PAX Global Technology Limited

百富環球科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00327)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2014	2013	
	HK$'000	*HK$'000*	+/(-)
RESULTS			
Revenue	**1,005,663**	631,114	+59%
Gross profit	**379,661**	224,057	+69%
EBITDA	**216,269**	106,340	+103%
Operating profit	**214,389**	104,479	+105%
Net profit (excluding the share option scheme expenses)	**215,500**	100,275	+115%
Net profit	**198,218**	90,779	+118%
Research and development expenses (included in administrative expenses)	**46,098**	37,870	+22%
PER SHARE DATA			
Earnings per share for profit attributable to the equity holders of the Company			+/(-)
— Basic (HK$)	**0.187**	0.087	+115%
— Diluted (HK$)	**0.180**	0.086	+109%

	As at 30 June 2014	As at 31 December 2013	
	HK$'000	*HK$'000*	+/(-)
KEY BALANCE SHEET ITEMS			
Total current assets	**3,061,862**	2,824,424	+8%
Total assets	**3,068,769**	2,832,808	+8%
Net current assets	**2,309,860**	2,078,738	+11%
Total equity	**2,316,767**	2,087,122	+11%

* *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 2014 together with the unaudited comparative figures for the corresponding period in 2013 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**1,005,663**	631,114
Cost of sales	*6*	**(626,002)**	(407,057)
Gross profit		**379,661**	224,057
Other income	*4*	**30,735**	13,016
Other losses — net		**–**	(2,778)
Selling expenses	*6*	**(82,605)**	(53,204)
Administrative expenses	*6*	**(113,402)**	(76,612)
Operating profit/profit before income tax		**214,389**	104,479
Income tax expense	*8*	**(16,171)**	(13,700)
Profit for the period attributable to the equity holders of the Company		**198,218**	90,779
		HK$ per share	*HK$ per share*
Earnings per share for profit attributable to the equity holders of the Company:			
— Basic	*10(a)*	**0.187**	0.087
— Diluted	*10(b)*	**0.180**	0.086

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Profit for the period	**198,218**	90,779
Other comprehensive 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	**(36,970)**	16,643
Total comprehensive income for the period attributable to the equity holders of the Company, net of tax	**161,248**	107,422

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2014 HK$'000	Audited 31 December 2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**6,685**	8,152
Leasehold land		**222**	232
Total non-current assets		**6,907**	8,384
Current assets			
Inventories		**601,061**	465,114
Trade and bills receivables	*11*	**890,364**	637,966
Deposits and other receivables		**14,645**	6,324
Restricted cash		**15,801**	16,613
Short-term bank deposit		**99,999**	–
Cash and cash equivalents		**1,439,992**	1,698,407
Total current assets		**3,061,862**	2,824,424
Total assets		**3,068,769**	2,832,808
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**108,607**	104,452
Reserves		**2,208,160**	1,982,670
Total equity		**2,316,767**	2,087,122

	Notes	Unaudited 30 June 2014 *HK$'000*	Audited 31 December 2013 *HK$'000*
LIABILITIES			
Current liabilities			
Trade payables	*12*	**431,341**	445,541
Other payables and accruals		**291,437**	275,072
Taxation payable		**29,224**	25,073
Total current liabilities and total liabilities		**752,002**	745,686
Total equity and liabilities		**3,068,769**	2,832,808
Net current assets		**2,309,860**	2,078,738
Total assets less current liabilities		**2,316,767**	2,087,122

Notes:

1 GENERAL INFORMATION

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

This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Company on 4 August 2014.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 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.

This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no new and amended standards to existing HKFRSs that are effective for the Group's accounting year commencing 1 January 2014 that could be expected to have a material impact on the Group.

4 **REVENUE AND OTHER INCOME**

The Group is principally engaged in the sale of E-payment Terminal products and provision of related services. Revenue and other income recognised during the period are as follows:

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Turnover		
Sales of electronic payment products	**992,878**	621,662
Provision of electronic payment services	**12,785**	9,452
	1,005,663	631,114
Other income		
Interest income	**11,566**	6,137
Value added tax refund *(Note (i))*	**18,168**	5,173
Subsidy income	**140**	439
Others	**861**	1,267
	30,735	13,016
	1,036,398	644,130

Note (i): The amount represents the Group's entitlement to value added tax refund in relation to sales of self-developed software products in the People's Republic of China (the "PRC").

