equivalents. Segment liabilities consist primarily of trade payables, other payables and accruals, current tax liabilities and borrowings.

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

In 2017, revenue of approximately HK$1,163,702,000 (2016: HK$529,405,000) is derived from the largest customer, representing 32.4% (2016: 18.2%) of the total revenue, which is attributable to the HK operating segment; HK$259,617,000 (2016: HK$263,550,000) is derived from the second largest customer, representing 7.2% (2016: 9.0%) 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	
	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
PRC, other than Hong Kong, Macau and Taiwan	**244,700**	196,845
Hong Kong and others	**96,718**	626
US	**562**	125
Italy	**51,063**	15,048
	393,043	212,644

5 EXPENSES BY NATURE

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

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Remuneration to the Company's auditor		
– Group's annual audit services	**1,770**	1,620
– audit services for Kwang Woo Information & Communication Co., Ltd. ("Kwang Woo")	**290**	–
– non-audit services	**1,209**	480
Remuneration to other auditors	**435**	208
Depreciation of property, plant and equipment	**22,826**	7,155
Amortisation of land use rights	**3,173**	5
Amortisation of intangible assets	**5,008**	3,224
Employee benefit expenses (including Directors' emoluments)	**482,845**	308,140
Costs of inventories sold	**2,098,181**	1,620,895
Operating lease rentals in respect of buildings	**32,429**	25,066
Research and development costs	**287,230**	183,614
Sales commission	**25,509**	13,661
Provision for impairment of receivables, net *(note 10(c))*	**2,941**	586
Loss on disposals of property, plant and equipment	**30**	117
Reversal of provision for obsolete inventories	**(1,824)**	(17,983)
Impairment of assets *(Note a)*	**176,471**	–

Note a: Impairment of assets *(note 9)*, consists of:

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Shanghai New Kashuo Information Technology Company Limited ("Shanghai Kashuo") and its subsidiaries (collectively, the "Kashuo Group")		
– Impairment of property, plant and equipment	**37,723**	–
– Impairment of goodwill and other intangible assets*	**53,837**	–
– Impairment of trade receivables	**40,279**	–
– Impairment of other assets	**27,119**	–
Suzhou Ieasy Information Technology Co. Ltd ("Suzhou Ieasy")		
– Impairment of goodwill and other intangible assets*	**17,513**	–
	176,471	–

* *The amounts include the reversals of deferred tax liabilities recognised on the date of acquisition, in connection with the intangible assets of Kashuo Group and Suzhou Ieasy with the amount of HK$3,473,000 and HK$391,000 respectively.*

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current income tax		
– China corporate income tax	**6,913**	41,454
– Hong Kong profits tax	**82,228**	46,826
– Overseas profits tax	**13**	644
Over provision in prior year, net	**(1,147)**	(871)
Total current income tax	**88,007**	88,053
Deferred income tax	**(33)**	(13,188)
Income tax expense	**87,974**	74,865

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 December 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% (2016: 10%) for the year ended 31 December 2017.

- Wonder Pax Technology (Shenzhen) Co. Ltd. ("Wonder Pax"), a wholly owned subsidiary of the Company, obtained the approval from the relevant applicable tax authorities in April 2015 for a preferential tax treatment and is fully exempted from corporate income tax for two years, beginning in 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% (2016: 12.5%) for the year ended 31 December 2017.

7 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2017	2016
Profit attributable to the owners of the Company *(HK$'000)*	**407,507**	600,908
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,109,277**	1,114,457
Basic earnings per share *(HK$ per share)*	**0.367**	0.539

(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 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	
	2017	2016
Profit attributable to the owners of the Company *(HK$'000)*	**407,507**	600,908
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,109,277**	1,114,457
Adjustments for share options *(thousand shares)*	**2,236**	8,557
Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)*	**1,111,513**	1,123,014
Diluted earnings per share attributable to owners of the Company *(HK$ per share)*	**0.367**	0.535

