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

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS			
	2016	2015	
RESULTS	HK\$'000	HK\$'000	+/(-)
Revenue	2,914,842	2,870,794	+1.5%
Gross profit	1,261,994	1,092,490	+15.5%
EBITDA	699,477	662,977	+5.5%
Profit before income tax	678,299	657,973	+3.1%
Profit attributable to the owners of the Company	600,908	620,736	-3.2%
	2016	2015	+/(-)
Earnings per share			
— Basic (HK\$)	0.539	0.560	-3.8%
— Diluted (HK\$)	0.535	0.551	-2.9%
Proposed final dividend per ordinary share (HK\$)	0.04	0.02	+100%
	2016	2015	
KEY BALANCE SHEET ITEMS	HK\$'000	HK\$'000	+/(-)
Total current assets	4,220,419	4,020,585	+5.0%
Total assets	4,433,063	4,080,199	+8.6%
Net current assets	3,295,002	3,033,042	+8.6%
Total equity	3,501,283	3,090,599	+13.3%

* For identification purpose only

The board of directors (the “Board”) of PAX Global Technology Limited (the “Company” or “PAX”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016, with comparative figures for the year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is an innovative global electronic payment point-of-sale terminals (“E-payment Terminals”) solutions provider, engaging in the development and sales of E-payment Terminals products and the provision of relevant services (collectively, the “E-payment Terminals solutions business”). Owing to its outstanding services and leading position, PAX is one of the fastest growing suppliers in the payment industry which possesses the most advanced production facilities, excellent research and development (“R&D”) capabilities as well as sales networks and cooperation channels around the globe. Today, the Group has a huge customer base and works with over 90 distributors or partners from all over the world. The Company sells products to over 100 countries and regions and has established a strong global presence.

Since 2010, the global shipment volume of E-payment Terminals has grown by at least 10% each year. As a result of years of effort, PAX recorded remarkable growth in both domestic and overseas market shares with exceptionally rapid sales growth in overseas markets in the preceding years. PAX has successfully gained global recognition and established distinctive reputation. In 2016, overseas revenue contributed 57% of the Group’s total turnover, as compared to 22% in 2010. With increasing contribution of overseas revenue, together with PAX’s solid position in the People’s Republic of China market (excluding Hong Kong, Macau and Taiwan) (“China Market”), which set for us to approach the target of becoming one of the global leading providers of E-payment Terminals solutions. PAX is the only mainstream E-payment Terminals solutions provider in Asia capable of competing with major international peers. PAX is well positioned to become a global leading E-payment Terminals solutions provider through capturing expansion opportunities arising from industry consolidation, further growing market shares in E-payment Terminals sales markets, and increasing revenue generated from transaction services and solutions.

MARKET ANALYSIS AND INDUSTRY TRENDS

Overseas Markets

The E-payment business has been undergoing rapid development globally. According to industry report forecast, the number of E-payment Terminals with near field communication (“NFC”) function installed globally will grow at a compound annual growth rate of 17.9% from 45 million units in 2016 to 86.9 million units in 2020, which depicts a market expectation that the market demand for E-payment Terminals with NFC function will continue to remain strong. According to The Nilson Report issued in September 2016, the shipments of E-payment Terminals in United States of America and Canada Region (“USCA”) grew roughly by 70% in 2015, primarily due to the E-payment Terminals replacements brought by the Europay, MasterCard, and Visa (“EMV”) migration. The shipments of E-payment Terminals in the Middle East and Africa region and the Latin America region also increased by 46% and 11% respectively in 2015. Meanwhile, the penetration rates of E-payment Terminals in some emerging markets (e.g. In Brazil, 20-22 units of E-payment Terminals were installed among every 1,000 people in 2015) remain relatively low as compared to the mature markets (e.g. In the US, about 40-43 units of E-payment Terminals were installed among every 1,000 people in 2015). The popularity of electronic payment and technological enhancement will accelerate the pace of domestic financial electrification. In Asia Pacific Region (except for Mainland China) (“APAC”), the penetration rates of E-payment Terminals in some countries are still low (e.g. In India, Indonesia and Malaysia, approximately 5 units of E-payment Terminals were installed among every 1,000 people in 2016). Driven by the trend of cashless transactions as well as supportive government and market policies, the demand for E-payment Terminals in overseas markets is expected to record a robust growth in the coming years.

USCA

In 2016, PAX achieved fruitful results from the implementation of a sales strategy focused primarily on small to medium-sized merchants in the US and recorded an increase of 67.6% in revenue. Despite the delay of EMV certification, which brought uncertainties to the market growth in the US in the interim, it is expected that the demand for E-payment Terminals in the US will continue to increase substantially in the coming years. According to the estimates of industry experts, at the end of 2016, there were approximately 5 million units of E-payment Terminals in the market which required EMV upgrade/replacement, accounting for approximately 35-40% of the installed E-payment Terminals in the US.

Since the establishment of Pax Technology Inc, a subsidiary of PAX, in the US in 2008, PAX has been striving to develop integrated payment solutions, streamline merchants’ payment processing procedures, and reduce operating costs. PAX’s comprehensive product line with high quality and electronic payment solutions are well received and widely-used by merchants in the US market, it is expected that PAX will grow substantially in the US market in the coming years.

