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

# PAX Global Technology Limited
# 百富環球科技有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 327)**

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

**FINANCIAL HIGHLIGHTS**

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2019** | 2018 | +/(-) |
| **RESULTS** ***(in HK$'000)*** | | | |
| Revenue | **2,366,261** | 1,875,551 | +26.2% |
| Gross profit | **914,439** | 722,473 | +26.6% |
| Operating profit | **370,544** | 302,712 | +22.4% |
| Profit for the period | **325,220** | 254,290 | +27.9% |
| Profit for the period attributable to the owners of the Company | **325,463** | 258,479 | +25.9% |
| Research and development expenses (included in administrative expenses) | **187,608** | 143,894 | +30.4% |
| **PER SHARE** ***(in HK$)*** | | | |
| Earnings per share for profit for the period attributable to the owners of the Company | | | |
| – Basic | **0.296** | 0.235 | +26.0% |
| – Diluted | **0.296** | 0.235 | +26.0% |
| Interim dividend per ordinary share | **0.040** | 0.040 | |

| | **As at 30 June 2019** | As at 31 December 2018 | +/(-) |
|---|---|---|---|
| **KEY BALANCE SHEET ITEMS** ***(in HK$'000)*** | | | |
| Total current assets | **6,073,498** | 5,343,736 | +13.7% |
| Total assets | **6,539,925** | 5,775,554 | +13.2% |
| Net current assets | **4,064,555** | 3,802,754 | +6.9% |
| Total equity | **4,490,259** | 4,212,608 | +6.6% |

* *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 2019 together with the unaudited comparative figures for the corresponding period in 2018 as follows:

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **2,366,261** | 1,875,551 |
| Cost of sales | *6* | **(1,451,822)** | (1,153,078) |
| Gross profit | | **914,439** | 722,473 |
| Other income | *4* | **32,196** | 34,076 |
| Other gains, net | *4* | **7,718** | 1,405 |
| Selling expenses | *6* | **(227,040)** | (192,394) |
| Administrative expenses | *6* | **(326,513)** | (262,848) |
| Net impairment losses on financial assets | *6* | **(30,256)** | – |
| Operating profit | | **370,544** | 302,712 |
| Finance costs | | **(1,696)** | (3,152) |
| Share of results of investments accounted for using the equity method | | **(1,577)** | (1,469) |
| Profit before income tax | | **367,271** | 298,091 |
| Income tax expense | *8* | **(42,051)** | (43,801) |
| **Profit for the period** | | **325,220** | 254,290 |
| **Profit/(loss) for the period attributable to:** | | | |
| Owners of the Company | | **325,463** | 258,479 |
| Non-controlling interests | | **(243)** | (4,189) |
| | | **325,220** | 254,290 |
| | | ***HK$ per share*** | *HK$ per share* |
| **Earnings per share for profit for the period attributable to the owners of the Company:** | | | |
| – Basic | *9(a)* | **0.296** | 0.235 |
| – Diluted | *9(b)* | **0.296** | 0.235 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| **Profit for the period** | **325,220** | 254,290 |
| **Other comprehensive (loss)/income, net of tax** | | |
| *Item that may be subsequently reclassified to profit or loss* | | |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | **(2,026)** | 45,985 |
| *Item that will not be reclassified to profit or loss* | | |
| Change in value of a financial asset at fair value through other comprehensive income | **(1,535)** | (3,826) |
| **Total comprehensive income for the period, net of tax** | **321,659** | 296,449 |
| **Total comprehensive income/(loss) for the period attributable to:** | | |
| Owners of the Company | **321,708** | 302,911 |
| Non-controlling interests | **(49)** | (6,462) |
| | **321,659** | 296,449 |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | **Unaudited At 30 June 2019** *HK$'000* | Audited At 31 December 2018 *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **76,594** | 72,368 |
| Right-of-use assets | | **38,129** | – |
| Land use rights | | **73,858** | 76,023 |
| Intangible assets | | **77,843** | 81,647 |
| Financial asset at fair value through profit or loss | | **101,536** | 94,058 |
| Financial asset at fair value through other comprehensive income | | **10,335** | 11,870 |
| Investments accounted for using the equity method | | **16,513** | 17,974 |
| Loan to an investment accounted for using the equity method | | **4,169** | – |
| Other non-current assets | | **42,533** | 46,174 |
| Deferred income tax assets | | **24,917** | 31,704 |
| **Total non-current assets** | | **466,427** | 431,818 |
| **Current assets** | | | |
| Inventories | | **1,217,279** | 1,182,015 |
| Other current assets | | **18,457** | 24,938 |
| Other financial assets at amortised cost | | **7,672** | 5,847 |
| Trade and bills receivables | *11* | **2,090,407** | 1,919,408 |
| Restricted cash | | **160,056** | 48,816 |
| Short-term bank deposits | | **2,551** | 2,520 |
| Cash and cash equivalents | | **2,577,076** | 2,160,192 |
| **Total current assets** | | **6,073,498** | 5,343,736 |
| **Total assets** | | **6,539,925** | 5,775,554 |
| **EQUITY** | | | |
| **Equity attributable to the owners of the Company** | | | |
| Share capital | | **110,019** | 110,019 |
| Reserves | | **4,409,734** | 4,132,034 |
| | | **4,519,753** | 4,242,053 |
| Non-controlling interests | | **(29,494)** | (29,445) |
| **Total equity** | | **4,490,259** | 4,212,608 |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