8 DIVIDENDS

In 2017, interim dividend of HK$0.04 per ordinary share (2016: HK$0.04 per ordinary share) was paid, amounting to approximately HK$44,528,000 (2016: HK$44,715,000). A final dividend of HK$0.04 per ordinary share for the year ended 31 December 2017 (2016: HK$0.04 per ordinary share), amounting to HK$44,008,000 (2016: HK$44,315,000), is to be proposed at the annual general meeting on 20 April 2018. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.04 (2016: HK$0.04) per ordinary share	**44,528**	44,715
Proposed final dividend of HK$0.04 (2016: HK$0.04) per ordinary share	**44,008**	44,315
	88,536	89,030

9 INTANGIBLE ASSETS

As at 31 December 2017, the Group's goodwill of HK$20,039,000 and HK$30,969,000 is attributable to the acquisition of Kwang Woo and the operation in Italy respectively. As at 31 December 2016, the Group's goodwill of HK$41,049,000, HK$15,696,000 and HK$7,838,000 was attributable to the acquisition of Kashuo Group, Suzhou Ieasy and the operation in Italy respectively.

Impairment test for goodwill arising from the acquisition of Kashuo Group

As disclosed in our announcement dated 16 November 2017, owing to the intensifying competition in the China payment market, various types of new operating models have created immense pressure on the operation of payment-related value-added services, particularly the online-to-offline closed loop business which Kashuo Group primarily operates. The business model and profitability of Kashuo Group have been accordingly affected by unexpected market competition and increasing uncertainties. Competitors have launched similar solutions with enhanced functionalities at lower cost to the market. Despite management's effort in launching a number of business initiatives, including offering discounted price and undertaking more promotion activities, Kashuo Group continued to suffer loss. The performance of Kashuo Group significantly dropped in the second half of 2017. In view of the above, the Group decided not to further the business of Kashuo Group. As a result, the Group recognised an impairment of goodwill and other intangible assets (including the reversal of deferred tax liabilities recognised on the date of acquisition in connection with the intangible assets) of HK$53,837,000, provision for impairment of trade receivables of HK$40,279,000, impairment of property, plant and equipment of HK$37,723,000 and write-off of other assets of HK$27,119,000 during the year ended 31 December 2017 *(note 5)*.

A qualified PRC law firm has been appointed to follow up with the voluntary winding-up of Shanghai Kashuo in accordance with the laws of the PRC. Should Shanghai Kashuo liquidate, the Group is expected to recognise a potential gain of up to approximately HK$60 million in reversal of its existing liabilities.

Impairment test for goodwill arising from the acquisition of Suzhou Ieasy

Suzhou Ieasy is principally engaged in the development and sales of enterprise resource planning management software in the PRC. During the year, the prospect of small-scale service providers such as Suzhou Ieasy has been significantly challenged by the intensifying competition induced by the major market players. Due to the continuous loss suffered by Suzhou Ieasy and the worsening market condition, the Group decided to scale down its expansion plan.

For the purpose of the goodwill impairment assessment, the Group revised its cash flow forecasts of this CGU. The management has assessed the recoverable amount of Suzhou Ieasy as at 31 December 2017 based on the fair-value less costs to sell calculation. The recoverable is considered insignificant which is lower than the carrying amount of this CGU, this shortfall leads to full impairment of goodwill and other intangible assets (including the reversal of deferred tax liabilities recognised on the date of acquisition in connection with the intangible assets) of HK$17,513,000 during the year ended 31 December 2017 *(note 5)*.

10 TRADE AND BILLS RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current portion		
Trade receivables *(Note (a))*	**1,695,406**	1,245,947
Amounts due from related parties *(Note (a))*	**32,453**	65,196
Less: provision for impairment of receivables *(Note (c))*	**(49,163)**	(4,067)
Trade receivables, net	**1,678,696**	1,307,076
Bills receivables *(Note (b))*	**24,718**	40,370
Trade and bills receivables	**1,703,414**	1,347,446
Deposits and other receivables	**39,593**	68,919
Trade and bills receivables, deposits and other receivables	**1,743,007**	1,416,365
Non-current portion		
Lease prepayment	**43,077**	24,672
Others	**9,708**	13,681
	52,785	38,353

The fair values of trade and bills receivables, deposits and other receivables approximate their carrying values as at 31 December 2016 and 2017.