Europe, Middle East and Africa (“EMEA”)

Europe is one of the most well-developed regions of card payments, with strong security awareness of payment terminals and readiness to accept emerging technologies, such as NFC, which makes it one of the key markets for E-payment Terminals. Despite PAX’s relatively low market share in the European market, PAX has successfully expanded its market share in Italy since the acquisition of Pax Italia S.r.l. in 2015. PAX achieved encouraging sales growth in the Italian market in 2016 with a shipment volume of nearly 100 thousand units which was raised by 200% as compared to 2015. At the end of 2016, PAX further entered into an acquisition and subscription agreement with CSC Italia S.c.a.r.l., one of the largest local service providers for installation and maintenance of E-payment Terminals and other electronic equipment in Italy. The expected completion of the acquisition will further strengthen the Group’s capacity to provide installation and maintenance services to key customers and will consolidate PAX’s market position in Italy, making Italy an indispensable growth engine in Europe and overseas markets. PAX strives to enhance the Group’s brand recognition in the rest of Europe through local partnership, and establish PAX as a mainstream payment terminals and solutions brand in the future. PAX’s leading position in the Middle East region, along with its organic growth and accelerated launch of new products in 2016, further solidified the Middle East region as a sustaining driving force of the EMEA region. In Africa, PAX maintained a steady growth in 2016, the Group expects a gradual market share growth in the future.

Latin America and the Commonwealth of Independent States (“LACIS”)

In 2014, PAX became the first provider of E-payment Terminals to obtain all the necessary certifications for mobile payment terminals (“mPOS”) in Brazil. In 2016, PAX continued to be the dominant market leader for mPOS, and successfully diversified from its leading mPOS offering into the supply of traditional payment terminals. Notwithstanding the unfavourable economic factors in Brazil, such as exchange rate fluctuations and the decline in gross domestic product, the demand for E-payment Terminals in the Brazilian market persists to grow. According to the data from the Central Bank of Brazil, the volume and amount of credit card transactions in Brazilian market for the first nine months in 2016 increased by approximately 9% and 7% year-on-year respectively, demonstrating that the unfavourable economic factors had not significantly hindered the growth of payment industry. Owing to the increasing brand recognition, Brazil is expected to continue to be the growth engine in LACIS region.

In other parts of the Latin American region, such as Argentina and Chile, stable revenue growth was recorded. In the Russian market, according to a market research, the number of NFC-enabled E-payment Terminals has increased from about 90,000 units at the end of 2015 to more than double at the end of 2016. Accordingly, PAX’s NFC-enabled D200 were deployed on all metro ticket machines in Moscow in 2016, PAX’s market recognition has further enhanced.

APAC

According to data from the Reserve Bank of India in December 2016, approximately 1.7 million units of E-payment Terminals were installed among the population of more than 1 billion people in India, indicating a relatively low penetration rate compared to other countries. With the implementation of demonetization policies, such as banknote replacement last November and the reduction of electronic transaction charges in December, PAX expects an impending increase in demand for mobile payment terminals in India. PAX will continue to invest additional resources in India to capture these opportunities. Last August, PAX was a key player in the launch of innovative payment services throughout the country, in partnership with Airpay, a leading Indian payment gateway solutions provider, and the Bank of Maharashtra. Several thousand of PAX's innovative D200 mPOS, equipped with general packet radio service ("GPRS") communication were deployed. In the last quarter of 2016, PAX established a strategic partnership with Ezetap, India's leading smart payment solutions company, who began to mass-deploy PAX's mPOS products so as to provide Indian consumers with payment products and services that meet international standards. In 2016, PAX recorded revenue growth of more than double in India. In light of PAX's increasing resources, supportive government policies and our partners' market influence, we expect that India will become one of the major sources of growth in the APAC region in coming years..

PAX has maintained a solid position in different parts of APAC and is one of the leading suppliers of E-payment Terminals in Hong Kong, Macau, Taiwan, Vietnam and New Zealand, characterized by its comprehensive product line and adaptiveness to local infrastructure environment. At the end of 2016, PAX joined hands with Thai Smart Card to deploy secured contactless payment solutions in 7-Eleven convenience stores across Thailand. 7-Eleven convenience stores in Thailand will gradually roll out PAX's E-payment Terminals and security software that support NFC contactless payment, credit, debit and related card transactions.

China Market

Mainland China is the world's second largest economy with huge business opportunities yet to be explored. The E-payment Terminals market in China will continue to have stable demand and growth. According to the publication of The People's Bank of China ("PBoC") in relation to the China Payment Industry for the third quarter of 2016, the bank card acceptance has continued to improve and consumers have continued to develop recurring habits to make payment with bank cards. As at the third quarter of 2016, a total of 6.015 billion bank cards have been issued, representing an increase of 10.5% or 573 million cards compared to the same period in 2015, with a per capita bank card possession of 4.39 (third quarter of 2015: 3.85). In December 2016, China UnionPay has partnered with 27 commercial banks and launched "Cloud QuickPass". Not only the Cloud QuickPass supports the Host Card Emulator ("HCE") payment method, but it also supports the NFC payment platforms of major mobile phone manufactures such as Apple, Samsung, Huawei, and Xiaomi. The number of E-payment Terminals that support Cloud QuickPass has reached 10.5 million units. The increase in

the number of issued bank cards, the trend towards cashless payments and the replacement cycles of terminals will continue to drive the demand for E-payment Terminals in the China Market.

Notwithstanding the aforesaid, the indirect influence of the new interchange rate payment policy, the temporary trend to adopt low-cost mobile phone card readers by micro merchants, keen price competition and the depreciation of the Renminbi (“RMB”) have created intensive challenges to the China’s E-Payment Terminals market.

- On 6 September 2016, the PBoC began to implement the new payment policy of interchange rates. The implementation of new payment policy substantially decreased the merchant’s transaction cost for card payment. Although the new policy will bring uncertainties to the payment market in the interim, it will have positive impact to the industry in the long run in the way of promoting standardisation and arousing the focus on compliance and quality.
- Some payment providers have introduced low-cost mobile phone card readers in China, imposing certain pressures on the demand and pricing of the traditional payment terminals. In December 2016, PBoC issued a notice in respect of the guidance on payment terminals, including: (1) no entities and individuals are allowed to engage in online trading of payment terminals (including mPOS) and card readers; and (2) banks and payment institutions shall suspend all business functions with the merchants that involve irregular use of card accepting terminals or use of the same at premises which cannot be located. The notice has driven a greater demand for payment terminals with quality and security, which would have positive stimulation to PAX’s mPOS with high quality yet relatively low-cost.
- During the year, the revenue derived from China Market was encumbered by the depreciation of RMB. However, most of the Group’s sales costs, sales expenses and administrative expenses (including R&D expenses) are denominated in RMB, the RMB depreciation has also brought benefits to the Group’s operations as a whole.