5 **SEGMENT INFORMATION**

The management reviews the Group's internal reporting in order to assess performance and allocate resource. 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 Terminal 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) and the United States of America (the "US"). 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).

5 **SEGMENT INFORMATION** *(continued)*

An analysis of the Group's turnover and results for the period by segment is as follows:

	Unaudited Six months ended 30 June 2014				
	PRC, excluding Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong** *HK$'000*	**US** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Turnover from external customers	**815,843**	**168,213**	**21,607**	**–**	**1,005,663**
Inter-segment turnover	**156,270**	**16,875**	**–**	**(173,145)**	**–**
Total turnover	**972,113**	**185,088**	**21,607**	**(173,145)**	**1,005,663**
Segmental earnings/(loss) before interest expense, taxes, depreciation and amortisation ("EBITDA")	**177,016**	**44,190**	**(2,111)**	**(2,826)**	**216,269**
Depreciation	**(1,575)**	**(49)**	**(253)**	**–**	**(1,877)**
Amortisation	**(3)**	**–**	**–**	**–**	**(3)**
Segmental operating profit/(loss)	**175,438**	**44,141**	**(2,364)**	**(2,826)**	**214,389**
Income tax expense					**(16,171)**
Profit for the period					**198,218**

	Unaudited Six months ended 30 June 2013				
	PRC, excluding Hong Kong, Macau and Taiwan *HK$'000*	Hong Kong *HK$'000*	US *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Turnover from external customers	516,153	104,093	10,868	–	631,114
Inter-segment turnover	60,707	1,057	–	(61,764)	–
Total turnover	576,860	105,150	10,868	(61,764)	631,114
Segmental EBITDA	86,467	21,895	(4,928)	2,906	106,340
Depreciation	(1,582)	(23)	(253)	–	(1,858)
Amortisation	(3)	–	–	–	(3)
Segmental operating profit/(loss)	84,882	21,872	(5,181)	2,906	104,479
Income tax expense					(13,700)
Profit for the period					90,779

5 SEGMENT INFORMATION *(continued)*

The segment assets and liabilities as at 30 June 2014 and additions to non-current assets for the six months ended 30 June 2014 are as follows:

	Unaudited As at 30 June 2014			
	PRC, excluding Hong Kong, Macau and Taiwan	**Hong Kong**	**US**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**2,129,682**	**907,556**	**31,531**	**3,068,769**
Segment liabilities	**730,429**	**19,530**	**2,043**	**752,002**

	Unaudited Six months ended 30 June 2014			
	PRC, excluding Hong Kong, Macau and Taiwan	**Hong Kong**	**US**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Additions to non-current assets	**599**	**10**	**–**	**609**

The segment assets and liabilities as at 31 December 2013 and additions to non-current assets for the six months ended 30 June 2013 are as follows:

	Audited As at 31 December 2013			
	PRC, excluding Hong Kong, Macau and Taiwan	Hong Kong	US	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	1,982,037	828,691	22,080	2,832,808
Segment liabilities	709,267	34,239	2,180	745,686

	Unaudited Six months ended 30 June 2013			
	PRC, excluding Hong Kong, Macau and Taiwan	Hong Kong	US	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets	394	13	–	407

5 **SEGMENT INFORMATION** *(continued)*

Segmental EBITDA represents segmental operating profit/(loss) before income tax expense, depreciation of property, plant and equipment and amortisation of leasehold land. Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, trade and bills receivables, deposits and other receivables, short-term bank deposit, restricted cash and cash and cash equivalent. Segment liabilities consist primarily of trade payables, other payables and accruals and taxation payable.

Additions to non-current assets mainly comprise additions to property, plant and equipment.

