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 2018

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2018	2017	+/(-)
RESULTS ***(in HK$'000)***			
Revenue	**1,875,551**	1,605,699	+16.8%
Gross profit	**722,473**	669,792	+7.9%
Operating profit	**302,712**	292,077	+3.6%
Profit for the period	**254,290**	253,768	+0.2%
Profit attributable to the owners of the Company	**258,479**	264,942	-2.4%
Research and development expenses (included in administrative expenses)	**143,894**	119,290	+20.6%
PER SHARE ***(in HK$)***			
Earnings per share for profit attributable to the owners of the Company			
– Basic	**0.235**	0.238	-1.3%
– Diluted	**0.235**	0.237	-0.8%
Interim dividend per ordinary share	**0.040**	0.040	

	As at 30 June 2018	As at 31 December 2017	+/(-)
KEY BALANCE SHEET ITEMS ***(in HK$'000)***			
Total current assets	**5,313,833**	4,839,173	+9.8%
Total assets	**5,747,690**	5,232,216	+9.9%
Net current assets	**3,731,887**	3,521,846	+6.0%
Total equity	**4,149,507**	3,897,066	+6.5%

* *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 2018 together with the unaudited comparative figures for the corresponding period in 2017 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**1,875,551**	1,605,699
Cost of sales	*6*	**(1,153,078)**	(935,907)
Gross profit		**722,473**	669,792
Other income	*4*	**34,076**	27,253
Other gains, net	*4*	**1,405**	–
Selling expenses	*6*	**(192,394)**	(195,083)
Administrative expenses	*6*	**(262,848)**	(209,885)
Operating profit		**302,712**	292,077
Finance costs		**(3,152)**	(1,199)
Share of result of an investment accounted for using the equity method		**(1,469)**	–
Profit before income tax		**298,091**	290,878
Income tax expense	*8*	**(43,801)**	(37,110)
Profit for the period		**254,290**	253,768
Profit/(loss) attributable to:			
Owners of the Company		**258,479**	264,942
Non-controlling interests		**(4,189)**	(11,174)
		254,290	253,768
		HK$ per share	*HK$ per share*
Earnings per share for profit attributable to the owners of the Company:			
– Basic	*9(a)*	**0.235**	0.238
– Diluted	*9(b)*	**0.235**	0.237

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**254,290**	253,768
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	**45,985**	56,429
Change in value of an available-for-sale financial asset	**–**	1,156
Item that will not be reclassified to profit or loss		
Change in value of a financial asset at fair value through other comprehensive income	**(3,826)**	–
Total comprehensive income for the period, net of tax	**296,449**	311,353
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	**302,911**	322,690
Non-controlling interests	**(6,462)**	(11,337)
	296,449	311,353

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited 30 June 2018** *HK$'000*	Audited 31 December 2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**48,179**	51,558
Land use rights		**83,851**	84,473
Intangible assets		**86,746**	90,259
Financial asset at fair value through profit or loss		**94,746**	–
Financial asset at fair value through other comprehensive income		**15,313**	–
Available-for-sale financial assets		**–**	74,517
Investment accounted for using the equity method		**19,662**	20,720
Other non-current assets		**57,694**	52,785
Deferred income tax assets		**27,666**	18,731
Total non-current assets		**433,857**	393,043
Current assets			
Inventories		**1,328,727**	918,452
Other current assets		**23,454**	22,991
Other financial assets at amortised cost		**24,906**	16,602
Trade and bills receivables	*11*	**1,885,139**	1,703,414
Restricted cash		**33,947**	12,490
Short-term bank deposits		**51,784**	–
Cash and cash equivalents		**1,965,876**	2,165,224
Total current assets		**5,313,833**	4,839,173
Total assets		**5,747,690**	5,232,216
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**110,019**	110,019
Reserves		**4,071,660**	3,812,757
		4,181,679	3,922,776
Non-controlling interests		**(32,172)**	(25,710)
Total equity		**4,149,507**	3,897,066

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	**Unaudited 30 June 2018** ***HK$'000***	Audited 31 December 2017 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**9,468**	10,123
Other non-current liabilities		**6,769**	7,700
Total non-current liabilities		**16,237**	17,823
Current liabilities			
Trade and bills payables	*12*	**1,314,216**	953,084
Other payables and accruals		**153,844**	281,585
Current tax liabilities		**101,814**	68,291
Borrowings		**12,072**	14,367
Total current liabilities		**1,581,946**	1,317,327
Total liabilities		**1,598,183**	1,335,150
Total equity and liabilities		**5,747,690**	5,232,216

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 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'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 Directors of the Company on 8 August 2018.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2018 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 consolidation financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2017, as described in those annual consolidated financial statements, except for estimation of income tax and the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. Of these, the following are relevant to the Group's interim condensed consolidated financial information.

