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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00327)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

RESULTS	**2010** *HK$'000*	2009 *HK$'000*	*+/(–)%*
Revenue	**723,610**	492,942	**+47%**
Gross profit	**291,870**	192,860	**+51%**
EBITDA	**175,121**	102,435	**+71%**
Operating profit	**172,508**	100,512	**+72%**
Profit for the year	**145,423**	84,551	**+72%**

	2010	2009	*+/(–)%*
Earnings per share			
– Basic (HK$)	**0.194**	0.114	**+70%**
– Diluted (HK$)	**0.194**	0.114	**+70%**

KEY BALANCE SHEET ITEMS	**2010** *HK$'000*	2009 *HK$'000*	*+/(–)%*
Total assets	**1,505,360**	565,707	**+166%**
Total liabilities	**218,249**	142,646	**+53%**
Total equity	**1,287,111**	423,061	**+204%**

The Board of Directors (the "Board") of PAX Global Technology Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with the comparative figures for year ended 31 December 2009. The annual results have been reviewed by the Company's Audit Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an electronic fund transfer point-of-sale (EFT-POS) terminal solutions provider principally engaged in the development and sale of EFT-POS products and provision of related services (collectively, the "EFT-POS terminal solutions business"). The Group is one of the dominant suppliers in the EFT-POS terminal solutions market in China and the largest customers of the Group include major merchant services providers and financial institutions in China. The Group has also become one of China Mobile's suppliers for contactless devices. Our EFT-POS products are sold to more than 50 overseas countries and regions including the US, Singapore, Taiwan, Japan, South Korea, New Zealand, France, Finland, Saudi Arabia, South Africa and Russia.

MARKET OVERVIEW

Improvement of bank card acceptance environment of the bank card industry in China

The growth of the bank card industry in China has been accelerating with the establishment of China UnionPay in 2002. With the joint efforts of China UnionPay and several commercial banks in China, the bank card netted utilization in China has been continuously penetrated. According to The People's Bank of China ("PBOC"), by the end of 2010, the number of in-network bank card merchants reached 2.18 million (2009: 1.57 million) and in-network EFT-POS terminals has grown rapidly to 3.33 million sets (2009: 2.41 million sets) China.

Although the number of in-network bank card merchants and EFT-POS terminals experienced robust growth, the penetration of EFT-POS terminals in China is still considered to be relatively low. The low penetration rate implies vast potential future growth of the EFT-POS terminal solutions industry.

Robust growth in card payment transactions in China

Consumer spending in China continuously increases with the rapid development of the economy. Consumers in China have gradually developed a spending habit of using bank cards in settling their payments in purchases and the use of bank cards will continue to be a popular mode of consumer payment in China. According to PBOC, a total of 2.42 billion bank cards had been issued in China by the end of 2010, representing a growth of 16.9% as compared with 2009 and on average, each individual in China held 1.81 bank cards by the end of 2010.

Growth in bank card transactions is one of the major drivers of demand for EFT-POS terminals. Along with the continuous penetration of China UnionPay netted utilization as well as the ongoing improvement of bank card acceptance environment in China, bank card transactions also grew rapidly. In 2010, the inter-bank bank card transactions in China hit RMB11.1 trillion, which is approximately 120 times of the figure in 2001, prior to the establishment of China UnionPay. The scope of acceptance of bank cards in consumer payments has also been extended from retailers, restaurants and hotels to medical, educational, transportation and telecommunication services.

Development of EFT-POS terminal solutions market in China

There will be gradual increase in the penetration of electronic payment transactions in China spurred by the PRC government's support of the expansion of the electronic payment industry. In July 2009, PBOC issued the Guidelines on Improving Payment Service Environment in Rural Area (關於改善農村地區支付服務環境的指導意見) with specific measures for the construction of the payment service environment in the rural area in China, to promote the improvement of non-cash payment instruments, and aim to enhance the efficiency and quality of payment services in rural areas. The overall domestic EFT-POS terminal solutions market remains promising and the size of the market will continue to grow as EFT-POS terminals further penetrate into the rural areas.

There will also be a spurring growth in the EFT-POS terminal solutions industry with the development of mobile phone payment markets in China. The policies on electronic business development in China's "Eleventh Five Year Plan" (電子商務發展"十一五"規劃) promulgated by National Development and Reform Commission (國家發展改革委員會) and the State Council Informatization Office (國務院信息化工作辦公室) which highlighted the Mobile Electronic Payment Trial Project (移動電子商務試點示範工程) as one of the key areas of development and will continue to provide further stimulations to the development of the mobile payment environment and hence the growth of China's EFT-POS terminal solutions industry.