| | Notes | **Unaudited At 30 June 2019** *HK$'000* | Audited At 31 December 2018 *HK$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **2,287** | – |
| Lease liabilities | | **20,800** | – |
| Deferred income tax liabilities | | **7,959** | 8,641 |
| Other non-current liabilities | | **9,677** | 13,323 |
| **Total non-current liabilities** | | **40,723** | 21,964 |
| **Current liabilities** | | | |
| Trade and bills payables | *12* | **1,610,925** | 1,190,447 |
| Other payables and accruals | | **278,044** | 259,120 |
| Current tax liabilities | | **94,960** | 83,171 |
| Borrowings | | **7,279** | 8,244 |
| Lease liabilities | | **17,735** | – |
| **Total current liabilities** | | **2,008,943** | 1,540,982 |
| **Total liabilities** | | **2,049,666** | 1,562,946 |
| **Total equity and liabilities** | | **6,539,925** | 5,775,554 |

*Notes:*

## 1 GENERAL INFORMATION

The Company is an investment holding company and the Group is principally engaged in the development and sales of electronic payment point-of-sale terminals ("E-payment Terminals") products, provision of 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 units 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 12 August 2019.

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 2019 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

## 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2018, as described in those annual consolidated financial statements, except for estimation of income tax, accounting for joint arrangements 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 ACCOUNTING POLICIES (Continued)

### 3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group has changed its accounting policies and made retrospective adjustments as a result of adopting HKFRS 16 Leases ("HKFRS 16").

The impact of the adoption of the leasing standard and the new accounting policy is 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 16 on the Group's interim condensed consolidated financial information and also discloses the new accounting policy that has been applied from 1 January 2019.

#### *(i) Accounting policy applied from 1 January 2019*

From 1 January 2019, leases are recognised as right-of-use assets (including land use rights which are presented as a separate line item in the interim condensed consolidated balance sheet) and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the interim condensed consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis and stated at initially recognised amount less depreciation and impairment losses.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- prepayment, and
- any initial direct costs

#### *(ii) Impact of adoption*

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provision in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening of the interim condensed consolidated balance sheet on 1 January 2019.

### 3 ACCOUNTING POLICIES (Continued)

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

##### *(ii) Impact of adoption (Continued)*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 (date of initial application of HKFRS 16). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.7%.

In applying HKFRS 16 for the first time, the Group has used a practical expedient permitted by this standard to use a single discount rate to a portfolio of leases with reasonable similar characteristics.

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 31 December 2018 and lease liabilities recognised in the opening of the interim condensed consolidated balance sheet as at 1 January 2019 (date of initial application of HKFRS 16) is as follows:

| | **Unaudited**<br>*HK$'000* |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | **35,986** |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | **32,523** |
| Lease liabilities recognised as at 1 January 2019 | **32,523** |
| Of which are: | |
| – Current lease liabilities | **17,856** |
| – Non-current lease liabilities | **14,667** |
| | **32,523** |

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy resulted in the recognition of both right-of-use assets and lease liabilities of HK$32,523,000 in the opening of the interim condensed consolidated balance sheet on 1 January 2019.

The recognised right-of-use assets of HK$32,523,000 are related to office premises.

## 3 ACCOUNTING POLICIES (Continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### 3.3 Joint arrangements

Under HKFRS 11 "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has a joint venture. Interest in the joint venture is accounted for using the equity method, after initially being recognised at cost in the interim condensed consolidated balance sheet.

## 4 REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

| | **Unaudited** | |
|---|---|---|
| | **Six months ended 30 June** | |
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Sales of E-payment Terminals products | **2,322,435** | 1,834,650 |
| Provision of services | **43,826** | 40,901 |
| | **2,366,261** | 1,875,551 |
| **Other income** | | |
| Interest income | **9,416** | 10,253 |
| Value-added tax refund *(note)* | **5,472** | 7,746 |
| Subsidy income | **12,858** | 10,512 |
| Others | **4,450** | 5,565 |
| | **32,196** | 34,076 |
| **Other gains, net** | | |
| Fair value gain/(loss) on a financial asset at fair value through profit or loss | **7,718** | (3,284) |
| Fair value gain on a financial liability at fair value through profit or loss | **–** | 4,689 |
| | **7,718** | 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 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **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 | 474,838 | 1,626,861 | 168,083 | 96,479 | – | 2,366,261 |
| Inter-segment turnover | 1,542,599 | 127,375 | – | – | (1,669,974) | – |
| Total turnover | 2,017,437 | 1,754,236 | 168,083 | 96,479 | (1,669,974) | 2,366,261 |
| Segmental earnings/(losses) before interest expense, taxes, depreciation and amortisation ("EBITDA"/"(LBITDA)") | 271,436 | 155,143 | (22,062) | 4,059 | (13,319) | 395,257 |
| Depreciation *(Note 6)* | (18,153) | (1,972) | (834) | (1,444) | – | (22,403) |
| Amortisation *(Note 6)* | – | (1,447) | – | (863) | – | (2,310) |
| Segmental operating profit/(loss) | 253,283 | 151,724 | (22,896) | 1,752 | (13,319) | 370,544 |
| Finance costs | | | | | | (1,696) |
| Share of results of investments accounted for using the equity method | | | | | | (1,577) |
| Profit before income tax | | | | | | 367,271 |
| Income tax expense | | | | | | (42,051) |
| Profit for the period | | | | | | 325,220 |