- HKFRS 9 Financial Instruments, and

- HKFRS 15 Revenue from Contracts with Customers

3 ACCOUNTING POLICIES (Continued)

3.1 New and amended standards adopted by the Group (Continued)

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 Financial Instruments ("HKFRS 9") and HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") on the Group's interim condensed consolidated financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to these applied in prior period.

(i) Accounting policies applied from 1 January 2018

The changes in the accounting policies and the effects of the resulting changes are summarised below:

HKFRS 9 Financial Instruments

Investments and other financial assets

<u>Classification</u>

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3 ACCOUNTING POLICIES (Continued)

3.1 New and amended standards adopted by the Group (Continued)

(i) Accounting policies applied from 1 January 2018 (Continued)

HKFRS 9 Financial Instruments (Continued)

Investments and other financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at FVPL are expensed in profit or loss.

- Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories to classify the debt instruments:

(1) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the interim condensed consolidated income statement.

(2) Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the interim condensed consolidated income statement.

(3) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

3 ACCOUNTING POLICIES (Continued)

3.1 New and amended standards adopted by the Group (Continued)

(i) Accounting policies applied from 1 January 2018 (Continued)

HKFRS 9 Financial Instruments (Continued)

Investments and other financial assets (Continued)

Measurement (Continued)

- Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other gains, net when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the interim condensed consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3 ACCOUNTING POLICIES (Continued)

3.1 New and amended standards adopted by the Group (Continued)

(i) Accounting policies applied from 1 January 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers

Sales of goods

The Group develops and sells E-payment Terminals products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under other payables and accruals as receipt in advance from customers in the interim condensed consolidated balance sheet.

Provision of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from maintenance and installation services is recognised based on the actual service provided.

(ii) Impact of adoption

The adoption of HKFRS 15 did not have any material impact on the Group's interim condensed consolidated financial information.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the interim condensed consolidated financial information as described below.

In accordance with the transitional provisions in HKFRS 9, HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated consolidated balance sheet as at 31 December 2017, but are recognised in the opening interim condensed consolidated balance sheet on 1 January 2018.

3 ACCOUNTING POLICIES (Continued)

3.1 New and amended standards adopted by the Group (Continued)

(ii) Impact of adoption (Continued)

Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

	Unaudited			
	31 December 2017 as originally presented	Reclassify from available-for-sale financial asset to financial asset at fair value through other comprehensive income *(note (a))*	Reclassify from available-for-sale financial asset to financial asset at fair value through profit or loss *(note (b))*	1 January 2018 as restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets				
– Unlisted equity investment	19,139	(19,139)	–	–
– Unlisted investment fund	55,378	–	(55,378)	–
	74,517	(19,139)	(55,378)	–
Financial asset at fair value through profit or loss				
– Unlisted investment fund	–	–	55,378	55,378
Financial asset at fair value through other comprehensive income				
– Unlisted equity investment	–	19,139	–	19,139

	Unaudited		
	Available-for-sale revaluation reserve	**Financial asset at fair value through other comprehensive income reserve**	**Retained earnings**
	HK$'000	*HK$'000*	*HK$'000*
Balance at 31 December 2017 as originally presented	(6,145)	–	–
Unlisted equity investment			
– Reclassify from available-for-sale financial asset to financial asset at fair value through other comprehensive income *(note (a))*	553	(553)	–
Unlisted investment fund			
– Reclassify from available-for-sale financial asset to financial asset at fair value through profit or loss *(note (b))*	5,592	–	(5,592)
Balance at 1 January 2018 as restated	–	(553)	(5,592)

3 ACCOUNTING POLICIES (Continued)

3.1 New and amended standards adopted by the Group (Continued)

(ii) Impact of adoption (Continued)

Classification and measurement of financial instruments *(Continued)*

Notes:

(a) Reclassification of available-for-sale financial asset to financial asset at fair value through other comprehensive income – unlisted equity investment

The Group elected to present change in the fair value of its equity investment (previously classified as available-for-sale financial asset ("AFS")) in other comprehensive income as it is long-term and strategic investment that is not expected to be sold in the short to medium term. As a result, the AFS with fair value of HK$19,139,000 as at 1 January 2018 was reclassified to financial asset at FVOCI and the related cumulative fair value loss of HK$553,000 was reclassified from available-for-sale revaluation reserve to financial asset at FVOCI reserve on 1 January 2018.