The market of telephone-POS terminals has developed in China for a decade and gradually becomes a new electronic payment channel featured by Chinese culture which is of comparable scale to traditional EFT-POS terminal solutions market. It is mainly designed for individual merchants of wholesale markets with major business functions comprising account enquiry and inter-cards transactions. Along with the rapid deployment of telephone-POS terminals in a large scale, the security of product and crimes related to bank cards have aroused great concern. In November 2009, China UnionPay issued the "Solutions to Management of Cross-industry Fixed Phone Payment Terminals" (固定電話支付終端跨行業務處理方案), which regulates telephone-POS terminals business and expressively requires the suspension of type-I telephone-POS terminals, with low security requirement and the installation and use of type-II telephone-POS terminals in most applicable circumstances. The suppliers of the traditional EFT-POS terminal solutions market have undertaken proactive preparation and efforts for the entrance into the telephone-POS terminals market, which in turns provide them with splendid market opportunity.

Huge opportunity from global market

The global EFT-POS terminal solutions market is also highly concentrated, with the top three players captured over 60% of market shares in 2009. In recent years, the global market has been undergoing consolidations with active merger and acquisition activities, which provides great opportunities in both mature and emerging markets for rising global EFT-POS terminal solutions suppliers.

FINANCIAL REVIEW

The key financial figures are extracted as follows:

	For the year ended 31 December		
	2010	2009	
	HK$'000	*HK$'000*	*+/(-)%*
Revenue	**723,610**	492,942	+47%
Gross profit	**291,870**	192,860	+51%
Other income	**27,390**	10,479	+161%
Selling expenses	**(74,371)**	(59,083)	+26%
Administraive expenses	**(72,381)**	(43,744)	+65%
Operating profit	**172,508**	100,512	+72%
Income tax expense	**(27,085)**	(15,532)	+74%
Profit for the year attributable to equity holders of the Company	**145,423**	84,551	+72%
EBITDA	**175,121**	102,435	+71%
Research and development expenses *(included in administrative expense)*	**(34,899)**	(24,149)	+45%

	As at 31 December		
	2010	2009	
	HK$'000	*HK$'000*	*+/(-)%*
Total current assets	**1,493,935**	556,314	+169%
Total non-current assets	**11,425**	9,393	+22%
Total assets	**1,505,360**	565,707	+166%
Total liabilities	**218,249**	142,646	+53%
Net current assets	**1,275,686**	413,668	+208%
Total equity	**1,287,111**	423,061	+204%

	For the year ended 31 December		
Per share data	**2010**	2009	*+/(-)%*
Earnings per share for profit attributable to equity holders of the Company			
– Basic (HK$)	**0.194**	0.114	+70%
– Diluted (HK$)	**0.194**	0.114	+70%
Financial ratios			
Gross profit margin	**40.3%**	39.1%	
EBITDA margin	**24.2%**	20.8%	
Net profit margin	**20.1%**	17.2%	

Revenue

Revenue increased by 47% to HK$723.6 million for the year ended 31 December 2010 from HK$492.9 million for the year ended 31 December 2009 with new shipment record of EFT-POS terminals of approximately 450,000 units, representing an increase of 50% as compared to that of approximately 300,000 units for the year ended 31 December 2009, partially offset by the decrease in the average selling price in response to market competition.

Sales by product category

	2010	2009	
	HK$'000	*HK$'000*	*+/(-)%*
Countertop EFT-POS terminals	**531,501**	401,685	+32%
Mobile EFT-POS terminals	**91,947**	55,646	+65%
Consumer activated devices	**52,650**	16,165	+226%
Contactless devices	**22,695**	3,665	+519%
Services	**14,260**	13,574	+5%
Others	**10,557**	2,207	+378%
	723,610	492,942	+47%

Countertop EFT-POS terminals

Revenue from sales of countertop EFT-POS terminals increased by 32% to HK$531.5 million for the year ended 31 December 2010 from HK$401.7million for the year ended 31 December 2009.

With the gradual recovery of global economy and the increased consumer spending by bank cards in China, the demand for countertop EFT-POS terminals increased dramatically, especially by the largest merchant service provider and major banks in China. Revenue growth has also been driven by increase in overseas sales during the year ended 31 December 2010.