## 5 SEGMENT INFORMATION (Continued)

| | Unaudited<br>Six months ended 30 June 2018 | | | | | |
|---|---|---|---|---|---|---|
| | PRC, excluding Hong Kong, Macau and Taiwan<br>*HK$'000* | Hong Kong and others<br>*HK$'000* | US<br>*HK$'000* | Italy<br>*HK$'000* | Elimination<br>*HK$'000* | Total<br>*HK$'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 (LBITDA)/EBITDA | (55,610) | 381,280 | 2,564 | (2,359) | (13,172) | 312,703 |
| Depreciation *(Note 6)* | (3,038) | (1,320) | (234) | (677) | – | (5,269) |
| Amortisation *(Note 6)* | (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 the equity method | | | | | | (1,469) |
| Profit before income tax | | | | | | 298,091 |
| Income tax expense | | | | | | (43,801) |
| Profit for the period | | | | | | 254,290 |

The segment assets and liabilities as at 30 June 2019 and additions to non-current assets for the six months ended 30 June 2019 are as follows:

| | **Unaudited**<br>**At 30 June 2019** | | | | | |
|---|---|---|---|---|---|---|
| | **PRC, excluding Hong Kong, Macau and Taiwan**<br>***HK$'000*** | **Hong Kong and others**<br>***HK$'000*** | **US**<br>***HK$'000*** | **Italy**<br>***HK$'000*** | **Elimination**<br>***HK$'000*** | **Total**<br>***HK$'000*** |
| Segment assets | **4,611,515** | **2,519,023** | **290,821** | **116,922** | **(998,356)** | **6,539,925** |
| Segment liabilities | **2,103,893** | **506,622** | **380,510** | **63,508** | **(1,004,867)** | **2,049,666** |

## 5 SEGMENT INFORMATION (Continued)

| | Unaudited<br>Six months ended 30 June 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **PRC, excluding Hong Kong, Macau and Taiwan**<br>***HK$'000*** | **Hong Kong and others**<br>***HK$'000*** | **US**<br>***HK$'000*** | **Italy**<br>***HK$'000*** | **Elimination**<br>***HK$'000*** | **Total**<br>***HK$'000*** |
| Additions to non-current assets | **23,696** | **2,166** | **709** | **5,187** | **–** | **31,758** |

The segment assets and liabilities as at 31 December 2018 and additions to non-current assets for the six months ended 30 June 2018 were as follows:

| | Audited<br>At 31 December 2018 | | | | | |
|---|---|---|---|---|---|---|
| | PRC, excluding Hong Kong, Macau and Taiwan<br>*HK$'000* | Hong Kong and others<br>*HK$'000* | US<br>*HK$'000* | Italy<br>*HK$'000* | Elimination<br>*HK$'000* | Total<br>*HK$'000* |
| Segment assets | 3,935,394 | 2,263,502 | 264,424 | 99,399 | (787,165) | 5,775,554 |
| Segment liabilities | 1,713,857 | 291,512 | 331,233 | 47,791 | (821,447) | 1,562,946 |

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

Additions to non-current assets mainly comprise additions to property, plant and equipment, right-of-use assets and other non-current assets (six months ended 30 June 2018: property, plant and equipment and other non-current assets).

The Group is mainly domiciled in Hong Kong, the PRC, the US and Italy (six months ended 30 June 2018: same).

## 5 SEGMENT INFORMATION (Continued)

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 2019** *HK$'000* | Audited At 31 December 2018 *HK$'000* |
|---|---|---|
| **Non-current assets** | | |
| PRC, excluding Hong Kong, Macau and Taiwan | **298,108** | 301,909 |
| Hong Kong and others | **121,612** | 81,877 |
| US | **636** | 516 |
| Italy | **46,071** | 47,516 |
| | **466,427** | 431,818 |

For six months ended 30 June 2019, revenue of approximately HK$1,311,279,000 (six months ended 30 June 2018: HK$739,005,000) is derived from the largest customer, representing 55.4% (six months ended 30 June 2018: 39.4%) of the total revenue, which is attributable to the Hong Kong operating segment (six months ended 30 June 2018: same); approximately HK$206,462,000 (six months ended 30 June 2018: HK$166,512,000) is derived from the second largest customer, representing 8.7% (six months ended 30 June 2018: 8.9%) of the total revenue, which is attributable to the PRC operating segment (six months ended 30 June 2018: same).