(b) Reclassification of available-for-sale financial asset to financial asset at fair value through profit or loss – unlisted investment fund

The unlisted investment fund of the Group with fair value of HK$55,378,000 as at 1 January 2018 was reclassified from AFS to financial asset at FVPL. It does not meet the HKFRS 9 criteria for classification at amortised cost and FVOCI, as its cash flows does not represent solely payments of principal and interest and the unlisted investment fund has a definite life.

Related cumulative fair value loss of HK$5,592,000 was transferred from the available-for-sale revaluation reserve to retained earnings on 1 January 2018. During the six months ended 30 June 2018, fair value loss of HK$3,284,000 relating to the investment was recognised in the interim condensed consolidated income statement.

There is 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.

3 ACCOUNTING POLICIES (Continued)

3.1 New and amended standards adopted by the Group (Continued)

(ii) Impact of adoption (Continued)

Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9 new expected credit loss model:

- trade and bills receivables
- other financial assets at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While restricted cash, short-term bank deposits and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade and bills receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade and bills receivables. To measure the expected credit losses, trade and bills receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

Management has closely monitored the credit qualities and the collectability of the trade and bills receivables and considers that the expected credit loss is immaterial. Trade and bills receivables in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. The adoption of the simplified expected credit loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 January 2018.

Other financial asset at amortised cost

For other financial assets at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial.

3 ACCOUNTING POLICIES (Continued)

3.2 Impact of standards issued but not yet applied by the Group

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$31,226,000. 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 standards and interpretations that are not yet effective that would be expected to have a material impact on the entity's interim condensed consolidated financial information.

4 REVENUE, OTHER INCOME AND OTHER GAINS, NET

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, other income and other gains, net recognised during the period are as follows:

	Unaudited Six months ended 30 June 2018 *HK$'000*	 2017 *HK$'000*
Revenue		
Sales of E-payment Terminals products	**1,834,650**	1,504,630
Services:		
Payment solutions services	**347**	76,477
Maintenance and installation services	**40,554**	24,592
	1,875,551	1,605,699
Other income		
Interest income	**10,253**	7,936
Value-added tax refund *(note)*	**7,746**	8,535
Subsidy income	**10,512**	9,233
Others	**5,565**	1,549
	34,076	27,253
Other gains, net		
Fair value gain on a financial liability at fair value through profit or loss	**4,689**	–
Fair value loss on a financial asset at fair value through profit or loss	**(3,284)**	–
	1,405	–

Note: 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 2018					
	PRC, excluding 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	**528,589**	**1,132,327**	**152,805**	**61,830**	**–**	**1,875,551**
Inter-segment turnover	**788,936**	**122,299**	**–**	**–**	**(911,235)**	**–**
Total turnover	**1,317,525**	**1,254,626**	**152,805**	**61,830**	**(911,235)**	**1,875,551**
Segmental (loss)/earnings before interest expense, taxes, depreciation and amortisation ("(LBITDA)"/"EBITDA")	**(55,610)**	**381,280**	**2,564**	**(2,359)**	**(13,172)**	**312,703**
Depreciation	**(3,038)**	**(1,320)**	**(234)**	**(677)**	**–**	**(5,269)**
Amortisation	**(2,258)**	**(1,536)**	**–**	**(928)**	**–**	**(4,722)**
Segmental operating (loss)/profit	**(60,906)**	**378,424**	**2,330**	**(3,964)**	**(13,172)**	**302,712**
Finance costs						**(3,152)**
Share of result of an investment accounted for using equity method						**(1,469)**
Profit before income tax						**298,091**
Income tax expense						**(43,801)**
Profit for the period						**254,290**

5 SEGMENT INFORMATION (Continued)

	Unaudited Six months ended 30 June 2017					
	PRC, excluding 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	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 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 (loss)/profit	(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

The segment assets and liabilities as at 30 June 2018 and additions to non-current assets for the six months ended 30 June 2018 are as follows:

	Unaudited At 30 June 2018					
	PRC, excluding 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	**4,014,074**	**2,228,680**	**253,758**	**89,490**	**(838,312)**	**5,747,690**
Segment liabilities	**1,742,976**	**419,974**	**294,408**	**40,296**	**(899,471)**	**1,598,183**