Mobile EFT-POS terminals

Revenue from sales of mobile EFT-POS terminals increased by 65% to HK$91.9 million for the year ended 31 December 2010 from HK$55.6 million for the year ended 31 December 2009.

Apart from increased demand with the recovery of global economy and increased consumer spending by bank cards, the growth of sales of mobile EFT-POS terminals outperformed countertop EFT-POS terminals. The development of wireless communication infrastructure worldwide has support the growth in demand for mobile EFT-POS terminals as an alternative to countertop EFT-POS terminals for its wider applications, flexibility, mobility and cost-effectiveness. The additional applications include pay-at-the-table in restaurants, taxi and delivery services etc.

Consumer activated devices

Revenue from sales of consumer activated devices increased by 226% to HK$52.7 million for the year ended 31 December 2010 from HK$16.2 million for the year ended 31 December 2009.

Due to the continuous growth in demand for one of our product models which supports magnetic card reader, IC card reader and built-in contactless card reader functions, sales of consumer activated devices experienced significant growth.

Contactless devices

Revenue from sales of contactless devices increased by 519% to HK$22.7 million for the year ended 31 December 2010 from HK$3.7 million for the year ended 31 December 2009.

In recent years, contactless payment environment is developing with continuous rising popularity in China as well as worldwide. With the effort of PBOC to promote contactless payment applications, there is increasing investment in infrastructure for contactless payment. Applications of contactless devices are extended from public transportation to retail business.

Services

Revenue from provision of services increased by 5% to HK$14.3 million for the year ended 31 December 2010 from HK$13.6 million for the year ended 31 December 2009.

With the increase in aggregate deployment of EFT-POS terminals, income from maintenance service increased gradually during the year ended 31 December 2010.

Sales by geographical region

	2010	2009	
	HK$'000	*HK$'000*	*+/(-)%*
China market	**566,340**	405,402	+40%
Overseas market	**157,270**	87,540	+80%
	723,610	492,942	+47%

Revenue generated from the China market increased by 40% to HK$566.3 million for the year ended 31 December 2010 from HK$405.4 million for the year ended 31 December 2009. With increase in consumer consumption with bank cards, major banks in China continue to expand their investment in EFT-POS terminals and related products.

Revenue generated from the overseas market increased by 80% to HK$157.3 million for the year ended 31 December 2010 from HK$87.5 million for the year ended 31 December 2009. The increase was mainly attributable to increased sales to Middle East, Taiwan and New Zealand. Besides, the Group has continuously extended its international market coverage to new markets including Canada and Dominica in America, Latvia, Georgia, Uzbekistan, Kazakhstan and Tajikistan in Europe, Kuwait and Turkey in Middle East, and New Zealand in Asia Pacific. As at 31 December 2010, we had a total of 25 (2009: 23) overseas distributors with sales contribution amounted to HK$125.2 million for the year ended 31 December 2010 (2009: HK$62.4 million).

Gross Profit Margin

Gross profit margin was 40.3% for the year ended 31 December 2010 as compared with 39.1% for the year ended 31 December 2009, which primarily reflecting the Group's effort to proactively reduce the cost of materials and introduce new products with additional features and higher gross profit margin.

Other Income

Other income primarily included value added tax refund, interest income and subsidy income. Other income increased by 161% to HK$27.4 million for the year ended 31 December 2010 from HK$10.5 million for the year ended 31 December 2009, primarily reflecting the increase in value added tax refund received during the year ended 31 December 2010.

Selling Expenses

Selling expenses increased by 26% to HK$74.4 million for the year ended 31 December 2010 from HK$59.1 million for the year ended 31 December 2009, primarily reflecting an increase of employee benefit expenses associated with the increase in the number of sales staff.

Administrative Expenses

Administrative expenses increased by 65% to HK$72.4 million for the year ended 31 December 2010 from HK$43.7 million for the year ended 31 December 2009 primarily reflecting increase in research and development costs, employee benefit expenses in relation to administrative staff and certain listing expenses.

Profit for the Year and Net Profit Margin

As a result of the foregoing, the profit for the year attributable to equity holders of the Company increased by 72% to HK$145.4 million for the year ended 31 December 2010 from HK$84.6 million for the year ended 31 December 2009.