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

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

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	
	2014	2013
	HK$'000	*HK$'000*
Auditor's remuneration	**775**	728
Depreciation of property, plant and equipment	**1,877**	1,858
Amortisation of leasehold land	**3**	3
Employee benefits expense (including Directors' emoluments) *(Note 7)*	**92,571**	63,810
Costs of inventories sold	**614,088**	398,409
Operating lease rentals in respect of buildings	**7,524**	5,838
Research and development costs	**46,098**	37,870
Provision for obsolete inventories	**6,215**	–
Donation	**1,255**	10

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Wages and salaries	**66,656**	46,651
Share options granted to Directors and employees	**16,169**	9,496
Social security and pension costs	**9,746**	7,663
	92,571	63,810

8 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax	**16,740**	13,601
— Hong Kong profits tax	**8,918**	4,818
Over provision in prior years *(Note a)*	**(9,487)**	(4,719)
Income tax expense	**16,171**	13,700

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profit for the six months ended 30 June 2014.

Taxation on overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2014 at the rates of taxation prevailing in the countries in which the Group operates.

Pax Computer Technology (Shenzhen) Co., Ltd. ("Pax Computer Shenzhen"), a subsidiary of the Company, is located in the Shenzhen Special Economic Zone. Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the "CIT Law"), Pax Computer Shenzhen is subject to income tax of 25% in this period unless preferential rate is applicable. Pax Computer Shenzhen is qualified as a High and New Technology Enterprise under the CIT Law and is eligible to enjoy a preferential tax rate of 15% for 3 years from 2012 to 2014.

Note a:

Pax Computer Shenzhen is recognised as a key software enterprise for 2013 and 2014 by the National Development and Reform Commission, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC, the Ministry of Commerce of the PRC and the State Administration of Taxation under the National Plan (國家規劃佈局).

Pursuant to the Notice on Enterprise Income Tax Policy to Further Promote the Development of Software and Integrated Circuit Industry (《關於進一步鼓勵軟件產業和集成電路產業發展企業所得税政策的通知》) issued by the Ministry of Finance of the PRC and the State Administration of Taxation, key software enterprises (重點軟件企業) which have not yet enjoyed tax-free concessions for the relevant financial years will be subject to enterprise income tax at a reduced rate of 10%.

Pax Computer Shenzhen obtained the requisite approval from the relevant applicable tax authorities in late March 2014 and is eligible for a reduced tax rate at 10% for the financial years 2013 and 2014. The over provision of income tax accrued by Pax Computer Shenzhen in financial year 2013, which was calculated at the tax rate of 15%, was credited in the profit and loss in the current period.

Pax Technology, Inc., a subsidiary of the Company in the US, was operating at a net loss position and did not have any assessable profit for the period ended 30 June 2014 (six months ended 30 June 2013: same).

9 DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2014 (six months ended 30 June 2013: same).

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the six months ended 30 June 2014 attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2014.

	Unaudited Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**198,218**	90,779
Weighted average number of ordinary shares in issue (thousand shares)	**1,060,193**	1,037,728
Basic earnings per share (HK$ per share)	**0.187**	0.087

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has one category of potentially dilutive ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**198,218**	90,779
Weighted average number of ordinary shares in issue (thousand shares)	**1,060,193**	1,037,728
Adjustments for share options (thousand shares)	**39,791**	21,326
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**1,099,984**	1,059,054
Diluted earnings per share (HK$ per share)	**0.180**	0.086

11 TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2014 *HK$'000*	Audited 31 December 2013 *HK$'000*
Trade receivables *(Note (a))*	**688,750**	478,027
Amounts due from related parties	**63,312**	69,964
Less: provision for impairment of receivables	**(28)**	(28)
Trade receivables, net	**752,034**	547,963
Bills receivables *(Note (b))*	**138,330**	90,003
Trade and bills receivables	**890,364**	637,966

Notes:

(a) Trade receivables

The Group's credit terms to trade debtors range generally from 0 to 180 days. However, credit terms of more than 180 days may be granted to customers on a case-by-case basis upon negotiation. As at 30 June 2014 and 31 December 2013, the ageing analysis of the trade receivables is as follows:

	Unaudited 30 June 2014 *HK$'000*	Audited 31 December 2013 *HK$'000*
Up to 90 days	**490,763**	377,726
91 days to 180 days	**158,581**	79,905
181 days to 365 days	**60,168**	45,825
Over 365 days	**42,550**	44,535
	752,062	547,991

As at 30 June 2014, trade receivables included retention money receivables of HK$47,638,000 (31 December 2013: HK$43,296,000) with a retention period of three to five years representing approximately 2% to 5% of the relevant contract sum granted to certain number of customers in the PRC.