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, administrative expenses and net impairment losses on financial assets are analysed as follows:

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2019** *HK$'000* | 2018 *HK$'000* |
| Remuneration to the Company's auditor | | |
| – Group's audit services | **1,000** | 1,600 |
| – non-audit services | **151** | – |
| Remuneration to other auditors | **213** | 188 |
| Depreciation of property, plant and equipment | **7,146** | 5,269 |
| Depreciation of right-of-use assets | **13,142** | – |
| Depreciation/amortisation of land use rights | **2,115** | 2,258 |
| Amortisation of intangible assets | **2,310** | 2,464 |
| Employee benefits expense (including directors' emoluments) *(Note 7)* | **292,557** | 219,623 |
| Costs of inventories sold | **1,404,707** | 1,135,101 |
| Operating lease rentals in respect of office premises | **–** | 13,091 |
| Research and development costs | **187,608** | 143,894 |
| Provision/(reversal of provision) for obsolete inventories | **24,624** | (89) |
| Net impairment losses on financial assets | | |
| – on individual basis | **15,062** | – |
| – on collective basis | **15,194** | – |

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

| | **Unaudited** | |
|---|---|---|
| | **Six months ended 30 June** | |
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Wages and salaries | **271,849** | 192,879 |
| Social security and pension costs | **20,708** | 26,744 |
| | **292,557** | 219,623 |

## 8 INCOME TAX EXPENSE

| | **Unaudited** | |
|---|---|---|
| | **Six months ended 30 June** | |
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Current income tax on profit for the period | | |
| – China corporate income tax | **21,065** | 1,570 |
| – Hong Kong profits tax | **27,068** | 62,847 |
| – Overseas profits tax | **4,464** | – |
| Tax incentives for research and development expenses available for the subsidiaries incorporated in PRC | **(21,845)** | (13,648) |
| Under provision in prior years, net | **4,971** | 2,276 |
| Total current income tax | **35,723** | 53,045 |
| Deferred income tax | **6,328** | (9,244) |
| Income tax expense | **42,051** | 43,801 |

## 8 INCOME TAX EXPENSE (Continued)

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2018: same) on the estimated assessable profit for the six months ended 30 June 2019.

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 2018. As such, the applicable corporate income tax rate of Pax Computer Shenzhen is 10% for the six months ended 30 June 2019 (six months ended 30 June 2018: 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. For the six months ended 30 June 2019, no preferential rate is applicable to Wonder Pax and the applicable corporate income tax rate of Wonder Pax is 25%.

## 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** | |
| | **2019** | 2018 |
| Profit for the period attributable to the owners of the Company *(HK$'000)* | **325,463** | 258,479 |
| Weighted average number of ordinary shares in issue *(thousand shares)* | **1,100,194** | 1,100,194 |
| Basic earnings per share attributable to the owners of the Company *(HK$ per share)* | **0.296** | 0.235 |

## 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 2019, the share options issued were not assumed to be exercised as they would have an antidilutive impact to the basic earnings per share (six months ended 30 June 2018: same).

## 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 2019 (six months ended 30 June 2018: HK$0.04 per ordinary share), totaling to approximately HK$44,008,000 (six months ended 30 June 2018: HK$44,008,000), payable on 10 September 2019 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 27 August 2019. 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 At 30 June 2019** ***HK$'000*** | Audited At 31 December 2018 *HK$'000* |
|---|---|---|
| Trade receivables *(Note (a))* | **2,189,013** | 1,892,275 |
| Amount due from a related party *(Note (a))* | **12,406** | 90,389 |
| *Less:* provision for impairment of receivables | **(113,794)** | (84,169) |
| Trade receivables, net | **2,087,625** | 1,898,495 |
| Bills receivables *(Note (b))* | **2,782** | 20,913 |
| Trade and bills receivables | **2,090,407** | 1,919,408 |

## 11 TRADE AND BILLS RECEIVABLES (Continued)

### (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 2019 and 31 December 2018, the ageing analysis of the trade receivables and amount due from a related party based on invoice date is as follows:

| | **Unaudited At 30 June 2019** ***HK$'000*** | Audited At 31 December 2018 *HK$'000* |
|---|---|---|
| Up to 90 days | **1,493,499** | 1,040,516 |
| 91 to 180 days | **360,453** | 614,992 |
| 181 to 365 days | **105,185** | 84,754 |
| Over 365 days | **242,282** | 242,402 |
| | **2,201,419** | 1,982,664 |

As at 30 June 2019, trade receivables includes retention money receivables of HK$74,960,000 (31 December 2018: HK$69,739,000) which represents approximately 2% to 5% (31 December 2018: 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 (31 December 2018: same). As at 30 June 2019, retention money receivables aged over 365 days amounts to HK$62,200,000 (31 December 2018: HK$63,018,000).