The net profit margin increased to 20.1% for the year ended 31 December 2010 from 17.2% for the year ended 31 December 2009. The increase was mainly due to (i) the increase in other income primarily reflecting the increase in value added tax refund received during the year; and (ii) the increase in gross profit margin.

Outlook

Currently, the Group is one of the dominant market leaders in EFT-POS terminals solutions market in China. The Group has positioned itself as a global EFT-POS terminal solutions provider since its establishment in 2000, with its persistent effort in expanding presence and increasing market shares in international market, our EFT-POS products have been sold to more than 50 overseas countries and regions.

China's position of one of the world's fastest growing economies with huge commercial businesses, relatively low EFT-POS terminals penetration rate compared with developed countries, robust growth in card payment transactions and gradual development of consumer spending habit of using bank cards, have formed a concrete foundation for EFT-POS terminal solutions industry in China. Further increase in the penetration of electronic payment in China stimulated by PRC government's continuous support to modernize the country's electronic payment infrastructure, is expected to drive the demand for EFT-POS terminal solutions products further in China.

Riding the high tide of growth in electronic payment industry in China, the Group continuously seeks new business opportunities and revenue source. In 2010, the Group was successfully selected as a qualified supplier for the standard model of telephone-POS terminals by one of the major customers and is expected to gain more market share in this new industry. The Group is also well prepared for grasping the explosive growth opportunities of the new mobile phone and contactless payment markets in China.

With the global market consolidation continues, demand for EFT-POS terminals in both mature and emerging markets will provide huge opportunities for the Group. The Group has accumulated well-established sales and distribution channels in various major markets through its continuous expansion and over 20 distributors throughout the world. In addition to the extensive coverage in its existing markets, the Group has attained an important breakthrough in Australia, New Zealand, North Europe, the United States and Canada, which laid a solid foundation for the growth of the Group in these markets. The Group is confident that overseas sales will grow rapidly in coming future.

Looking forward, the Group will focus on several major areas including: (i) to maintain and enhance our leading position in China through continuous development of innovative products that meet the customers' demand; (ii) to further improve our research capacity of technology; (iii) to expand and optimize our sales and after-sales service networks and enlarge our scope of business and market share in major international markets; and (iv) to seek potential merger and acquisition opportunties.

Leveraging our leading position in EFT-POS terminal solutions market in China, we believe that we will manage to capture the rapid development of the market. Coupled with the splendid opportunity emerging in the global market, all these will lay a solid foundation for our future development, leading us towards our goals- "To become one of the leading players in the global market".

Liquidity and capital resources

During the year, the main source of fund of the Group was cash generated from net proceeds of the Global Offering and cash inflow from operating activities. Certain financial data are summarised as follows:-

	As at 31 December	
	2010	2009
	HK$'000	*HK$'000*
Cash at bank and on hand	**1,066,526**	242,380
Net current assets	**1,275,686**	413,668
Net cash generated from operations	**118,220**	150,964
Net cash generated from/(used in) financing activities	**699,995**	(15,837)
Current ratio	**6.8 times**	3.9 times
Quick ratio	**6.2 times**	3.1 times

As at 31 December 2010, the Group had cash and short-term bank deposit of HK$1,066.5 million (2009: HK$242.4 million) and no short term borrowings (2009: nil). As at 31 December 2010, the Group reported net current asset of HK$1,275.7 million, as compared with HK$413.7 million as at 31 December 2009. For the year ended 31 December 2010, net cash generated from operating activities was HK$118.2 million, as compared with HK$151.0 million as at 31 December 2009. Net cash inflow from financing activities for the year ended 31 December 2010 was HK$700.0 million which was mainly generated from the Global Offering, as compared with an outflow of HK$15.8 million for the year ended 31 December 2009 for repayment of bank borrowings.

We believe good liquidity will be maintained by funding our expansions and operations with the net proceeds from the Global Offering, as well as cash flows generated from our operating activities.

Capital structure and details of charges

As at 31 December 2010, the Group did not have any short term borrowings (2009: Nil).

Approximately 229.0 million, HK$746.7 million, HK$89.8 million and HK$1.0 million (2009: HK$162.5 million, HK$14.4 million, HK$64.4 million and HK$1.0 million) of the Group's cash balances were denominated in Renminbi ("RMB"), Hong Kong dollar ("HK$"), US dollar ("US$") and Euro respectively as at 31 December 2010.

Significant investment

Save as disclosed in this announcement, the Group has no significant investment held as at 31 December 2010 (2009: Nil).