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 2014 *HK$'000*	Audited 31 December 2013 *HK$'000*
Up to 90 days	**50,613**	42,397
91 days to 180 days	**87,717**	47,606
	138,330	90,003

12 TRADE PAYABLES

As at 30 June 2014 and 31 December 2013, the ageing analysis of the trade payables is as follows:

	Unaudited 30 June 2014 *HK$'000*	Audited 31 December 2013 *HK$'000*
Up to 90 days	**404,308**	417,151
91 days to 180 days	**24,241**	25,616
181 days to 365 days	**297**	106
Over 365 days	**2,495**	2,668
	431,341	445,541

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Revenue

Turnover increased by 59% or HK$374.6 million to HK$1,005.7 million for the six months ended 30 June 2014 from HK$631.1 million for the six months ended 30 June 2013. The period sales volume of electronic funds transfer point-of-sale terminal ("E-payment Terminal") exceeded 1 million units. Turnover from the People's Republic of China (the "PRC") excluding Hong Kong, Macau and Taiwan ("China Market") increased by 29% period on period or HK$123.5 million to HK$552.9 million. Turnover from overseas market significantly increased by HK$251.1 million to HK$452.8 million, representing a gain of 124%.

Sales by Product Category

	For the six months ended 30 June		
	2014	2013	+/(-)
	HK$'000	*HK$'000*	
E-payment Terminals	**941,505**	577,359	+63%
Consumer activated devices	**34,842**	25,669	+36%
Contactless devices	**8,954**	8,867	+1%
Services	**12,785**	9,452	+35%
Others*	**7,577**	9,767	-22%
	1,005,663	631,114	+59%

* The amount mainly represented accessory items sold to customers. Examples of such accessory items were download cable, telephone line, thermal paper, sticker and barcode scanning gun etc.

E-payment Terminals

Turnover from the sales of E-payment Terminals increased by 63% to HK$941.5 million for the six months ended 30 June 2014 from HK$577.4 million for the six months ended 30 June 2013. Turnover growth has been driven by the increase in sales in China Market and overseas market during the period.

Meanwhile, bank card and prepaid card payment have been gaining increasing popularity in China Market. Financial institutions and third party payment service providers (the "Operators") have been aggressively building their E-payment Terminal networks in order to capture the benefits from the rising usage of electronic payment and high levels of retail consumption in China Market. Furthermore, recent state policies have also encouraged the building of electronic transaction networks, which further fuel the fast growth of E-payment Terminal demand. After years of hard work, sales in international markets are finally bearing fruits.

Consumer Activated Devices

Turnover from the sales of consumer activated devices increased by 36% to HK$34.8 million for the six months ended 30 June 2014 from HK$25.7 million for the six months ended 30 June 2013.

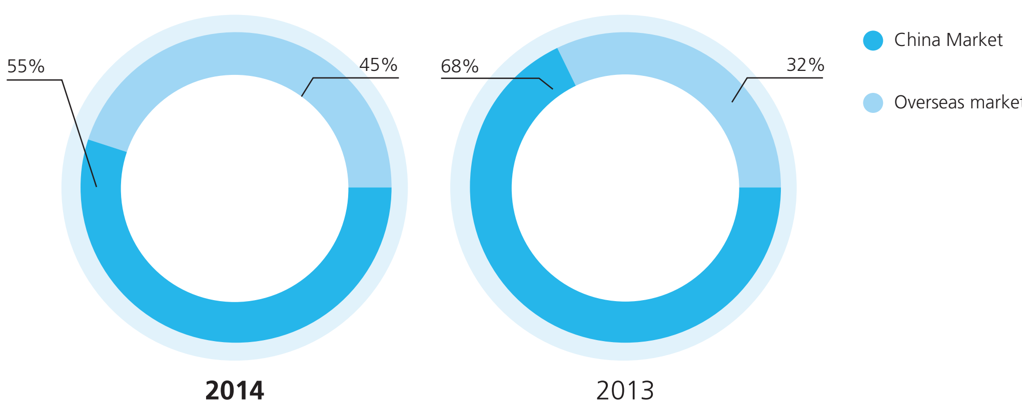
Contactless Readers

Turnover from the sales of contactless readers slightly increased by 1% to HK$9.0 million for the six months ended 30 June 2014 from HK$8.9 million for the six months ended 30 June 2013.