5 SEGMENT INFORMATION (Continued)

	Unaudited Six months ended 30 June 2018					
	PRC, excluding Hong Kong, Macau and Taiwan	**Hong Kong and others**	**US**	**Italy**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Additions to non-current assets	**6,974**	**77**	**221**	**1,547**	**–**	**8,819**

The segment assets and liabilities as at 31 December 2017 and additions to non-current assets for the six months ended 30 June 2017 were as follows:

	Audited At 31 December 2017					
	PRC, excluding Hong Kong, Macau and Taiwan	Hong Kong and others	US	Italy	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

	Unaudited Six months ended 30 June 2017					
	PRC, excluding Hong Kong, Macau and Taiwan	Hong Kong and others	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

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, intangible assets, financial asset at FVPL, financial asset at FVOCI, investment accounted for using the equity method, other non-current assets, deferred income tax assets, inventories, other current assets, other financial assets at amortised cost, trade and bills receivables, restricted cash, short-term bank deposits and cash and cash equivalents. Segment liabilities consist primarily of deferred income tax liabilities, other non-current liabilities, trade and bills payables, other payables and accruals, current tax liabilities and borrowings.

5 SEGMENT INFORMATION (Continued)

Additions to non-current assets mainly comprise additions to property, plant and equipment (six months ended 30 June 2017: additions to property, plant and equipment, prepayment for land use right and intangible assets including additions resulting from acquisitions through business combinations).

The Group is mainly domiciled in Hong Kong, the PRC, the US and Italy (six months ended 30 June 2017: same).

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 At 30 June 2018 ***HK$'000***	Audited At 31 December 2017 *HK$'000*
Non-current assets		
PRC, other than Hong Kong, Macau and Taiwan	**295,369**	244,700
Hong Kong and others	**89,604**	96,718
US	**549**	562
Italy	**48,335**	51,063
	433,857	393,043

For six months ended 30 June 2018, revenue of approximately HK$739,005,000 (six months ended 30 June 2017: HK$455,132,000) is derived from the largest customer, representing 39.4% (six months ended 30 June 2017: 28.3%) of the total revenue, which is attributable to the Hong Kong operating segment; HK$166,521,000 (six months ended 30 June 2017: HK$110,570,000) is derived from the second largest customer, representing 8.9% (six months ended 30 June 2017: 6.9%) 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 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 Six months ended 30 June **2018** ***HK$'000***	 2017 *HK$'000*
Auditor's remuneration	**1,788**	1,447
Depreciation of property, plant and equipment	**5,269**	11,725
Amortisation of land use rights	**2,258**	3
Amortisation of intangible assets	**2,464**	1,924
Employee benefits expense (including directors' emoluments) *(Note 7)*	**219,623**	200,910
Costs of inventories sold	**1,135,101**	919,641
Operating lease rentals in respect of buildings	**13,091**	13,377
Research and development costs	**143,894**	119,290
Reversal of provision for obsolete inventories	**(89)**	(2,928)
Donation	**1,050**	750

7 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited Six months ended 30 June **2018** ***HK$'000***	 2017 *HK$'000*
Wages and salaries	**192,879**	174,177
Social security and pension costs	**26,744**	26,733
	219,623	200,910

8 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June **2018** ***HK$'000***	 2017 *HK$'000*
Current income tax		
– PRC corporate income tax	**1,570**	783
– Hong Kong profits tax	**62,847**	45,143
Over provision in prior years	**(11,372)**	(7,471)
Total current income tax	**53,045**	38,455
Deferred income tax	**(9,244)**	(1,345)
Income tax expense	**43,801**	37,110

8 INCOME TAX EXPENSE (Continued)

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profit for the six months ended 30 June 2018.

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 Group, 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% for the year ended 31 December 2017. As such, the applicable corporate income tax rate of Pax Computer Shenzhen is 10% for the six months ended 30 June 2018 (six months ended 30 June 2017: same).

- 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 the 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 2018 (six months ended 30 June 2017: same).

9 EARNINGS PER SHARE

(a) Basic

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

	Unaudited Six months ended 30 June	
	2018	2017
Profit attributable to the owners of the Company *(HK$'000)*	**258,479**	264,942
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,100,194**	1,111,019
Basic earnings per share attributable to the owners of the Company *(HK$ per share)*	**0.235**	0.238

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.