### (b) Bills receivables

The balance represents bank acceptance notes with the maturity profile as follows:

| | **Unaudited At 30 June 2019** ***HK$'000*** | Audited At 31 December 2018 *HK$'000* |
|---|---|---|
| Up to 90 days | **471** | 20,625 |
| 91 to 180 days | **2,311** | 288 |
| | **2,782** | 20,913 |

## 12 TRADE AND BILLS PAYABLES

| | **Unaudited At 30 June 2019** ***HK$'000*** | Audited At 31 December 2018 *HK$'000* |
|---|---|---|
| Trade payables *(Note (a))* | **1,226,531** | 1,114,598 |
| Amounts due to related parties *(Note (a))* | **15,636** | 11,684 |
| Trade payables | **1,242,167** | 1,126,282 |
| Bills payables *(Note (b))* | **368,758** | 64,165 |
| Trade and bills payables | **1,610,925** | 1,190,447 |

### (a) Trade payables

As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

| | **Unaudited At 30 June 2019** ***HK$'000*** | Audited At 31 December 2018 *HK$'000* |
|---|---|---|
| Up to 90 days | **1,108,953** | 802,365 |
| 91 to 180 days | **113,521** | 317,992 |
| 181 to 365 days | **5,020** | 1,109 |
| Over 365 days | **14,673** | 4,816 |
| | **1,242,167** | 1,126,282 |

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:

| | **Unaudited At 30 June 2019** ***HK$'000*** | Audited At 31 December 2018 *HK$'000* |
|---|---|---|
| Due within 90 days | **337,388** | 20,494 |
| Due within 91 to 180 days | **31,370** | 43,671 |
| | **368,758** | 64,165 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

### Revenue

Turnover increased by 26.2% or HK$490.7 million to HK$2,366.3 million for the six months ended 30 June 2019 from HK$1,875.6 million for the six months ended 30 June 2018. Turnover from overseas markets increased by HK$615.7 million to HK$2,206.9 million, representing a strong growth of 38.7%. Turnover from the People's Republic of China (the "PRC") excluding Hong Kong, Macau and Taiwan ("China Market") decreased by 43.9% or HK$125.0 million to HK$159.4 million.

### *i) Sales by Geographical Region*

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2019** | 2018 | +/(-) |
| | ***HK$'000*** | *HK$'000* | |
| **Overseas markets** | | | |
| – Latin America and the Commonwealth of Independent States ("LACIS") | **1,338,855** | 894,107 | +49.7% |
| – Europe, Middle East and Africa ("EMEA") | **462,101** | 392,806 | +17.6% |
| – Asia Pacific Region (except for Mainland China) ("APAC") | **239,172** | 151,502 | +57.9% |
| – United States of America and Canada Region ("USCA") | **166,763** | 152,805 | +9.1% |
| | **2,206,891** | 1,591,220 | +38.7% |
| **China Market** | **159,370** | 284,331 | –43.9% |
| Total | **2,366,261** | 1,875,551 | +26.2% |

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

Turnover generated from overseas markets increased by 38.7% to HK$2,206.9 million for the six months ended 30 June 2019 from HK$1,591.2 million for the six months ended 30 June 2018. Most overseas business units recorded notable growth especially in the LACIS and APAC. Overseas markets turnover contributed to 93.3% of total revenue compared with 84.8% for the six months ended 30 June 2018.

Turnover generated from the China Market decreased by 43.9% to HK$159.4 million for the six months ended 30 June 2019, from HK$284.3 million for the six months ended 30 June 2018. China Market turnover contributed to 6.7% of total revenue compared with 15.2% for the six months ended 30 June 2018. The decrease was mainly due to the continuously keen price competition.

### *ii) Sales by Product Category*

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2019** | 2018 | +/(-) |
| | ***HK$'000*** | *HK$'000* | |
| E-payment Terminals products | **2,322,435** | 1,834,650 | +26.6% |
| Services | **43,826** | 40,901 | +7.2% |
| Total | **2,366,261** | 1,875,551 | +26.2% |

**E-payment Terminals products**

Electronic payment point-of-sales terminals ("E-payment Terminals") products include smart E-payment Terminals, all-in-one smart electronic cash register solution, traditional E-payment Terminals, mobile E-payment Terminals, QR code E-payment Terminals and other accessory items.

Turnover from the sales of E-payment Terminals products increased by 26.6% to HK$2,322.4 million for the six months ended 30 June 2019 from HK$1,834.7 million for the six months ended 30 June 2018. The increase was mainly due to the increase in sales in the overseas markets during the period.

**Services**

Services income mainly consists of income generated from the provision of maintenance and installation services. Turnover from services increased by 7.2% to HK$43.8 million for the six months ended 30 June 2019 as compared to HK$40.9 million for the six months ended 30 June 2018. 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 2019 was 38.6%, representing a slight increase in 10 basis points compared to 38.5% for the six months ended 30 June 2018. This was mainly due to the increase in the ratio of overseas turnover to the total turnover of the Group, netting off by the impact of provision for obsolete inventories.