In recent years, the payment modes have been changing fast. The demand of domestic merchants for multi-functional E-payment Terminals has been increasing, in particular, the need for E-payment Terminals equipped with QR code payment function and the expectation of E-payment Terminals providing value-added solutions services. In regard of these, PAX has responded quickly and efficiently. All new products of PAX support QR code payments, and some E-payment Terminals without such functions have also undergone upgrades like the addition of a QR code scanner. On the other hand, the Group, after completing the acquisition of Nanchang Kashuo Information Technology Company Limited (“Kashuo”), in March 2016, a software platform provider began to offer value-added solutions services in China. In 2016, Kashuo established subsidiaries in 18 different cities in the PRC. It mainly introduces the bank cards promotion to merchants and provides merchants with solutions services by offering membership management platform and sales activities platform. Together with the use of PAX’s smart E-payment Terminal, A920, merchants can offer all kinds of payment methods (including QR code payment) with the aforesaid value-added solutions services to their customers. In 2016, total revenue generated by Kashuo from its value-added solutions services was approximately HK\$125 million. This diversification of the Group’s payment services helped boost the service revenue to 5.4% of the Group’s overall revenue, with a growth of approximately 400% year-on-year.

Offline Payment Remains Dominant

According to the market research report, global retail sales in 2016 amounted to approximately US\$22 trillion. However, retail e-commerce sales amounted to approximately US\$2 trillion, representing less than 10% of global retail sales. This demonstrated that offline business still made up the vast majority. In addition, nearly 50% of retail e-commerce sales came from Mainland China. It can be seen that emerging online payment methods such as electronic wallets like Alipay, Wechat Pay and Jingdong Pay in Mainland China are developing rapidly but have not hindered the room for growth of offline payment. Instead, they have enabled the “New Retail” model combining online and offline sales to become the trend of the future retail industry. In overseas market, North America represents approximately 20% of total retail e-commerce sales and is the world’s second largest retail e-commerce market. Although online payment dominates the field of small amount shopping, offline payment still takes priority in terms of general consumption, especially for large amount consumption or large scale merchants after taking security concern, tax control and commission charge into consideration. PAX as an E-payment Terminals solutions provider has its irreplaceable advantage.

MANAGEMENT STRATEGIES

The corporate culture of PAX is adherence to compliance and prudence while incorporating perseverance and creativity. The foundation of the payment industry is security of transaction for consumers and merchants while PAX places a strong emphasis on the provision of secured and user-friendly payment solutions for them.

Exploring More International Sales Channels

In recent years, PAX’s recognition has been rising in the international market. Management will continue to put more resources on developing sales channels and distributors, and further increase the market shares for different product lines in various overseas regions.

In key markets (e.g. The US, Brazil, India, Italy, Russia, and the Middle East, etc.), we will be more active in strengthening communication and relationship with our partners and provide greater support in more aspects. We will also explore the possibilities of developing more sales channels through mergers and acquisitions (“M&A”) and different forms of strategic cooperation with our partners. Meanwhile, management will continue to explore opportunities for increasing revenue from transaction services and value-added services.

Maintaining Leading Position in the China Market

In recent years, domestic merchants had higher demand for the E-payment Terminals functions and value-added solutions services. With this trend continuing in China in the future, we will focus on smart terminals and R&D of new technologies. Meanwhile, we will continuously introduce new products and services that meet market expectations, maintain and strengthen our solid market position.

There has been strong promotion of the smart terminals by banks and third-party operators in 2016, revealing an increasing market demand for smart terminals, the increase in the sales and market share of smart terminals will generate synergies with our value-added services that create more values for merchants and increase the Group's revenue.

The core value of PAX is the emphasis on R&D and product quality. While we continue to develop new products and improve product quality, one of our priorities is to develop technologies that can adjust product cost more effectively so as to increase our price competitiveness. In view of the demand for payment terminals with quality and security imposed by the authorities concerned, we will put more efforts and resources to promote PAX's mPOS, which is in high quality yet relatively low-cost, as to satisfy the needs of smaller merchants in the market.

As the payment market in China becomes more regulated, merchants will be more demanding on more safety and better quality of E-payment Terminals in the long run. With our continuous strong emphasis on product quality and R&D, PAX will have an irreplaceable advantage. We are confident to maintain a leading position in the payment terminal industry in the China Market.

Extending the Payment Value Chain

The provision of value-added solutions services and payment-related services for both domestic and overseas customers will be one of the Group's future directions. PAX has currently earned a spot in the global payment software and hardware sectors. By virtue of our extensive overseas and domestic networks in the E-payment Terminals markets, we will further advance towards diversified payment services.

In 2016, following the acquisition of Kashuo, the Group began offering value-added solutions services in China. This diversification of the Group's payment services helped boosted the Group's service revenue from 1.0% to 5.4% of the Group's overall revenue. Backed by PAX's extensive sales network in China accumulated over the years, the number of Kashuo's merchants had increased rapidly from approximately 2,000 at the end of 2015 to approximately 13,000 at the end of 2016, and it is expected that the number will continue to grow rapidly in the coming years. Through Kashuo and smart terminals, we will continue to gain better insights into consumer spending patterns, which in turn will allow us to explore the possibilities in implementing big data solutions so that we can provide even more added value to merchants worldwide.

In both overseas and domestic markets, the management will continue to put more resources into developing value-added solutions services. At the same time, we will explore different M&A and strategic cooperation opportunities for the expansion of the payment value chain.