Material acquisition and disposal of subsidiaries

Save as disclosed in this announcement, the Group does not have any material acquisition or disposal of subsidiaries during the year ended 31 December 2010 (2009: Nil).

Use of Proceeds

The net proceeds raised from the Global Offering received by the Company was approximately HK$701.1 million (excluding proceeds from the exercise of over-allotment option on 12 January 2011).

The planned amount of usage of total net proceeds (excluding the proceeds from the exercise of over-allotment option on 12 January 2011) are as follows:

	Total planned amount *HK$ million*
Enhancing research and development effort	280.4
Expanding distribution network	105.2
Potential merger and acquisition	245.4
General working capital	70.1
	701.1

The net proceeds from the Global Offering was intended to be utilised over three years from 2011 to 2013, the Group has not utilised any proceeds for the period from 20 December 2010, the listing date, to 31 December 2010.

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

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 liability as at 31 December 2010.

Human Resources and Remuneration Policies

The total number of employees of the Group as at 31 December 2010 was 436. The following table shows a breakdown of employees of the Group by function as at 31 December 2010:

Management	10
Sales and after-sales services and marketing	149
Research and development	227
Quality assurance	10
Administration and human resources	13
Accounting	10
Production, procurement and inventory control	17
	436

The Group ensures that its remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. 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

		Year ended 31 December	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**723,610**	492,942
Cost of sales	*5*	**(431,740)**	(300,082)
Gross profit		**291,870**	192,860
Other income	*3*	**27,390**	10,479
Selling expenses	*5*	**(74,371)**	(59,083)
Administrative expenses	*5*	**(72,381)**	(43,744)
Operating profit		**172,508**	100,512
Finance costs	*6*	**–**	(429)
Profit before income tax		**172,508**	100,083
Income tax expense	*7*	**(27,085)**	(15,532)
Profit for the year attributable to equity holders of the Company		**145,423**	84,551
Earnings per share for the profit attributable to equity holders of the Company during the year (expressed in HK$ per share)			
– Basic	*8*	**0.194**	0.114
– Diluted	*8*	**0.194**	0.114

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**145,423**	84,551
Other comprehensive income:		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**17,526**	–
Total comprehensive income for the year attributable to equity holders of the Company	**162,949**	84,551

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**11,194**	9,168
Leasehold land		**231**	225
		11,425	9,393
Current assets			
Inventories		**148,520**	110,558
Deposits and other receivables	*9*	**7,001**	2,989
Trade and bills receivables	*9*	**269,042**	198,647
Restricted cash	*10*	**2,846**	1,740
Cash at bank and on hand	*10*	**1,066,526**	242,380
		1,493,935	556,314
Total assets		**1,505,360**	565,707
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**100,000**	–
Reserves		**1,187,111**	423,061
Total equity		**1,287,111**	423,061
LIABILITIES			
Current liabilities			
Trade payables	*11*	**143,033**	86,912
Other payables and accruals	*11*	**55,735**	41,322
Taxation payable		**19,481**	14,412
Total liabilities		**218,249**	142,646
Total equity and liabilities		**1,505,360**	565,707
Net current assets		**1,275,686**	413,668
Total assets less current liabilities		**1,287,111**	423,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND GROUP REORGANISATION

PAX Global Technology Limited (the "Company") is a limited liability company incorporated in Bermuda. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2010 (the "Listing"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

On 8 December 2010, the Company issued a prospectus (the "Prospectus") and launched a global offering of 319,200,000 ordinary shares comprising 260,000,000 new shares issued by the Company and 59,200,000 shares offered by the Selling Shareholders (as defined in Note 1.1 below) (the "Global Offering"), at an offer price of HK$2.88 per share (the "Offer Price"). On 12 January 2011, the over-allotment option in connection with the Global Offering as detailed in the Prospectus (the "Over-allotment Option") was partially exercised and the Company was required to allot and issue an aggregate of 37,728,000 additional shares at the Offer Price. Gross proceeds received by the Company from the Global Offering and the exercise of the Over-allotment Option amounted to HK$857,457,000 in aggregate, of which HK$748,800,000 was received from the Global Offering on 20 December 2010 and HK$108,657,000 was received from the exercise of the Over-allotment Option on 17 January 2011.

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 sale of electronic fund transfer point-of-sale ("EFT-POS") products and provision of related services (collectively, the "EFT-POS terminal solutions business").