## Other Income

Other income comprising primarily subsidy income, interest income and value-added tax refund decreased by 5.6% to HK$32.2 million for the six months ended 30 June 2019 from HK$34.1 million for the six months ended 30 June 2018. The decrease was mainly due to the decrease in value-added tax refund.

## Selling Expenses

Selling expenses increased by 18.0% to HK$227.0 million for the six months ended 30 June 2019, from HK$192.4 million for the six months ended 30 June 2018. Selling expenses grew generally in line with the turnover growth.

## Administrative Expenses

Administrative expenses increased by 24.2% to HK$326.5 million for the six months ended 30 June 2019 from HK$262.8 million for the six months ended 30 June 2018. The increase was mainly due to the increase in staff cost of research and development ("R&D") department.

## Net Impairment Losses on Financial Assets

The Group has recognised a provision for net impairment of receivables of HK$30.3 million during the period, representing the expected credit loss of receivables of HK$15.2 million on collective assessment basis and HK$15.1 million on individual assessment basis separately.

## Profit for the Period and Profit for the Period Attributable to the Owners of the Company

As a result of the foregoing, profit for the period was HK$325.2 million, representing an increase of 27.9% compared to HK$254.3 million for the six months ended 30 June 2018. Profit for the period attributable to the owners of the Company increased by 25.9% to HK$325.5 million for the six months ended 30 June 2019 from HK$258.5 million for the six months ended 30 June 2018.

## Other Event

Reference is made to the announcement of the Company dated 16 November 2017 and the relevant disclosure in the 2017 and 2018 annual reports concerning Shanghai New Kashuo Information Technology Company Limited ("Shanghai Kashuo") and its subsidiaries.

As at 30 June 2019, the liquidation process of Shanghai Kashuo was still underway. 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

The Group is one of the global leading suppliers of E-payment Terminals solutions, engaging in the R&D and sales of point-of-sale hardware and related software applications, as well as a series of services such as terminal deployments, repair and maintenance (collectively referred to as the "E-payment Terminals solutions business"). The Group is renowned for its cutting-edge R&D capabilities, best-in-class product quality and the most comprehensive and innovative product portfolio in the global payment industry.

The Group has established a strong global presence and continues to take lead in the global market, delivering products and services to a large customer base in over 100 countries, serving through an extensive network of local sales offices, channel partners and reputable payment system integrators.

## MARKET ANALYSIS AND INDUSTRY TRENDS

As payment technologies continue to rapidly evolve, governments worldwide have been implementing initiatives to promote cashless transactions, which in turn are significantly influencing the payment landscape. According to the latest market report, the size of the global payment terminal market was approximately US dollar ("US$") 62.3 billion in 2018 and is expected to grow at a compound annual growth rate of around 8% to reach approximately US$108.5 billion by 2025, which is an indication of positive market prospect and the payment terminal industry is undergoing a healthy development trend.

Driven by the continuous security enhancement of electronic payments and the launch of innovative payment applications, alternative payment methods such as mobile wallets, contactless near field communication (NFC) and QR (Quick Response) code technology are on the rise across the world. In many emerging countries, where smartphone penetration is growing rapidly, mobile payments have been accelerating the development of financial inclusion, expanding financial access to hundreds of millions of the unbanked population and micro-merchants, whereby further driving demand for secure certified payment terminals which support mobile payments. The shift of payment terminal solutions towards highly flexible Android-based operating systems, coupled with the terminal design revolution which integrates more smartphone-like features are providing payment service providers (PSPs), merchants and consumers alike with a radically improved instore payment experience.

As one of the world's leading payment terminal solution research and development enterprises, PAX is committed to catering to local market requirements around the world and continuously enriching our comprehensive and innovative product portfolio. The new generation of Android-based SmartPOS terminals, SmartECRs and SmartKiosks is attracting prominent interest, coupled with the market leading PAXSTORE platform which offers an array of innovative value-added applications, thereby enabling a modern approach to terminal estate administration, customer relationship management and data analysis. PAXSTORE has been launched in over 70 marketplaces by the end of the first half of 2019.

PAX solutions have further received widespread global recognition, with a growing number of leading acquiring banks and PSPs using PAX's solutions globally. The revenue contribution from our smart payment terminals continues to increase, with over 300,000 Android terminals shipped in the first half of 2019. Overseas markets are now the driving force of PAX's flourishing business, with the Group recording impressive growth of 38.7% during the period.

**Overseas markets**

***LACIS***

In Latin America and the Commonwealth of Independent States, the Group achieved strong revenue growth and further increase in market share.