FINANCIAL REVIEW

The key financial figures for the year ended 31 December 2016 are extracted as follows:

	For the year ended 31 December		
	2016	2015	+/(-)
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	2,914,842	2,870,794	+1.5%
Gross profit	1,261,994	1,092,490	+15.5%
Other income	71,593	109,235	-34.5%
Selling expenses	(297,396)	(235,715)	+26.2%
Administrative expenses	(347,098)	(308,037)	+12.7%
Profit before income tax	678,299	657,973	+3.1%
Income tax expense	(74,865)	(37,687)	+98.6%
Profit attributable to the owners of the Company	600,908	620,736	-3.2%
EBITDA	699,477	662,977	+5.5%
Research and development costs (included in administrative expenses)	(183,614)	(157,734)	+16.4%
	As at 31 December		
	2016	2015	+/(-)
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Total current assets	4,220,419	4,020,585	+5.0%
Total non-current assets	212,644	59,614	+256.7%
Total assets	4,433,063	4,080,199	+8.6%
Total current liabilities	925,417	987,543	-6.3%
Total non-current liabilities	6,363	2,057	+209.3%
Total liabilities	931,780	989,600	-5.8%
Net current assets	3,295,002	3,033,042	+8.6%
Total equity	3,501,283	3,090,599	+13.3%
	For the year ended 31 December		
	2016	2015	+/(-)
PER SHARE DATA			
Earnings per share for the profit attributable to the owners of the Company			
– Basic (HK\$)	0.539	0.560	-3.8%
– Diluted (HK\$)	0.535	0.551	-2.9%

	For the year ended 31 December	
	2016	2015
FINANCIAL RATIOS		
Gross profit margin	43.3%	38.1%
EBITDA margin	24.0%	23.1%
Net profit margin	20.7%	21.6%

Revenue

Turnover increased by 1.5% or HK\$44.0 million to HK\$2,914.8 million for the year ended 31 December 2016 from HK\$2,870.8 million for the year ended 31 December 2015. Turnover from overseas markets grew by HK\$315.8 million to HK\$1,656.7 million, representing a growth of 23.5%. Turnover from the China Market decreased by 17.8% year-on-year or HK\$271.7 million to HK\$1,258.2 million.

i) Sales by Geographical Region

	For the year ended 31 December		
	2016	2015	
	HK\$'000	HK\$'000	+/(–)
Overseas markets			
– USCA	176,669	105,433	+67.6%
– LACIS	689,902	559,059	+23.4%
– EMEA	553,990	456,053	+21.5%
– APAC	236,092	220,362	+7.1%
	1,656,653	1,340,907	+23.5%
China Market	1,258,189	1,529,887	-17.8%
	2,914,842	2,870,794	+1.5%

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

Turnover generated from overseas markets increased by 23.5% to HK\$1,656.7 million for the year ended 31 December 2016 from HK\$1,340.9 million for the year ended 31 December 2015. Turnover generated from overseas markets accounted for 57% of total revenue for the year ended 31 December 2016, growing from 47% for the year ended 31 December 2015. All overseas business units recorded growth, especially USCA, LACIS and EMEA region business units. The US, Italy, Brazil and India have become PAX's key overseas markets. As of the end of 2016, we had over 90 overseas distributors and partners worldwide.

Turnover generated from the China Market decreased by 17.8% to HK\$1,258.2 million for the year ended 31 December 2016, from HK\$1,529.9 million for the year ended 31 December 2015. Turnover generated from the China Market accounted for 43% of total revenue for the year ended 31 December 2016 compared with 53% for the year ended 31 December 2015. The decrease was mainly due to the indirect influence of the new interchange rate payment policy and the depreciation of RMB.

ii) Sales by Revenue Category

	For the year ended 31 December		
	2016	2015	
	HK\$'000	HK\$'000	+/(−)
E-payment Terminals	2,688,301	2,821,008	-4.7%
Services:			
Payment solutions services	125,101	-	-
Maintenance services	32,109	29,401	+9.2%
Others*	69,331	20,385	+240.1%
	<u>2,914,842</u>	<u>2,870,794</u>	<u>+1.5%</u>

* 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 products

E-payment Terminals include smart E-payment Terminals, traditional E-payment Terminals (countertop and wireless E-payment Terminals, pin pad devices and multilane E-payment Terminals) and mobile E-payment Terminals.

Turnover from the sales of E-payment Terminals products decreased by 2.9% to HK\$2,757.6 million for the year ended 31 December 2016 from HK\$2,841.4 million for the year ended 31 December 2015. Turnover reduction is mainly due to the decrease in sales in the China Market during the year.

Services

Payment Solutions Services

Turnover from the provision of payment solutions services was HK\$125.1 million for the year ended 31 December 2016. Since 2016, payment solutions services income were mainly generated from the provision of value-added solutions services in the China Market.

Maintenance Services

Turnover from the provision of maintenance services increased by 9.2% to HK\$32.1 million for the year ended 31 December 2016 as compared to HK\$29.4 million for the year ended 31 December 2015. Maintenance services income were mainly generated in Hong Kong.

Gross Profit Margin

Gross profit margin for the year ended 31 December 2016 was 43.3%, increase in 520 basis points as compared with 38.1% for the year ended 31 December 2015. The increase was mainly due to an increase of contribution from overseas sales and provision of payment solutions services.

Other Income

Other income comprised primarily of value added tax refund, interest income from time deposit and subsidy income. It decreased by 34.5% to HK\$71.6 million for the year ended 31 December 2016 from HK\$109.2 million for the year ended 31 December 2015. The decrease was mainly due to the decrease of value added tax refund.

Selling Expenses

Selling expenses increased by 26.2% to HK\$297.4 million for the year ended 31 December 2016, from HK\$235.7 million for the year ended 31 December 2015. The increase was mainly due to the increase of sales and after-sales service staff headcounts from newly completed acquisitions.