For the six months ended 30 June 2018, the share options issued were not assumed to be exercised as they would have an antidilutive impact to the basic earnings per share. For the six months ended 30 June 2017, the calculation of diluted earnings per share was based on the profit attributable to owners of the Company and the weighted average number of ordinary shares, which was calculated as follows:

	Unaudited Six months ended 30 June 2017
Profit attributable to the owners of the Company *(HK$'000)*	264,942
Weighted average number of ordinary shares in issue *(thousand shares)*	1,111,019
Adjustments for share options *(thousand shares)*	4,792
Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)*	1,115,811
Diluted earnings per share attributable to the owners of the Company *(HK$ per share)*	0.237

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 2018 (six months ended 30 June 2017: HK$0.04 per ordinary share), totaling to approximately HK$44,008,000 (six months ended 30 June 2017: HK$44,528,000), payable on 11 September 2018 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 28 August 2018. 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 2018 ***HK$'000***	Audited 31 December 2017 *HK$'000*
Trade receivables *(Note (a))*	**1,869,961**	1,695,406
Amount due from a related party *(Note (a))*	**56,091**	32,453
Less: provision for impairment of receivables	**(49,296)**	(49,163)
Trade receivables, net	**1,876,756**	1,678,696
Bills receivables *(Note (b))*	**8,383**	24,718
Trade and bills receivables	**1,885,139**	1,703,414

(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 2018 and 31 December 2017, the ageing analysis of the trade receivables based on invoice date is as follows:

	Unaudited 30 June 2018 ***HK$'000***	Audited 31 December 2017 *HK$'000*
Up to 90 days	**1,292,313**	1,213,758
91 days to 180 days	**214,930**	242,795
181 days to 365 days	**178,340**	128,667
Over 365 days	**240,469**	142,639
	1,926,052	1,727,859

As at 30 June 2018, trade receivables includes retention money receivables of HK$79,221,000 (31 December 2017: HK$91,100,000) which represents approximately 2% to 5% (31 December 2017: same) of the relevant contract sum granted to certain number of the customers in the PRC that has a retention period of three to five years. As at 30 June 2018, retention money receivables aged over 365 days amounts to HK$64,743,000 (31 December 2017: HK$72,005,000).

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 2018 ***HK$'000***	Audited 31 December 2017 *HK$'000*
Up to 90 days	**2,961**	11,703
91 days to 180 days	**5,422**	13,015
	8,383	24,718

12 TRADE AND BILLS PAYABLES

	Unaudited 30 June 2018 ***HK$'000***	Audited 31 December 2017 *HK$'000*
Trade payables *(Note (a))*	**1,247,125**	937,093
Amounts due to related parties *(Note (a))*	**12,451**	15,991
Trade payables	**1,259,576**	953,084
Bills payables *(Note (b))*	**54,640**	–
Trade and bills payables	**1,314,216**	953,084

(a) Trade payables

As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade payables based on invoice date is as follows:

	Unaudited 30 June 2018 ***HK$'000***	Audited 31 December 2017 *HK$'000*
Up to 90 days	**1,053,700**	808,948
91 days to 180 days	**194,977**	137,140
181 days to 365 days	**7,232**	4,175
Over 365 days	**3,667**	2,821
	1,259,576	953,084

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

(b) Bills payables

The balance represents bank acceptance notes. As at 30 June 2018, the bills payables are due within 91 days to 180 days (31 December 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Revenue

Turnover increased by 16.8% or HK$269.9 million to HK$1,875.6 million for the six months ended 30 June 2018 from HK$1,605.7 million for the six months ended 30 June 2017. Turnover from overseas markets increased by HK$504.2 million to HK$1,591.2 million, representing a strong growth of 46.4%. Turnover from the People's Republic of China (the "PRC") excluding Hong Kong, Macau and Taiwan ("China Market") decreased by 45.2% or HK$234.4 million to HK$284.3 million.

i) Sales by Geographical Region

	For the six months ended 30 June		
	2018	2017	+/(-)
	HK$'000	*HK$'000*	
Overseas markets			
– Latin America and the Commonwealth of Independent States ("LACIS")	**894,107**	569,653	+57.0%
– Europe, Middle East and Africa ("EMEA")	**392,806**	263,464	+49.1%
– United States of America and Canada Region ("USCA")	**152,805**	149,368	+2.3%
– Asia Pacific Region (except for Mainland China) ("APAC")	**151,502**	104,485	+45.0%
	1,591,220	1,086,970	+46.4%
China Market	**284,331**	518,729	-45.2%
Total	**1,875,551**	1,605,699	+16.8%

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

Turnover generated from overseas markets increased by 46.4% to HK$1,591.2 million for the six months ended 30 June 2018 from HK$1,087.0 million for the six months ended 30 June 2017. Most overseas business units recorded notable growth especially in the LACIS and EMEA. Overseas markets turnover contributed to 84.8% of total revenue compared with 67.7% for the six months ended 30 June 2017.