Note

(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 2016 and 2017, the ageing analysis of the trade receivables and amounts due from related parties based on invoice date is as follows:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Up to 90 days	**1,213,758**	846,807
91 to 180 days	**242,795**	277,772
181 to 365 days	**128,667**	58,915
Over 365 days	**142,639**	127,649
	1,727,859	1,311,143

(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	
	2017	2016
	HK$'000	*HK$'000*
Up to 90 days	**11,703**	40,370
91 to 180 days	**13,015**	–
	24,718	40,370

(c) Provision for impairment of trade receivables

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

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
At beginning of the year	**4,067**	3,694
Provision for the year *(note 5)*	**2,941**	886
Impairment *(note 5)*	**40,279**	–
Reversal of provision *(note 5)*	**–**	(300)
Exchange realignment	**1,876**	(213)
At end of the year	**49,163**	4,067

11 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trade payables	**937,093**	649,271
Amount due to a related party	**15,991**	13,214
	953,084	662,485
Other payables and accruals		
Receipt in advance from customers	**70,519**	89,327
Other tax payables	**95,991**	99,488
Other accrued expenses and payables	**115,075**	37,976
	281,585	226,791
	1,234,669	889,276

The ageing analysis of trade payables (including amount due to a related party of trading in nature) based on invoice date is as follows:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Up to 90 days	**808,948**	567,613
91 to 180 days	**137,140**	92,649
181 to 365 days	**4,175**	–
Over 365 days	**2,821**	2,223
	953,084	662,485

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Company repurchased an aggregate of 13,000,000 ordinary shares for a total consideration of HK$51,353,890 (excluding expenses) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month of Repurchase	No. of shares repurchased	Consideration per share Highest	Consideration per share Lowest	Total Consideration paid
		HK$	*HK$*	*HK$*
August 2017	5,000,000	4.34	4.18	21,392,190
August 2017	3,000,000	4.06	3.98	12,108,810
December 2017	5,000,000	3.60	3.49	17,852,890
Total	13,000,000			51,353,890

The Board believes that the share repurchases are in the best interests of the Company and its shareholders and would lead to an enhancement of the net assets value per share and/or earnings per share of the Company. The above repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the nominal value of these shares accordingly and the balance of consideration was charged against the share premium account.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

DIVIDEND

An interim dividend of HK$0.04 per ordinary share amounting to approximately HK$44.5 million was paid to the shareholders of the Company during the year.

The Board has recommended a payment of final dividend of HK$0.04 per ordinary share for the year ended 31 December 2017 (year ended 31 December 2016: HK$0.04 per ordinary share) to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 15 May 2018, subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company which will be held on Friday, 20 April 2018, and if passed, the final dividend will be paid to the shareholders of the Company on Wednesday, 30 May 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 11 May 2018 to Tuesday, 15 May 2018, 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 Thursday, 10 May 2018. Together with the interim dividend of HK$0.04 per ordinary share (six months ended 30 June 2016: HK$0.04 per ordinary share), the total dividend per ordinary share for the year was HK$0.08 (2016: HK$0.08).

RECORD DATE FOR DETERMINING ELIGIBILITY TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

Record date (being the last date for registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting will be Friday, 13 April 2018. 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 for registration no later than 4:30 p.m. on Friday, 13 April 2018.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted a code regulating the securities transaction of Directors and executive officers named in the Company's 2017 annual report, on terms no less exacting than the required standard set out in 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 has been made to all Directors and they have confirmed that they had complied with the Model Code throughout the year and up to the date of this announcement.

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.

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") in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

In formulating its corporate governance practices, the Company has applied the Principles and complied with all applicable Code Provisions for the year.

The Board periodically reviews and monitors the Company's policies and practices on corporate governance or compliance with legal and regulatory requirements. The Board also reviews the Group's employee handbook, training and continuous professional development of the Directors and the senior management to ensure that operations are conducted in accordance with the standards of the CG Code.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2017.

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 2017 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 Standard 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 as at the date of this announcement, the Directors confirm that the Company has maintained at all times during the year sufficient public float as prescribed by the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This 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 2017 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

The 2017 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2017. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2017, which will be included in the Company's 2017 annual report.

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

Hong Kong, 7 March 2018

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, Mr. Man Kwok Kuen, Charles.