Administrative Expenses

Administrative expenses increased by 12.7% to HK\$347.1 million for the year ended 31 December 2016 from HK\$308.0 million for the year ended 31 December 2015. The increase was mainly due to the expansion of R&D centres and teams and additional headcounts from newly completed acquisitions.

Income Tax Expense

Income tax expense increased by 98.6% to HK\$74.9 million for the year ended 31 December 2016 from HK\$37.7 million for the year ended 31 December 2015. The increase was mainly due to an one-off tax credit that recognised in previous year.

Profit Attributable to the Owners of the Company and Net Profit Margin

As a result of the foregoing, the profit attributable to the owners of the Company decreased by 3.2% to HK\$600.9 million for the year ended 31 December 2016 from HK\$620.7 million for the year ended 31 December 2015, with the net profit margin decreased to 20.7% for year ended 31 December 2016 from 21.6% for the year ended 31 December 2015.

Liquidity and Capital Resources

During the years of 2015 and 2016, the main source of funding to the Group was the proceeds generated from operating activities in the usual course of business of the Company. Certain financial data are summarised as follows:

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Cash at bank and on hand	2,207,205	2,144,312
Net current assets	3,295,002	3,033,042
Net cash generated from operating activities	249,507	317,135
Net cash used in financing activities	(91,376)	(4,097)
	<u>2,207,205</u>	<u>2,144,312</u>
	<u>3,295,002</u>	<u>3,033,042</u>
	<u>249,507</u>	<u>317,135</u>
	<u>(91,376)</u>	<u>(4,097)</u>
	As at 31 December	
	2016	2015
Current ratio (times)	4.6	4.1
Quick ratio (times)	3.9	3.5
	<u>4.6</u>	<u>4.1</u>
	<u>3.9</u>	<u>3.5</u>

As at 31 December 2016, the Group had cash at bank and on hand and short-term bank deposits of HK\$2,207.2 million (2015: HK\$2,144.3 million) and no short-term borrowings (2015: Nil). As at 31 December 2016, the Group reported net current assets of HK\$3,295.0 million, as compared with HK\$3,033.0 million as at 31 December 2015. For the year ended 31 December 2016, net cash generated from operating activities was HK\$249.5 million, as compared with HK\$317.1 million for the year ended 31 December 2015. For the year ended 31 December 2016, net cash used in financing activities of HK\$91.4 million as compared with HK\$4.1 million for the year ended 31 December 2015.

Capital Structure and Details of Charges

As at 31 December 2016, the Group did not have any borrowings or charge on Group assets, and the gearing ratio is not applicable (2015: Nil). As at 31 December 2016, approximately HK\$1,356.5 million, HK\$721.5 million, HK\$103.3 million, HK\$25.3 million and HK\$0.6 million (2015: HK\$1,029.0 million, HK\$849.0 million, HK\$246.4 million, HK\$19.9 million and nil) of the Group's cash balances were denominated in RMB, Hong Kong dollar ("HK\$"), United States dollar ("US\$"), European dollar ("EUR") and other currency respectively.

Significant Investment

Save as disclosed in this announcement, the Group held no significant investment as at 31 December 2016 (2015: Nil).

Material Acquisition and Disposal of Subsidiaries

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries during the year ended 31 December 2016 (2015: Nil).

Use of Proceeds

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

As at 31 December 2016, the planned and utilised amounts of usage of total net proceeds are as follows:

	Planned amount <i>HK\$ million</i>	Utilised amount <i>HK\$ million</i>
Enhancing research and development effort	322.4	322.4
Expanding distribution network	120.8	120.8
Potential merger and acquisition	282.1	96.6
General working capital	80.6	80.6
	805.9	620.4

Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2016 (2015: Nil).

Exchange Rates Exposure

The Group derives its turnover, makes purchases and incurs expenses denominated mainly in RMB, HK\$ and US\$. The majority of assets and liabilities are denominated in RMB, HK\$ and US\$, and there are no significant assets and liabilities denominated in other currencies. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of HK\$ or RMB may have an impact on the operating results of the Group.

The management considers that the foreign exchange risk with respect to US\$ is not significant as HK\$ is pegged to US\$ and transactions denominated in US\$ are mainly carried out by entities with the same functional currency. The exchange rate of RMB to HK\$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2016 (2015: Nil).

Human Resources and Remuneration Policies

The total number of employees of the Group as at 31 December 2016 was 1,729. The following table shows a breakdown of employees of the Group by functions as at 31 December 2016:

Management	14
Sales and after-sales services and marketing	599
Research and development	945
Quality assurance	25
Administration and human resources	54
Accounting	54
Production, procurement and inventory control	38
	<hr/>
	1,729
	<hr/> <hr/>

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 2016 annual 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 current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December	
		2016 HK\$'000	2015 HK\$'000
Revenue	3	2,914,842	2,870,794
Cost of sales	5	(1,652,848)	(1,778,304)
Gross profit		1,261,994	1,092,490
Other income	3	71,593	109,235
Selling expenses	5	(297,396)	(235,715)
Administrative expenses	5	(347,098)	(308,037)
Operating profit		689,093	657,973
Finance costs		(10,794)	-
Profit before income tax		678,299	657,973
Income tax expense	6	(74,865)	(37,687)
Profit for the year		603,434	620,286
Profit attributable to:			
Owners of the Company		600,908	620,736
Non-controlling interests		2,526	(450)
		603,434	620,286
		HK\$ per share	HK\$ per share
Earnings per share for the profit attributable to the owners of the Company:			
– Basic	7(a)	0.539	0.560
– Diluted	7(b)	0.535	0.551