According to the Nilson report, PAX ranked number one in terms of shipments in Latin America. Brazil currently accounts for the majority of the region's sales, where the ongoing expansion of the local payment market is now reaching the SMB sector (Small & Medium-sized Businesses). The SMB merchant acquiring business has been thriving and some of PAX's partners successfully listed on the stock exchanges in the United States in 2018. According to the consolidated data from the Brazilian Association of Credit Card and Services Companies (Abecs), the transaction volume of electronic payments in Brazil reached Real$1.55 trillion (approximately HK$3.13 trillion) in 2018, representing a year-on-year increase of 14.5%. This robust growth has fueled demand of local merchant acquirers for terminals. The prospect for payment terminal industry in Brazil continues to be optimistic and more merchant acquirers are entering into strategic partnership with PAX. During the period, Android SmartPOS terminals generated considerable sales in Brazil.

PAX's strong brand recognition in Brazil has enabled the Group to grow market share in other Latin American countries such as Argentina and Mexico, where we recognised encouraging sales growth in the first half of 2019.

In Russia, the government's drive for adoption of the national Mir payment card and a number of financial inclusion initiatives have prompted a rising popularity of debit card usage. During the period, PAX shipped over 150,000 terminals to Russia.

***EMEA***

Across Europe, the Middle East and Africa region, PAX continued to steadily grow revenue and market share.

In Europe, notable market growth was recorded in several key countries, including the United Kingdom, Germany, Poland and Italy. Important software certifications were obtained during the first half of 2019 in Spain and France, positioning PAX for potentially impressive performance in these markets going forward. Demand of PSPs and acquiring banks across Europe has been particularly strong, with a view to enhance their competitiveness to merchants by rolling out Android SmartPOS and SmartECR solutions. Leading tax-free shopping service providers have also rolled out PAX's Android terminals in luxury retail stores, enabling more speedy and efficient tax-free shopping and dynamic currency conversion services for visiting tourists.

In Africa and the Middle East, demand for PAX solutions was strong driven by governments' initiatives to promote cashless societies and acquiring banks switching to offering merchants more modern Android-based terminal solutions. During the period, the Group recorded large volume sales in North Africa. In sub-Saharan Africa, high mobile phone penetration has fostered the development of financial inclusion and mobile banking, enabling PAX to enter new markets in east and west Africa.

***APAC***

In the Asia Pacific region, the popularity of smartphones has significantly reshaped how consumers transact, alongside government efforts to advocate financial inclusion for the unbanked population, are propelling demand for innovative electronic payment solutions across the APAC region.

The retail and catering industries across the APAC region are introducing new digitally enabled business models, which is contributing to the growing demand for PAX's innovative Android terminal solutions. The Group's smart terminals not only support alternative payment options, including mobile payments such as QR code and NFC payments, but also cater to merchant demands for card voucher marketing and data analytics.

PAX experienced remarkable strong growth in the emerging markets such as India, Indonesia and Vietnam. In India, more acquiring banks and payment services companies began cooperating with PAX and over 200,000 payment terminals were shipped during the first half of 2019. Meanwhile, the Group has successfully deployed large volume of smart Android terminals in India, Indonesia, Hong Kong, Thailand and the Philippines. The Group believes emerging markets will become the principal sales growth driver in the APAC region in the coming years.

***USCA***

According to the Nilson Report, card transactions in the United States will reach US$10.4 trillion by 2027, an increase of 87% from US$5.6 trillion in 2017, indicating an optimistic prospect for the American payment terminal market.

PAX is focusing on providing best-in-class solutions to top tier chain merchants in the United States. Solutions such as the innovative software management suite and the latest Android smart tablet terminals have been well received by the market. PAX is working with major US payment processors to market our innovative Android terminal range through their nationwide networks of ISOs (Independent Sales Organisations).

The Group has further strengthened its partnerships with third-party application providers to deliver more high-quality and diversified payment solutions through PAXSTORE. In the first half of 2019, the Group integrated pay-at-the-table solutions into PAX's payment terminals, enhancing the payment experience of restaurant and hospitality customers.

**China Market**

Since the beginning of 2018, the global market has been encountering uncertainties due to the international trade disputes and domestic companies have continued to face challenges. The Chinese government and international organisations have lowered China's forecasted GDP growth rate for 2019. The Group will closely monitor and evaluate changes in market conditions and the credit risk status of customers.

In view of intensifying market competition and increasing credit risk of some of the payment market stakeholders, the Group made specific adjustments to its strategy and structure in response to changes in China market in 2019. The Group will focus more on serving reputable and strong customers, establishing much solid partnership and further strengthening risk management. Meanwhile, driven by strategic and structural adjustments, the Group is optimising and streamlining the operating structure of China business, thereby improving cost structure while maintaining the Group's competitiveness in the China market. Through strategic adjustments, these are expected to positively impact the Group's overall profitability in the long run and further strengthen the risk assessment and management procedures of the China business.

## MANAGEMENT STRATEGY

As electronic payment technologies evolve, PAX continues to adhere to a corporate culture of pursuing excellence and innovation. R&D, innovation and the pursuit of superior product quality are our top priorities. In recent years, the Group has continuously increased investment in payment software and related platforms, so as to catering the demand of acquiring banks, PSPs and their merchants for more comprehensive data analysis and a more modern approach to customer marketing.