Services

Turnover from provision of services increased by 35% to HK$12.8 million for the six months ended 30 June 2014 as compared to HK$9.5 million for the six months ended 30 June 2013. Maintenance services made up the bulk of service income and were still mainly generated in Hong Kong.

Sales by Geographical Region



	For the six months ended 30 June		
	2014	2013	+/(-)
	HK$'000	*HK$'000*	
China Market	**552,859**	429,419	+29%
Overseas market	**452,804**	201,695	+124%
	1,005,663	631,114	+59%

* China Market and overseas market turnover classification is according to locality of customers.

Turnover generated from the China Market increased by 29% to HK$552.9 million for the six months ended 30 June 2014, from HK$429.4 million for the six months ended 30 June 2013. China Market turnover contributed to 55% of total turnover compared with 68% for the six months ended 30 June 2013. The growth was mainly attributable to the Operators and vertical application sectors. Among the sectors, the increase of shipment volume to the Operators achieved the most prominent growth.

The demand for E-payment Terminals with built-in near field communications ("NFC") and wire-less communication functions recorded significant growth.

Turnover generated from the overseas market substantially increased by 124% to HK$452.8 million for the six months ended 30 June 2014 from HK$201.7 million for the six months ended 30 June 2013. All overseas business units recorded notable growth especially in Europe, Middle East and Africa ("EMEA") and Latin America and the Commonwealth Independent States ("LACIS") business units. North Africa, Middle East and South America become new focal points for business growth of PAX in the near future. Overseas market turnover contributed to 45% of total turnover compared with 32% for the six months ended 30 June 2013. As at 30 June 2014, we had over 80 overseas distributors and partners worldwide.

Gross Profit Margin

Gross profit margin for the six months ended 30 June 2014 was 37.8%, a rise in 2.3 points compared to 35.5% for the six months period ended 30 June 2013. This was mainly due to increase of weighted contribution from overseas sales and successful cost reduction.

Other Income

Other income comprised primarily of value added tax refund and interest income. It increased by 136% to HK$30.7 million for the six months ended 30 June 2014 from HK$13.0 million for the six months ended 30 June 2013 mainly due to increase of value added tax refund and interest income from time deposit.

Other Losses — net

The Group purchased listed securities during the years ended 31 December 2012 and 2013. All listed securities were sold during the year of 2013. The Group did not hold listed securities as at 30 June 2014. The securities were classified as financial assets at fair value through profit or loss. Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other losses — net' in the interim condensed consolidated income statement. There is no such item during the period as compared to a loss of HK$2.8 million for the six months ended 30 June 2013.

Selling Expenses

Selling expenses increased by 55% to HK$82.6 million for the six months ended 30 June 2014, from HK$53.2 million for the six months ended 30 June 2013. The increase was mainly attributable to the significant increase of sales and after sales service staff headcounts and increase of service charges but was partly offset by the decrement of office expenses.

Administrative Expenses

Administrative expenses increased by 48% to HK$113.4 million for the six months ended 30 June 2014 from HK$76.6 million for the six months ended 30 June 2013. The increase was mainly due to the aggressive expansion of research and development team and staffs salary raise, increase of share option scheme and stock provision expenses.

Net Profit and Net Profit Margin

As a result of the foregoing, the net profit for the period attributable to the equity holders of the Company increased by 118% to HK$198.2 million for the six months ended 30 June 2014 from HK$90.8 million for the six months ended 30 June 2013.

The net profit margin increased to 19.7% for the six months ended 30 June 2014 from 14.4% for the six months ended 30 June 2013 mainly as a result of improvement of gross profit margin, increase of other income, and reduction of effective tax rate.

OUTLOOK

To date, PAX has sold more than 5.5 million E-payment Terminals in over 80 countries and regions and worked with over 80 distributors and partners worldwide since the establishment of the Group. In the report issued by The Nilson Report in June 2014, PAX was ranked number 3 globally in terms of volume of E-payment Terminals shipped in 2013.

CHINA MARKET

As the world's second largest economy, the PRC has experienced rapid economic growth in recent years; however, the overall E-payment Terminal penetration ratio is still far below that of other developed mature markets such as the US. With the continuous improvement of the bank card acceptance environment, more consumers have developed the habit of using bank cards for payment. Other factors, including the increasingly popular vertical applications such as merchant membership cards and prepaid cards, and the PRC government's support of the development of national electronic payment facilities, have promoted the development of the whole industry and brought E-payment Terminal solutions providers enormous business opportunities.