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	603,434	620,286
Other comprehensive loss, net of tax		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	<u>(126,208)</u>	<u>(101,930)</u>
Total comprehensive income for the year, net of tax	<u>477,226</u>	<u>518,356</u>
Attributable to:		
Owners of the Company	475,534	518,801
Non-controlling interests	<u>1,692</u>	<u>(445)</u>
	<u>477,226</u>	<u>518,356</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2016	2015
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		67,919	11,480
Leasehold land		186	203
Intangible assets		89,392	15,625
Other non-current assets	9	38,353	31,400
Deferred income tax assets		16,794	906
Total non-current assets		212,644	59,614
Current assets			
Inventories		596,539	562,445
Trade and bills receivables	9	1,347,446	1,261,174
Deposits and other receivables	9	68,919	43,719
Restricted cash		310	8,935
Cash at bank and on hand		2,207,205	2,144,312
Total current assets		4,220,419	4,020,585
Total assets		4,433,063	4,080,199
EQUITY			
Equity attributable to the owners of the Company			
Share capital		110,787	111,201
Reserves		3,354,748	2,966,373
		3,465,535	3,077,574
Non-controlling interests		35,748	13,025
Total equity		3,501,283	3,090,599
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		6,363	2,057
Current liabilities			
Trade payables	10	662,485	710,529
Other payables and accruals	10	226,791	231,356
Taxation payable		36,141	45,658
Total current liabilities		925,417	987,543
Total liabilities		931,780	989,600
Total equity and liabilities		4,433,063	4,080,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

PAX Global Technology Limited (the “Company”) is an investment holding company and together with its subsidiaries (collectively referred to as the “Group”) are principally engaged in the development and sales of electronic funds transfer point-of-sale (“E-payment Terminals”) products, provision of payment solutions services and maintenance services (collectively, the “E-payment Terminals solutions business”).

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 December 2010.

These financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 8 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

- HKFRS 14, “Regulatory Deferral Accounts”
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 “Investment entities: applying the consolidation exception”
- Amendment to HKFRS 11 “Accounting for acquisitions of interests in joint operations”
- Amendments to HKAS 1 “Disclosure initiative”
- Amendments to HKAS 16 and HKAS 38 “Clarification of acceptable methods of depreciation and amortisation”
- Amendments to HKAS 16 and HKAS 41 “Agriculture: bearer plants”

- Amendment to HKAS 27 “Equity method in separate financial statements”
- Annual improvements 2012-2014

Amendments to HKAS 1 “Disclosure initiative”: The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The key areas addressed by the changes are materiality, disaggregation and subtotals, accounting policies and other comprehensive income from equity accounted investments. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. The adoption of the amendments to HKAS 1 did not have any impact on the Group’s consolidated financial statements.

Amendment to HKAS 27 “Equity method in separate financial statements”: The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amendments to HKAS 27 does not have any financial impact to the Company as it elects to continue accounting for its investments in subsidiaries at cost in its separate financial statements.

Annual improvements 2012-2014: The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect the below standards: HKFRS 5, ‘Non-current assets held for sale and discontinued operations’; HKFRS 7, ‘Financial instruments: Disclosures’; HKAS 19, ‘Employee benefits’; HKAS 34, ‘Interim financial reporting’. The adoption of the amendments made in the 2012-2014 Cycle did not have any financial impact to the Group as it already complies with the requirements of the amendments.

Apart from those disclosed above, other new/revised HKFRSs that are effective for accounting periods beginning on 1 January 2016 do not have any impact on the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements.

- Amendments to HKAS 7, “Statement of cash flows”
- Amendments to HKAS 12, “Income taxes”
- Amendments to HKFRS 10 and HKAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”
- HKFRS 9, “Financial instruments”
- HKFRS 15, “Revenue from contracts with customers”
- HKFRS 16, “Leases”

- Amendments to HKFRS 2, “Classification and Measurement of Share-based Payment Transactions”

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, ‘Financial instruments’

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 ‘Financial instruments: recognition and measurement’ and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 ‘Revenue from contracts with customers’, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, ‘Revenue from contracts with customers’

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Revenue from service - the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- Accounting for certain costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.
- Rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$47,685,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other new/revised HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 REVENUE AND OTHER INCOME

The Group is principally engaged in the sales of E-payment Terminals products, the provision of payment solutions services and maintenance services. Revenue and other income recognised during the year were as follows:

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Revenue		
Sales of E-payment Terminals products	2,757,632	2,841,393
Services:		
Payment solutions services	125,101	-
Maintenance services	32,109	29,401
	<u>2,914,842</u>	<u>2,870,794</u>
Other income		
Interest income	15,005	19,833
Value added tax refund (note (i))	44,840	79,600
Subsidy income	10,138	8,402
Others	1,610	1,400
	<u>71,593</u>	<u>109,235</u>

note (i) The amount represents the Group's entitlement to value added tax refund in relation to the sales of self developed software products in the PRC.

4 SEGMENT INFORMATION

The management reviews the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on the internal reports reviewed by the Executive Directors to make strategic decisions. The Group is principally engaged in the E-payment Terminals solutions business, and the management considers that the Group operates in one single business segment.

The Group primarily operates in Hong Kong, the PRC (China excluding Hong Kong, Macau and Taiwan), the United States of America (the "US") and Italy. The management assesses the performance of the Group from a geographic perspective based on the locations of the subsidiaries in which revenues are generated.

The management assesses the performance of the operating segments based on a measurement of segmental operating profit/(loss).