Turnover generated from the China Market decreased by 45.2% to HK$284.3 million for the six months ended 30 June 2018, from HK$518.7 million for the six months ended 30 June 2017. China Market turnover contributed to 15.2% of total revenue compared with 32.3% for the six months ended 30 June 2017. The decrease was mainly due to the influence of the product mix shifting and the continuously keen price competition.

ii) Sales by Product Category

	For the six months ended 30 June		
	2018	2017	+/(-)
	HK$'000	*HK$'000*	
E-payment Terminals	**1,834,650**	1,504,630	+21.9%
Services:			
Payment Solutions Services	**347**	76,477	-99.5%
Maintenance and Installation Services	**40,554**	24,592	+64.9%
Total	**1,875,551**	1,605,699	+16.8%

E-payment Terminals products

Electronic payment point-of-sales terminals ("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 21.9% to HK$1,834.7 million for the six months ended 30 June 2018 from HK$1,504.6 million for the six months ended 30 June 2017. The increase was 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 decreased by 99.5% to HK$0.3 million for the six months ended 30 June 2018 as compared to HK$76.5 million for the six months ended 30 June 2017. The decrease was attributable to the termination of the operation of the Group's non-wholly owned subsidiaries, Shanghai New Kashuo Information Technology Company Limited ("Shanghai Kashuo") and its subsidiaries (collectively, the "Kashuo Group") in 2017.

ii) Maintenance and Installation Services

Turnover from the provision of maintenance and installation services increased by 64.9% to HK$40.6 million for the six months ended 30 June 2018 as compared to HK$24.6 million for the six months ended 30 June 2017. Maintenance and installation services income was generated in Hong Kong and Italy.

Gross Profit Margin

Gross profit margin for the six months ended 30 June 2018 was 38.5%, representing a decrease in 320 basis points compared to 41.7% for the six months ended 30 June 2017. This was mainly due to the incentive given to long-term customers in overseas markets and China Market.

Other Income

Other income comprising primarily value-added tax refund and interest income increased by 25.0% to HK$34.1 million for the six months ended 30 June 2018 from HK$27.3 million for the six months ended 30 June 2017. The increase was mainly due to the increase in interest income.

Selling Expenses

Selling expenses decreased by 1.4% to HK$192.4 million for the six months ended 30 June 2018, from HK$195.1 million for the six months ended 30 June 2017. Excluding Kashuo Group's selling expenses incurred in prior period, the selling expenses grew generally in line with the turnover growth.

Administrative Expenses

Administrative expenses increased by 25.2% to HK$262.8 million for the six months ended 30 June 2018 from HK$209.9 million for the six months ended 30 June 2017. The increase was mainly due to the increase in certification expense and research and development ("R&D") investment in the United States of America (the "US").

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 2.4% to HK$258.5 million for the six months ended 30 June 2018 from HK$264.9 million for the six months ended 30 June 2017. The net profit margin decreased to 13.6% for the six months ended 30 June 2018 from 15.8% for the six months ended 30 June 2017.

Other Event

Reference is made to the announcement of the Company dated 16 November 2017 and the disclosure in the 2017 annual report concerning Kashuo Group.

In July 2018, a court of competent jurisdiction in Shanghai rendered a civil ruling in acceptance of Shanghai Kashuo's application for bankruptcy liquidation in accordance with the Enterprise Bankruptcy Law of the People's Republic of China. 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.

OVERVIEW

PAX Global Technology Limited ("PAX" or the "Company", together with its subsidiaries, the "Group") is one of the world's leading suppliers of secure electronic payment terminal solutions engaged in the development and sales of point-of-sale hardware and related payment software applications, as well as a series of services such as terminal deployments, repair and maintenance (collectively known as the "E-payment Terminal Solutions Business"). PAX is renowned in the international payment industry for its superior R&D capabilities, cutting edge production facilities and dedicated technical support, offering best-in-class product quality and the industry's widest and most innovative product portfolio. PAX has established a strong global presence and maintained a leading position in the global market, delivering its products and services to a huge customer base in more than 100 countries through an extensive sales network of local offices, channel partners and payment system integrators.