1.1 Reorganisation

Prior to the spin-off of the EFT-POS terminal solutions business for the Listing of the Company, the ultimate holding company of the Company is Hi Sun Technology (China) Limited ("Hi Sun"), whose shares are listed on the Main Board of the Stock Exchange, which operated the EFT-POS terminal solutions business and other businesses, including the provision of telecommunication solutions and operation value-added services, provision of financial solutions, services and related products, provision of payment solutions and services and the sales and manufacturing of electronic power meters and solutions through various subsidiaries. In preparation for the Listing of the Company, Hi Sun underwent a group reorganisation (the "Reorganisation"), pursuant to which the companies engaged in the EFT-POS terminal solutions business were transferred to the Company and then the Company became the holding company of the consolidated entities. The Reorganisation mainly involved the following:

(i) On 4 November 2010, the Company entered into an agreement with Hi Sun to acquire 100% equity interest in Grand Global International Limited ("Grand Global"). Grand Global held 60% equity interest in Pax Technology Limited ("Pax Technology"), which in turn held 100% equity interest in Pax Computer Technology (Shenzhen) Co., Ltd.("Pax Computer Shenzhen") and Pax Technology, Inc. The Company credited as fully paid the one nil paid shares held by Hi Sun and allotted 149,999,999 shares as fully paid to Hi Sun in exchange for the equity interests in Grand Global;

(ii) On 5 November 2010, the Company entered into a share swap agreement (the "Share Swap") with Digital Investment Limited ("Digital Investment") and Dream River Limited ("Dream River") (the "Selling Shareholders") for the acquisition of their entire shareholding in Pax Technology, one of the subsidiaries of the Group, in consideration of allotting credited as fully paid 50,000,000 ordinary shares to each of Digital Investment and Dream River. The Share Swap was completed on 14 December 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Immediately prior to and following the Reorganisation, there is no change in the shareholders of the Group which are Hi Sun, Digital Investment and Dream River. The EFT-POS terminal solutions business is mainly conducted through Pax Technology, Pax Computer Shenzhen and Pax Technology, Inc., which are the subsidiaries of the Company. The Company has not involved in any business before the Reorganisation. The Reorganisation, which was completed before the Listing upon the share swap with Digital Investment and Dream River as described in Note 1.1 above, merely involved putting together of all subsidiaries originally carrying on the EFT-POS terminal solutions business of Hi Sun with the insertion of the Company for the purpose of Listing. Accordingly, the consolidated financial statements of the Group has been prepared on a consolidation basis and is presented using the carrying values of the EFT-POS terminal solutions business under the Group for both of years presented.

Intercompany transactions, balances and unrealised gains on transactions are eliminated on consolidation.

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.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS 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.

2.2 Determination of functional currency

Before the listing of the Company on 20 December 2010, as the Company has no operation and no financing activity and its primary sources of income is only from its PRC subsidiary and its ability to pay dividend to shareholders is heavily dependent on the economy of its PRC subsidiary, the Company determined its functional currency as RMB.

Following completion of the Listing of the Company on 20 December 2010, the cash generated through the financing activity, namely the Global Offering, by the Company is denominated in HK$. The management of the Company reassessed the Company's function currency and determined that HK$ is more appropriate as the Company's functional currency.

3 REVENUE AND OTHER INCOME

The Group is principally engaged in the sale of EFT-POS products and provision of related services. Revenue and other income recognised during the year were as follows:

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sales of electronic payment products	**709,350**	479,368
Sales of electronic payment services	**14,260**	13,574
	723,610	492,942
Other income		
Interest income	**928**	271
Value added tax refund *(Note (i))*	**25,039**	6,424
Subsidy income	**392**	386
Others	**1,031**	3,398
	27,390	10,479
	751,000	503,421

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 PRC.

4 SEGMENT INFORMATION

Management reviews the Group's internal reporting in order to assess performance and allocate resource. Management has determined the operating segments based on the internal reports reviewed by the Board of Directors are used to make strategic decisions. The Group is principally engaged in the EFT-POS terminal solutions business, management considers that the Group operates in one single business segment.

The Group primarily operates in Hong Kong, the PRC (excluding Hong Kong, Macao and Taiwan) and the United States of America ("US"). Management assesses the performance of the Group from a geographic perspective based on the location in which revenues are generated.

Management assesses the performance of the operating segments based on a measure of segment operating profit/(loss).