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

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

Year ended 31 December 2015

	PRC, other than Hong Kong, Macau and Taiwan	Hong Kong	US	Italy	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from external customers	1,748,803	999,635	105,433	16,923	-	2,870,794
Inter-segment turnover	894,733	112,275	-	-	(1,007,008)	-
Total turnover	2,643,536	1,111,910	105,433	16,923	(1,007,008)	2,870,794
Segmental EBITDA	367,169	323,777	(24,159)	(906)	(2,904)	662,977
Depreciation	(3,802)	(260)	(340)	(158)	-	(4,560)
Amortisation	(6)	-	-	(438)	-	(444)
Segmental operating profit/ (loss) and profit/(loss) before income tax	363,361	323,517	(24,499)	(1,502)	(2,904)	657,973
Income tax expense						(37,687)
Profit for the year						620,286

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

	PRC, other than Hong Kong, Macau and Taiwan	Hong Kong	US	Italy	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	3,360,671	1,483,999	127,537	70,631	(609,775)	4,433,063
Segment liabilities	1,224,057	113,234	167,499	20,695	(593,705)	931,780

Year ended 31 December 2016

	PRC, other than Hong Kong, Macau and					
	Taiwan <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	US <i>HK\$'000</i>	Italy <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	179,980	122	170	887	-	181,159

The segment assets and liabilities at 31 December 2015 and additions to non-current assets for the year ended 31 December 2015 are as follows:

As at 31 December 2015

	PRC, other than Hong Kong, Macau and					
	Taiwan <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	US <i>HK\$'000</i>	Italy <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	3,064,034	1,539,148	86,403	43,019	(652,405)	4,080,199
Segment liabilities	1,302,751	201,504	131,075	5,467	(651,197)	989,600

Year ended 31 December 2015

	PRC, other than Hong Kong, Macau and					
	Taiwan <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	US <i>HK\$'000</i>	Italy <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	22,431	15,124	-	15,826	-	53,381

Segmental EBITDA represents segmental operating profit/(loss) before finance costs, income tax expense, depreciation of property, plant and equipment, amortisation of leasehold land and intangible assets. Segment assets consist primarily of property, plant and equipment, leasehold land, intangible assets, inventories, deposits and other receivables, trade and bills receivables, restricted cash and cash at bank and on hand. 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, intangible assets including additions resulting from acquisitions through business combinations and prepayments for acquisitions of subsidiaries.

In 2016, revenue of approximately HK\$529,405,000 is derived from the largest customer, representing 18.2% of the total revenue, which is attributable to the HK operating segment; HK\$263,550,000 is derived from the second largest customer, representing 9.0% of the total revenue, which is attributable to the PRC operating segment. In 2015, revenue of approximately HK\$474,805,000 is derived from the largest customer, representing 16.5% of the total revenue, which is attributable to the HK operating segment; HK\$256,467,000 is derived from the second largest customer, representing 8.9% of the total revenue, which is attributable to the PRC operating segment.

Information provided to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.

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

The Group's non-current assets by geographical location, which is determined by the geographical location in which the asset is located, is as follows:

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Non-current assets		
PRC, other than Hong Kong, Macau and Taiwan	196,845	27,517
Hong Kong	626	15,769
US	125	306
Italy	15,048	16,022
	212,644	59,614

5 EXPENSES BY NATURE

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

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Remuneration to the Company's auditor	2,100	1,800
Remuneration to other auditors	208	352
Depreciation of property, plant and equipment	7,155	4,560
Amortisation of leasehold land	5	6
Amortisation of intangible assets	3,224	438
Employee benefit expenses (including Directors' emoluments)	308,140	280,633
Costs of inventories sold	1,620,895	1,702,730
Operating lease rentals in respect of buildings	25,066	18,392
Research and development costs	183,614	157,734
Sales commission	13,661	13,293
Provision of impairment of receivables, net (note 9(c))	586	3,666
Loss on disposals of property, plant and equipment	117	-
(Reversal of provision)/provision for obsolete inventories	(17,983)	39,492
Donation	-	1,106

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
– PRC corporate income tax	41,454	11,588
– Hong Kong profits tax	46,826	59,481
– Overseas profits tax	644	-
Over provision in prior year — net (Note a)	(871)	(32,476)
Total current income tax	<u>88,053</u>	<u>38,593</u>
Deferred income tax	(13,188)	(906)
Income tax expense	<u>74,865</u>	<u>37,687</u>

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year ended 31 December 2016.

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.

Note a: Wonder Pax Technology (Shenzhen) Co. Ltd. (“Wonder Pax”), a wholly owned subsidiary of the Group, obtained the approval from the relevant applicable tax authorities in April 2015 for a preferential tax treatment and is fully exempted from PRC corporate tax for two years, beginning in 2014, followed by a 50% tax exemption for the ensuing three years. As such, the applicable corporate income tax rate of Wonder Pax is 12.5% for the year ended 31 December 2016. The over provision of income tax accrued by Wonder Pax in financial year 2014, being calculated at the tax rate of 25%, of approximately HK\$32,976,000 was credited to the profit and loss for the year ended 31 December 2015.

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the “CIT Law”), companies in the PRC are subject to income tax of 25% unless preferential rate is applicable. Pax Computer Technology (Shenzhen) Co., Ltd. (“Pax Computer Shenzhen”), a wholly owned subsidiary of the Company, is located in the Shenzhen Special Economic Zone. Pursuant to Caishui [2016] Circular 49 jointly released by the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology of the PRC, management performed self-assessment on the eligibility for the tax incentives. Management estimated that Pax Computer Shenzhen was qualified as a National Key Software Enterprise and entitled to the preferential corporate income tax rate of 10% for the year ended 31 December 2016. Pax Computer Shenzhen was qualified as a High and New Technology Enterprise under the CIT Law and its applicable corporate income tax rate was 15% for the year ended 31 December 2015.