MARKET ANALYSIS AND INDUSTRY TRENDS

As FinTech develops at a fast pace worldwide, many countries around the world are committed to promoting a cashless society and actively implementing policies which encourage banks and merchants to better support electronic payments. The increasing popularity of innovative payment methods such as mobile wallets, Near Field Communication (NFC) and QR code payment, especially in emerging markets and China, is fuelling rapid growth in electronic transactions and offering positive growth prospects for the payment terminal market. According to a market report, the global payment terminal market is expected to grow substantially to USD116 billion in 2025 (approximately USD48 billion in 2016), revealing that the market is optimistic about the demand for payment terminals, which is envisaging the upcoming omni-channel era.

Innovative high-quality products portfolio has always been one of the Group's core values, thus helping PAX to build long-term trust with customers worldwide. During the period, PAX has brought a new series of smart Android terminals and QR code-reading devices to market, offering highly efficient features and delivering new payment experiences to consumers. Attributable to the widespread recognition of PAX products, the rising PAX brand awareness, coupled with the continued overseas business growth, the demand for PAX solutions keeps surging. In the first half of 2018, the Group achieved impressive growth in overseas markets.

(i) Overseas Markets

LACIS

Strong demand continued for all types of payment terminals, with remarkable sales recorded in Brazil. Attributing to our strong distribution network, the market penetration of PAX products has been further enhanced in Brazil. During the 2018 FIFA World Cup in Russia, PAX's mobile terminals allowed thousands of football enthusiasts to conduct cashless transactions at stadium locations. The Group has also begun deploying its new generation electronic cash register products, known as the E-series, in Russia and many other countries, which have been highly recognised by the market since the launch.

EMEA

PAX maintained its market share growth momentum in EMEA. More acquiring banks, payment service providers and retail groups switched to use PAX's innovative solutions, with huge interest across the entire region for the new state-of-the-art Android terminals, known as the A-series family. In Europe, alongside the surge in sales of traditional Linux platform terminals, environmentally friendly "paperless" terminals are also increasingly popular among merchants, some countries such as Poland has already taken the lead in massive deployment of MiniPOS solutions. In the Middle East, PAX maintained a leading position. In Africa, PAX recorded growing market share. These markets shift towards usage of higher performing Android and MiniPOS terminals solutions. The Group's PAXSTORE, combining an open platform appstore marketplace with advanced terminal management system, has been piloting in more than 25 countries worldwide, most of which are within the EMEA region.

USCA

The E-series launched in late 2017 continued to generate stable orders. Powered by innovative software and payment applications, the E-series family delivers an all-in-one integrated retail payment solution for merchants such as restaurants, cafes, boutique stores and hotels, with stylish product design enhancing the overall style of the stores. During the first half of 2018, PAX continued business negotiations with some potential new customers and substantial orders are expected to materialise in the second half of this year.

APAC

PAX continues to lead in most markets. In Japan, the newly formed PAX subsidiary is developing a country-wide sales network, with the first orders being won in the first half of this year. We expect the Japanese market to become an important market for our future APAC region business. Following the acquisition of Kwang Woo Information & Communication Co., Ltd., a Korean E-payment Terminals provider, the Group leveraged its extensive sales network to tap into the Korean market, with plans now underway to accelerate product integration and expand local market share. In view of the growth momentum of some Asia-Pacific markets, we expect soaring demand for our new-generation Android smart terminals.

(ii) China Market

Amid intensifying competition in China market, rapid market changes are creating new opportunities for the payment terminal industry. Riding on the trend of mobile payments using QR code technology, PAX successfully launched new generation of QR code-reading payment terminals at the beginning of this year, bringing a new and streamlined payment experience to customers. In the first half of this year, the overall shipments of PAX in China also showed an upward trend. According to a report issued by the People's Bank of China, the per capita number of bank cards held was 5.04 in the first quarter of 2018 (4.53 cards for the corresponding period in 2017), and the number of installed electronic payment terminals increased from 25.49 million to 32.19 million devices, thus indicating that changes in the payment industry are positively impacting the payment terminal market.