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

	Year ended 31 December 2010				
	PRC, other than Hong Kong, Macao and Taiwan	**Hong Kong**	**US**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**566,340**	**153,893**	**3,377**	**–**	**723,610**
Inter-segment revenue	**86,219**	**6,281**	**–**	**(92,500)**	**–**
Total revenue	**652,559**	**160,174**	**3,377**	**(92,500)**	**723,610**
Segmental EBITDA	**149,640**	**42,572**	**(16,248)**	**(843)**	**175,121**
Depreciation	**(2,133)**	**(35)**	**(440)**	**–**	**(2,608)**
Amortisation	**(5)**	**–**	**–**	**–**	**(5)**
Segment operating profit/(loss)	**147,502**	**42,537**	**(16,688)**	**(843)**	**172,508**
Finance costs					**–**
Profit before income tax					**172,508**
Income tax expense					**(27,085)**
Profit for the year					**145,423**

	Year ended 31 December 2009				
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	US	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	405,402	86,033	1,507	–	492,942
Inter-segment revenue	56,432	1,580	–	(58,012)	–
Total revenue	461,834	87,613	1,507	(58,012)	492,942
Segmental EBITDA	103,766	6,386	(7,599)	(118)	102,435
Depreciation	(1,809)	(11)	(98)	–	(1,918)
Amortisation	(5)	–	–	–	(5)
Segment operating profit/(loss)	101,952	6,375	(7,697)	(118)	100,512
Finance costs					(429)
Profit before income tax					100,083
Income tax expense					(15,532)
Profit for the year					84,551

The segment assets and liabilities at 31 December 2010 and additions to non-current assets for the year ended 31 December 2010 are as follows:

	As at 31 December 2010				
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	US	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	678,637	1,857,919	7,958	(1,039,154)	1,505,360
Segment liabilities	187,201	40,971	33,812	(43,735)	218,249

	Year ended 31 December 2010				
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	US	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets	3,228	96	1,236	–	4,560

The segment assets and liabilities at 31 December 2009 and additions to non-current assets for the year ended 31 December 2009 are as follows:

	As at 31 December 2009				
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	US	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	485,777	146,144	1,843	(68,057)	565,707
Segment liabilities	143,299	28,267	11,009	(39,929)	142,646

	Year ended 31 December 2009				
	PRC, other than Hong Kong, Macao and Taiwan	**Hong Kong**	**US**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets	1,446	17	1,379	–	2,842

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

The revenues from external parties reported to the directors of the consolidated entities are measured in a manner consistent with that in the consolidated income statements.

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

5 EXPENSES BY NATURE

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

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration	**721**	557
Depreciation of property, plant and equipment	**2,608**	1,918
Amortisation of leasehold land	**5**	5
Employee benefit expenses (including directors' emoluments)	**68,592**	39,981
Costs of inventories sold	**418,005**	286,685
Operating lease rentals in respect of buildings	**5,446**	3,264
Research and development costs	**34,899**	24,149
Loss on disposal of property, plant and equipment	**84**	6
Provision for impairment of trade receivables	**374**	422
Donation	**1,000**	–

6 FINANCE COSTS

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**–**	429

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Current income tax		
– PRC enterprise income tax	**18,174**	14,532
– Hong Kong profits tax	**8,050**	1,000
Under provision in prior year	**861**	–
Income tax expense	**27,085**	15,532

8 EARNINGS PER SHARE

(a) Basic

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

The weighted average number of ordinary shares in issue during the year ended 31 December 2010 used in the basic earnings per share calculation is determined on the assumption that the 740,000,000 shares with par value of HK$0.1 each issued upon the capitalisation issue and Reorganisation (Note 1.1) had been in issue prior to the incorporation of the Company, which is the same assumption for the basic earnings per share calculation for the year ended 31 December 2009.

	Year ended 31 December	
	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**145,423**	84,551
Weighted average number of ordinary shares in issue (thousand shares)	**748,548**	740,000
Basic earnings per share (HK$ per share)	**0.194**	0.114

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share, the Over-allotment Option. For the Over-allotment Option, 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 from the listing date (20 December 2010 to 31 December 2010) based on the monetary value of the subscription right attached to outstanding Over-allotment 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 Over-allotment Option.

Diluted earnings per share for the year ended 31 December 2010 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding Over-allotment Option would have an anti-dilutive effect to the basic earnings per share.

Diluted earnings per share for the year ended 31 December 2009 is the same as the basic earnings per share as there is no potential ordinary shares for the year ended 31 December 2009.