In addition to the growing demand for Android-based solutions, we also see the unattended payment terminal business as a key future trend, as more merchants offer consumers self-service transactions. Through the integration of overseas partners' technological advantages, PAX carried out the joint development of the IM series of self-service payment terminals which will be deployed in petroleum forecourts, parking locations and for vending and ticketing across Europe and the United States. The SmartKiosk series will be rolling out in the second half of 2019, offering fully integrated payment functions with large touch screens, ideal for self-service ordering, ticketing and payment in fast food chain stores, cinemas and government offices.

PAXSTORE is a revolutionary payment services platform operating in many countries around the world and with an ever-increasing number of terminals connected. PAX's Android-based smart terminal portfolio, comprising SmartPOS, SmartECR and SmartKiosk solutions, has continued to be appreciated by merchants and increasing numbers of acquiring banks and PSPs worldwide are teaming up with PAX for cooperative partnership.

Looking forward, the Group is prudently optimistic about the prospect of the international electronic payment terminal industry, fueled by local governments effort to accelerate financial inclusion around the world and the increasing demand for PAX's innovative suite of terminal hardware and related software solutions. PAX will continue to strengthen its partnerships with channel partners, acquiring banks, PSPs and merchants worldwide so that we can further expand our global sales and explore new potential markets. In terms of product portfolio, PAX will continue to devote more R&D resources to accelerate the rollout of new products. The Group continues to explore potential merger and acquisition and investment opportunities along the payment value chain, with a view to expanding diversified solutions as well as exploring cutting-edge payment-related technologies. PAX remains at the forefront of E-payment terminals industry, dedicated to streamlining payment experience and delivering innovative, secure and efficient solutions for clients around the world.

**Liquidity and Financial Resources**

As at 30 June 2019, the Group had cash and cash equivalents and short-term bank deposits of HK$2,579.6 million (31 December 2018: HK$2,162.7 million) and borrowings of HK$9.6 million (31 December 2018: HK$8.2 million). As at 30 June 2019, the Group reported net current assets of HK$4,064.6 million, as compared with HK$3,802.8 million as at 31 December 2018. For the six months ended 30 June 2019, net cash generated from operating activities was HK$486.4 million, as compared to net cash used in operating activities of HK$101.8 million for the six months ended 30 June 2018. The gearing ratio (defined as total debt divided by total capital) was 0.2% as at 30 June 2019 (31 December 2018: 0.2%). 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 2019, the Group had borrowings of HK$9.6 million (31 December 2018: HK$8.2 million) and banking facilities of approximately HK$11.6 million (31 December 2018: HK$11.9 million). The borrowings were used in the operation in Korea and denominated in Korean Won. The borrowings of HK$7.3 million were secured by the land and buildings of a Korean subsidiary of the Company (31 December 2018: HK$8.2 million).

Approximately HK$1,858.3 million, HK$88.5 million, HK$517.9 million, HK$86.3 million and HK$26.1 million (31 December 2018: HK$1,385.2 million, HK$169.6 million, HK$537.4 million, HK$57.8 million, and HK$10.2 million) of the Group's cash balances were denominated in Renminbi ("RMB"), HK$, US$, European dollar ("EUR") and other currencies respectively as at 30 June 2019.

**Significant Investment**

The Group had no significant investment held as at 30 June 2019 (31 December 2018: 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 2019 (31 December 2018: Nil).

**Future Plans for Material Investments or Capital Assets**

There was no specific plan for material investments or capital assets as at 30 June 2019 (31 December 2018: Nil).

**Exchange Rates Exposure**

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in RMB, HK$, US$ and EUR. The majority of assets and liabilities are denominated in RMB, HK$, US$ and EUR 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 2019 (31 December 2018: Nil).

**Human Resources and Remuneration Policies**

The total number of employees of the Group as at 30 June 2019 was 1,690. The following table shows a breakdown of employees of the Group by function as at 30 June 2019:

| | |
|---|---|
| Management | 13 |
| Sales and after-sales services and marketing | 416 |
| R&D | 833 |
| Quality assurance | 39 |
| Administration and human resources | 41 |
| Accounting | 34 |
| Production, procurement and inventory control | 314 |
| | 1,690 |

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 eligible participants under the share option schemes of the Company, details of which are set out in the Company's 2019 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 directors ("Directors") of the Company (the "Board") has resolved to declare an interim dividend of HK$0.04 per ordinary share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$0.04 per ordinary share) payable on 10 September 2019 (Tuesday) to Shareholders whose names appear on the register of members of the Company (the "Register of Members") at the close of business on 27 August 2019 (Tuesday).

## CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to interim dividend, the Register of Members will be closed from 23 August 2019 (Friday) to 27 August 2019 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 22 August 2019 (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 2019.

## 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 2019.

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 2019.

## 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 2019 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 2019 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 2019. Instead, it has been derived from the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2019, which will be included in the Company's 2019 interim report.

By Order of the Board
**PAX Global Technology Limited**
**Cheung Shi Yeung**
*Company Secretary*

Hong Kong, 12 August 2019

*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.*