As at 15 July 2014, the People's Bank of China issued payment licences to more than 260 Operators. Over 50 of those have acquiring licences. Those licensed Operators have commenced installing E-payment Terminals in merchants. Most of those merchants belonged to a customer group previously neglected by financial institutions. Demand in this new market sector has had multifold growth, which was much higher than that in other market sectors. We anticipate that the Operators will strengthen the expansion for rolling out their E-payment Terminal networks in the next three years. The acquiring business market is divided into three sectors, namely UnionPay Merchant Services Co. Ltd, financial institutions and the Operators today. The rapid expansion of the Operators improved our customer concentration ratio and brought more growth to the industry.

E-payment Terminal buyers such as financial institutions are expected to continue installing terminals in merchants aggressively in order to develop their card acquiring businesses and take profit from one of the fastest growing payment markets in the world. Regionally, as the penetration rate of E-payment Terminal in the second and third tier cities and rural areas is far below the first-tier cities, the People's Bank of China has repeatedly issued guidelines to encourage financial institutions to promote non-cash payments in rural areas to bring E-payment Terminal systems to the vast markets in central and western regions. In these areas, financial institutions that have comprehensive branch networks are anticipated to intensify their purchase and deployment of E-payment Terminal.

As the majority of these financial institutions are PAX's existing customers, we are expected to benefit from the rapid growth of this market segment.

In addition, the People's Bank of China and China UnionPay are currently driving for rapid development of NFC E-payment Terminal network, that fuels the demand for related products.

For each individual market segment, the Group will continue to develop customized products, technical support and services. At the same time, we will strengthen our customer relationship management and enhance our sales network in order to consolidate our existing market-leading position.

Overall, as a market leader in the PRC, the Group will continue to benefit from the rapid growth of its home base market.

OVERSEAS MARKET

The huge overseas market (including Hong Kong, Macau and Taiwan) as a whole especially in emerging markets such as Africa, the Middle East and Latin America has brought enormous opportunity to PAX. Many emerging markets' electronic payment systems are promoted or coordinated by government authorities. Hence, the scale is much larger than projects solely participated by non-government organizations, and presented a lot of opportunities to PAX.

NFC technology's wide applications in payment sector and Europay, MasterCard and Visa ("EMV") migration are the catalysts driving strong demand in several mature markets. PAX's mainstream products are compatible with NFC. After 13 years of continuous experience in penetrating into overseas market, PAX has accumulated rich and valuable overseas sales experience and has established sizable sales channels. We have established business units and international sales teams for EMEA, LACIS, Asia Pacific ("APAC") and United States and Canada ("USCA") geographic region. Today, we have developed "GLOBAL PRESENCE" that covers all of the world's major markets.

Facts have proved that our global strategy is correct. In the first half of 2014, we achieved breakthroughs in Brazil and Middle East, and the result is encouraging.

PAX's branding, product technology and quality, and good reputation were affirmed in the international markets. These help PAX becomes one of the three international mainstream brands.

PAX is one of the few PRC E-payment Terminal solutions providers holding payment card industry ("PCI"), EMV Level 1 and Level 2 certifications. In addition, PAX obtained TQM, PayPass and payWave card certifications. These qualifications will enable us to capture huge overseas markets opportunities.

In the second half of 2014, the Group will continue to penetrate other BRICS countries (namely Russia, South Africa, India and Brazil), other emerging markets and important overseas mature markets, so as to prepare itself for stronger sales and capture a bigger market share for the year ahead. The management believes that the overseas market will maintain a rapid growth in the foreseeable future.

OVERALL MANAGEMENT STRATEGIES

Looking forward, PAX will continue to focus on consolidating and enhancing its strong position in the PRC through (i) continuous development of innovative products to meet customers' demands and capture opportunities in new markets; (ii) enhancement of our research and development capability; (iii) expansion and optimization of our sales and after-sales service networks and enlargement of the scope of business and our market share in major international markets; (iv) seeking potential merger and acquisition or partnership opportunities that can enhance our technological know-how or market share.