9 TRADE AND BILLS RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**215,535**	95,554
Less: provision for impairment of receivables	**(1,846)**	(2,608)
Trade receivables, net	**213,689**	92,946
Bills receivables	**55,353**	105,701
Trade and bills receivables	**269,042**	198,647
Deposits and other receivables	**7,001**	2,989
Trade and bills receivables, deposits and other receivables	**276,043**	201,636

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. At 31 December 2009 and 2010, the ageing analysis of the trade receivables is as follows:

	As at 31 December	
	2010	2009
	HK$'000	*HK$'000*
Up to 90 days	**119,898**	61,009
91 to 180 days	**44,268**	20,862
181 to 365 days	**31,362**	8,960
Over 365 days	**20,007**	4,723
	215,535	95,554

As at 31 December 2010, the trade receivables included the retention money receivables of HK$39,480,000 (2009: HK$12,776,000) with a retention period of three to five years for approximately 2% to 5% of the total contract sum granted to a number of our customers in the PRC.

10 RESTRICTED CASH, CASH AND CASH EQUIVALENTS

	2010	2009
	HK$'000	*HK$'000*
Restricted bank deposits	**2,846**	1,740
Cash at banks and in hand	**843,149**	203,071
Short-term bank deposits	**223,377**	39,309
	1,066,526	242,380

11 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2010	2009
	HK$'000	*HK$'000*
Trade payables (Note (a))	**143,033**	86,912
Other payables and accruals		
Receipt in advance from customers	**17,804**	10,138
Other tax charge payables	**6,624**	5,455
Accrued expenses	**16,272**	20,826
Others	**15,035**	4,903
	55,735	41,322
	198,768	128,234

Note(a): The ageing analysis of trade payables was as follows:

	As at 31 December	
	2010	2009
	HK$'000	*HK$'000*
Up to 90 days	**134,663**	79,190
91 to 180 days	**6,434**	2,379
181 to 365 days	**329**	103
Over 365 days	**1,607**	5,240
	143,033	86,912

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIVIDEND

During the year, no dividends were declared by the consolidated entities to their then respective shareholders (2009: Nil).

MODEL CODE FOR 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 Listing Rules.

Specific enquiry had been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2010.

The Company has also established written guidelines with exact terms as set out in Appendix 10 to the Listing Rules for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was a private company for most of the year ended 31 December 2010 as it was only listed on the Main Board of the Stock Exchange on 20 December 2010. Upon the listing of the Company, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules except that, no audit committee meeting of the Company has been held during the year ended 31 December 2010 and deviated from the provision C3.3(e)(i) of the Code, as no external audit, internal controls and risk evaluation matters are considered necessary to be reviewed during the period from 1 December 2010 (date of establishment of audit committee) to 31 December 2010. The first audit committee meeting of the Company was held on 10 March 2011, which was after the year end under review. Going forward, the Company will convene audit committee in compliance with the respective code provision in the code.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Audit Committee was established by the Board on 1 December 2010 with written terms of reference. The Committee comprises three independent non-executive Directors, Mr. Yip Wai Ming, Dr. Wu Min and Mr. Man Kwok Kuen, Charles. No meeting was held by the Audit Committee during 1 December 2010 to 31 December 2010.

SUBSEQUENT EVENTS

On 12 January 2011, the Over-allotment Option was partially exercised and the Company issued an aggregate of 37,728,000 additional shares at the Offer Price of HK$2.88 per share. Gross proceeds in relation to the over-allotment amounted to HK$108,657,000 and was received by the Company on 17 January 2011.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2010. The figures set out in the annual results announcement of the Group for the year ended 31 December 2010 have been agreed by the Company'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 was conducted in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by PricewaterhouseCoopers on the 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 during the year the amount of public float as required under the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2010 annual results announcement is published on the Company's website at www.paxglobal.com.hk and the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The 2010 annual report will be available on the websites of The Stock Exchange of Hong Kong Limited and the Company and will be despatched to all shareholders in due course.

The 2010 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2010. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2010, which will be included in the Company's 2010 annual report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 17 March 2011

As at the date of this announcement, the Board consists of three executive Directors, namely, Nie Guoming, Jiang Hongchun, Li Wenjin and three independent non-executive Directors, namely Yip Wai Ming, Wu Min, Man Kwok Kuen, Charles.

* *For identification purpose only*