MANAGEMENT STRATEGY

As a leading company in the global payment terminal industry, the Group adheres to a corporate culture of continuous innovation and excellence, with a focus on capturing market demand in a timely manner and taking initiatives in seizing market opportunities. The Group is committed to ongoing R&D and innovation, to support the growing demand for state-of-the-art, yet competitively priced, secure electronic payment terminals. In 2017, we enhanced our investment in R&D and established the China Business Unit to focus on developing payment products which are tailored for the Chinese market, like the series of QR code-reading payment terminals launched this year, in response to rapid market changes and opportunities. Looking forward, PAX will launch unattended self-service products, the IM-series, which will cater for a wide range of use-cases including petroleum forecourts, kiosks, vending and ticketing machines and self-service parking. More new products will be further launched in the second half of 2018 and the year of 2019.

Merger & Acquisition Activities

PAX continues to proactively pursue quality assets and suitable merger and acquisition ("M&A") opportunities. Through M&A, the Group further optimised the business layout by enhancing the diversity of the payment related products and services of the Group's hardware and software divisions. In 2017 and 2018, the Group completed a number of M&A projects, including subsidiary acquisitions, minority stake investment and fund investment in Korea, Italy, Sweden, Shanghai and Beijing, as well as establishing subsidiaries in Japan and India. In the first half of 2018, the Group increased its investment in a Beijing based fund, to a total investment of Renminbi ("RMB") 85 million. The fund primarily invests in high-quality emerging technology and start-up projects. The Group believes that increase in fund investment will further strengthen the financial technology advantages of PAX, in response to the rapidly changing market environment in China.

Liquidity and Financial Resources

As at 30 June 2018, the Group had cash and cash equivalents and short-term bank deposits of HK$2,017.7 million (31 December 2017: HK$2,165.2 million) and borrowings of HK$12.1 million (31 December 2017: HK$14.4 million). As at 30 June 2018, the Group reported net current assets of HK$3,731.9 million, as compared with HK$3,521.8 million as at 31 December 2017. For the six months ended 30 June 2018, net cash used in operating activities was HK$101.8 million, as compared to HK$325.7 million for the six months ended 30 June 2017. The gearing ratio (defined as total borrowings divided by shareholders' equity) was 0.3% as at 30 June 2018 (31 December 2017: 0.4%). The gearing ratio is considered healthy and suitable for the continuous growth of the Group's business.

Capital Structure and Details of Charges

As at 30 June 2018, the Group had borrowings of HK$12.1 million (31 December 2017: HK$14.4 million) and banking facilities of approximately HK$14.4 million (31 December 2017: HK$18.0 million). The borrowings were used in the operation in Korea and denominated in Korean Won ("WON"). The borrowings of HK$12.1 million were secured by the land and buildings of a Korean subsidiary of the Company (31 December 2017: HK$10.7 million).

Approximately HK$835.4 million, HK$437.7 million, HK$682.9 million, HK$53.7 million, HK$1.3 million and HK$6.7 million (31 December 2017: HK$1,202.7 million, HK$516.0 million, HK$396.7 million, HK$42.3 million, HK$7.2 million and HK$0.3 million) of the Group's cash balances were denominated in RMB, Hong Kong dollar ("HK$"), US dollar ("US$"), European dollar ("EUR"), WON and other currencies respectively as at 30 June 2018.

Significant Investment

The Group had no significant investment held as at 30 June 2018 (30 June 2017: Nil).

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2018 (30 June 2017: Nil).

Future Plans for Significant Investment or Capital Assets

There was no specific plan for material investments or capital assets as at 30 June 2018 (30 June 2017: 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 2018 (30 June 2017: Nil).

Human Resources and Remuneration Policies

The total number of employees of the Group as at 30 June 2018 was 1,504. The following table shows a breakdown of employees of the Group by function as at 30 June 2018:

Management	15
Sales and after-sales services and marketing	491
R&D	794
Quality assurance	38
Administration and human resources	47
Accounting	31
Production, procurement and inventory control	88
	1,504

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 certain 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 2018 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 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 2018 (six months ended 30 June 2017: HK$0.04 per ordinary share) payable on 11 September 2018 (Tuesday) 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 2018 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to interim dividend, the Register of Members will be closed from 24 August 2018 (Friday) to 28 August 2018 (Tuesday), 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 2018 (Thursday).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2018.

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, 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") in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Specific enquiry were made to all Directors and they have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2018.

The Company has also established written guidelines regulating the transactions of securities of the Company by senior management and employees who are, or 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 2018.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee together with the management has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters including the review of the unaudited interim condensed consolidated financial information for the six months ended 30 June 2018 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 2018 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 2018. Instead, it has been derived from the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2018, which will be included in the Company's 2018 interim report.

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

Hong Kong, 8 August 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 and Mr. Man Kwok Kuen, Charles.