7 EARNINGS PER SHARE

(a) *Basic*

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

	Year ended 31 December	
	2016	2015
Profit attributable to the owners of the Company (HK\$'000)	600,908	620,736
Weighted average number of ordinary shares in issue (thousand shares)	1,114,457	1,108,940
Basic earnings per share (HK\$ per share)	<u>0.539</u>	<u>0.560</u>

(b) *Diluted*

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

	Year ended 31 December	
	2016	2015
Profit attributable to the owners of the Company (HK\$'000)	600,908	620,736
Weighted average number of ordinary shares in issue (thousand shares)	1,114,457	1,108,940
Adjustments for share options (thousand shares)	8,557	16,681
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	<u>1,123,014</u>	<u>1,125,621</u>
Diluted earnings per share (HK\$ per share)	<u>0.535</u>	<u>0.551</u>

8 DIVIDENDS

In 2016, interim dividends of HK\$0.04 per ordinary share (2015: HK\$0.02 per ordinary share) were paid, amounting to approximately HK\$44,715,000 (2015: HK\$22,229,000). A final dividend of HK\$0.04 per ordinary share for the year ended 31 December 2016 (2015: HK\$0.02 per ordinary share), amounting to HK\$44,315,000 (2015: HK\$22,240,000), is to be proposed at the annual general meeting on 25 April 2017. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend paid of HK\$0.04 (2015: HK\$ 0.02) per ordinary share	44,715	22,229
Proposed final dividend of HK\$0.04 (2015: HK\$ 0.02) per ordinary share	44,315	22,240
	<u>89,030</u>	<u>44,469</u>

9 TRADE AND BILLS RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Current portion		
Trade receivables (<i>note (a)</i>)	1,245,947	995,353
Amounts due from related parties	65,196	70,912
Less: provision for impairment of receivables (<i>note (c)</i>)	(4,067)	(3,694)
Trade receivables, net	<u>1,307,076</u>	<u>1,062,571</u>
Bills receivables (<i>note (b)</i>)	40,370	198,603
Trade and bills receivables	<u>1,347,446</u>	<u>1,261,174</u>
Deposits and other receivables	<u>68,919</u>	<u>43,719</u>
Trade and bills receivables, deposits and other receivables	<u>1,416,365</u>	<u>1,304,893</u>
Non-current portion		
Prepayments for acquisitions of subsidiaries	-	21,975
Other prepayment	24,672	-
Others	13,681	9,425
	<u>38,353</u>	<u>31,400</u>

The fair values of trade and bills receivables, deposits and other receivables approximated their carrying values as at 31 December 2015 and 2016.

(a) **Trade receivables**

The Group's credit terms to trade debtors range generally from 0 to 180 days. However, credit terms of more than 180 days may be granted to customers on a case-by-case basis upon negotiation. As at 31 December 2015 and 2016, the ageing analysis of the trade receivables and amounts due from related parties is as follows:

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Up to 90 days	846,807	750,231
91 to 180 days	277,772	193,517
181 to 365 days	58,915	37,174
Over 365 days	127,649	85,343
	<u>1,311,143</u>	<u>1,066,265</u>

(b) **Bills receivables**

The balance represents bank acceptance notes with maturity periods of within six months.

The maturity profile of the bills receivables of the Group is as follows:

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Up to 90 days	40,370	84,493
91 to 180 days	-	114,110
	<u>40,370</u>	<u>198,603</u>

(c) **Provision for impairment of trade receivables**

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

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
At beginning of the year	3,694	660
Provision for the year (note 5)	886	3,666
Bad debt written off	-	(597)
Reversal of provision (note 5)	(300)	-
Exchange difference	(213)	(35)
At end of the year	<u>4,067</u>	<u>3,694</u>

10 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	649,271	702,765
Amount due to a related party	13,214	7,764
	<u>662,485</u>	<u>710,529</u>
Other payables and accruals		
Receipt in advance from customers	89,327	51,897
Other tax payables	99,488	62,560
Other accrued expenses and payables	37,976	116,899
	<u>226,791</u>	<u>231,356</u>
	<u><u>889,276</u></u>	<u><u>941,885</u></u>

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 90 days	567,613	636,974
91 to 180 days	92,649	71,509
181 to 365 days	-	33
Over 365 days	2,223	2,013
	<u>662,485</u>	<u>710,529</u>
	<u><u>662,485</u></u>	<u><u>710,529</u></u>

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Company repurchased an aggregate of 10,000,000 ordinary shares for a total consideration of approximately HK\$52,547,000 on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as follows:

Date of Repurchase	No. of shares repurchased	Consideration per share		Total Consideration paid
		Highest HK\$	Lowest HK\$	
14 September 2016	5,000,000	5.91	5.78	29,276,000
24 November 2016	5,000,000	4.77	4.46	23,271,000
Total	<u>10,000,000</u>			<u>52,547,000</u>

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

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

DIVIDEND

An interim dividend of HK\$0.04 per ordinary share amounting to approximately HK\$44.72 million was paid to the shareholders of the Company during the year.

The Board has recommended a payment final dividend of HK\$0.04 per ordinary share for the year ended 31 December 2016 (year ended 31 December 2015: HK\$0.02 per ordinary share) to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Monday, 15 May 2017, subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company which will be held on Tuesday, 25 April 2017, and if passed, the final dividend will be paid to the shareholders of the Company on Monday, 29 May 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 11 May 2017 to Monday, 15 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 May 2017. Together with the interim dividend of HK\$0.04 ordinary share (six months ended 30 June 2015: HK\$0.02 per ordinary share), the total dividend per ordinary share for the year was HK\$0.08 (2015: HK\$0.04 per ordinary share).

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

Record date (being the last date for registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting will be Tuesday, 18 April, 2017. All transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 18 April 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Code for Securities Transaction by Directors regulating directors' transaction concerning securities of the Company, 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") 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 all the Directors have confirmed that they have complied with the Model Code throughout the year.

The Company has also established the Code for Securities Transaction by Employees with terms no less exacting than the required standard set out in Model Code for securities transaction by senior management and employees who are likely to be in possession of any Inside Information of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statement of the Group for the year ended 31 December 2016.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained at all times during the year sufficient public float as prescribed by the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company's website at www.paxglobal.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2016 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

The 2016 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2016. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2016, which will be included in the Company's 2016 annual report.

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

Hong Kong, 8 March 2017

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Nie Guoming, Mr. Lu Jie and Mr. Li Wenjin and three Independent Non-Executive Directors, namely Mr. Yip Wai Ming, Dr. Wu Min, Mr. Man Kwok Kuen, Charles.