By leveraging on our strong position in E-payment Terminal solutions market in the PRC and consolidated international market experience, we believe that we will be able to capture the rapid development of China and emerging markets as well as other important international markets. We believe that we are on the right track to become one of the leading global E-payment Terminal solutions providers.

Liquidity and Financial Resources

As at 30 June 2014, the Group had cash and short-term bank deposit of HK$1,540.0 million (31 December 2013: HK$1,698.4 million). As at 30 June 2014, the Group reported net current assets of HK$2,309.9 million, as compared with HK$2,078.7 million as at 31 December 2013. For the six months ended 30 June 2014, net cash used in operating activities was HK$198.9 million, as compared to HK$124.7 million for the six months ended 30 June 2013.

Capital Structure and Details of Charges

As at 30 June 2014, the Group did not have any borrowings or charge on the Group's assets and the gearing ratio is not applicable (31 December 2013: nil).

Approximately HK$699.1 million, HK$540.3 million, HK$200.5 million and HK$0.1 million (31 December 2013: HK$892.4 million, HK$591.9 million, HK$214.0 million and HK$0.03 million) of the Group's cash balances were denominated in Renminbi ("RMB"), Hong Kong dollar ("HK$"), US dollar ("US$") and Euro respectively as at 30 June 2014.

Significant Investment

Save as disclosed in this announcement, the Group had no significant investment held as at 30 June 2014.

Material Acquisition and Disposal of Subsidiaries

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2014.

Use of Proceeds

The net proceeds raised from the global offering received by the Company was approximately HK$805.9 million.

As at 30 June 2014, the planned and utilised amount of usage of total net proceeds are as follows:

	Net Proceeds	
	Planned amount	**Utilised amount**
	HK$ million	*HK$ million*
Enhancing research and development effort	322.4	246.1
Expanding distribution network	120.8	120.8
Potential merger and acquisition	282.1	–
General working capital	80.6	80.6
	805.9	447.5

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

Future Plans for Significant Investment or Capital Assets

Saved as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 30 June 2014.

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 2014.

Human Resources and Remuneration Policies

The total number of employees of the Group as at 30 June 2014 was 744. The following table shows a breakdown of employees of the Group by function as at 30 June 2014:

Management	13
Sales and after-sales services and marketing	288
Research and development	376
Quality assurance	17
Administration and human resources	15
Accounting	14
Production, procurement and inventory control	21
	744

The Group ensures that its remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. Share options are granted to employees of the Group to reward their contributions under the share option scheme of the Company, details of which are set out in the Company's 2014 interim report. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's businesses.

Disclaimer:

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as EBITDA, are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally as the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS

On 26 February 2014, Pax Computer Shenzhen, a wholly-owned subsidiary of the Company, entered into two wealth management agreements to subscribed for certain wealth management products denominated in Renminbi issued by Bank of China (中國銀行股份有限公司). The first subscription amount was RMB100 million (approximately HK$127.9 million) with an annual investment return rate of 4.5% for 92 days, commencing from 26 February 2014 to 28 May 2014. The second subscription amount was RMB50 million (approximately HK$64.0 million) with an annual investment return rate of 4.6% for a period of 35 days, commencing from 26 February 2014 to 1 April 2014. The wealth management products subscribed for under the agreements above are principal and return guaranteed.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the six months ended 30 June 2014. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Specific enquiry had been made to all Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2014.

The Company has also established written guidelines on terms no less than the required standard under Appendix 10 to the Listing Rules for securities transactions by employees who are likely to possess inside information of the Company.

CORPORATE GOVERNANCE

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

The Company has applied the Principles in formulating its corporate governance practices and complied with all of the Code Provisions for the six months ended 30 June 2014.

The Company periodically reviews its organisational structure to ensure that operations are conducted in accordance with the standards of the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Yip Wai Ming, Dr. Wu Min and Mr. Man Kwok Kuen, Charles. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 with the Directors.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 June 2014, none of the Directors or any of their respective associates had engaged in any business that competed or may compete with the business of the Group, or had any other conflict of interests with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained the public float as required under the Listing Rules throughout the six months ended 30 June 2014.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2014 interim 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 2014 interim report will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2014 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2014. Instead, it has been derived from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2014, which will be included in the Company's 2014 interim report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 4 August 2014

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.