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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: 00327)**

# RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

## FINANCIAL HIGHLIGHTS

| RESULTS | **2012** *HK$'000* | 2011 *HK$'000* | +/(–) |
|---|---|---|---|
| Revenue | **1,313,330** | 1,103,180 | 19% |
| Gross profit | **464,187** | 391,702 | 19% |
| EBITDA | **226,631** | 210,596 | 8% |
| Operating profit | **223,256** | 207,463 | 8% |
| Profit for the year (excluding the share option scheme expenses) | **203,332** | 181,795 | 12% |
| Profit for the year | **182,959** | 181,795 | 1% |

| | **2012** | 2011 | +/(–) |
|---|---|---|---|
| Earnings per share | | | |
| — Basic (HK$) | **0.176** | 0.175 | 1% |
| — Diluted (HK$) | **0.176** | 0.175 | 1% |

| KEY BALANCE SHEET ITEMS | **2012** *HK$'000* | 2011 *HK$'000* | +/(–) |
|---|---|---|---|
| Total assets | **2,193,760** | 2,006,038 | 9% |
| Total liabilities | **382,926** | 404,884 | (5)% |
| Total equity | **1,810,834** | 1,601,154 | 13% |

* *For identification purposes only*

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 (collectively the "Group" or "PAX") for the year ended 31 December 2012 together with comparative figures for the year ended 31 December 2011. The annual results have been reviewed by the Company's Audit Committee (the "Audit Committee").

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an electronic funds 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 leading suppliers in the EFT-POS terminal solutions market in China and one of the most active international players. Our EFT-POS terminal solutions are sold in over 70 overseas countries and regions including the United States, Canada, Singapore, Taiwan, Hong Kong, Japan, New Zealand, France, Finland, Saudi Arabia, South Africa, Nigeria, Brazil and Russia. Currently, we work with over 35 distributors and partners worldwide.

## MARKET OVERVIEW

In recent years, active merger and acquisition activities within the industry presented PAX with enormous business opportunities in both mature and emerging markets. After years of effort, PAX's global market share has recorded notable growth. China is still the Group's major source of income. Meanwhile, the contribution from overseas market (excluding Mainland China) to the Group's income gradually increases with the approximate percentage to the total turnover rising from 14% in 2008 to 30% in 2012. It is expected that the proportion of turnover from overseas market to the total turnover will continue to increase in the coming years. This trend has propelled us forward towards our goal: to become one of the leading EFT-POS terminal solutions providers in the world.

## CHINA MARKET

### Continuing improvement in bank card acceptance environment and growth in card payment transactions

According to The People's Bank of China, the number of in-network bank card merchants reached over 4.83 million by the end of 2012 (2011: 3.18 million) and in-network EFT-POS terminals grew to over 7.12 million sets by the end of 2012 (2011: 4.83 million sets) in China. Today, the penetration of EFT-POS terminals in China is still relatively low, creating vast potential growth opportunities within the industry. Consumers in China are becoming accustomed to using bank cards in settling their payments and purchases. A total of 3.534 billion bank cards had been issued in China as at the end of 2012, representing a growth of 19.8% as compared with the end of 2011 and each individual on average held approximately 2.64 bank cards as at the year end of 2012. The habit of settlement and acceptance of payment and purchases with bank cards have been successfully extended to medical, education, transportation, insurance and telecommunication services from traditional commercial retail, food and beverage, hotel, etc. China has become one of the biggest bank card issuers, the fastest growing markets and the countries with the most potential in the global bankcard business industry.

**Second and third tier cities and rural areas as another point of growth driven by government policy**

Regionally, the penetration rate of EFT-POS terminals in second and third tier cities and rural areas at the county level is far below that of first-tier cities. With further development of the domestic economy, demand for bank cards has become increasingly stronger in small and medium size merchants in those areas, which just recently met the basic requirements for further promoting bank cards. The People's Bank of China has also repeatedly issued guidelines, such as the Guidelines on Improving Payment Service Environment in Rural Area. These outlined the guidelines, objectives and specific measures for the construction of the Payment Service Environment in Rural Areas (農村地區支付服務環境). It also encouraged financial institutions to promote non-cash payment in rural areas to bring EFT-POS terminals payment systems to the vast markets in central and western regions. In these regions, financial institutions that have comprehensive branch networks intensified their purchase and deployment of EFT-POS terminals. As the majority of these rural financial institutions are PAX's existing customers, we will benefit from the growth of this segment.

**New market patterns created by third-party payment service operators**

As at 31 December 2012, the People's Bank of China has issued payment licenses to more than 190 third-party payment service operators (the "Operators"). Over 40 of those Operators have acquiring licenses. Those licensed Operators have commenced installing EFT-POS terminals in merchants. Most of those merchants were a customer group previously neglected by financial institutions. Demand in this new market sector has had multifold growth, which was much higher than other market sector. We anticipate that the Operators will strengthen the expansion for rolling out their EFT-POS terminals networks in the next three years. The acquiring business market will be divided into three sectors, namely China UnionPay Merchant Services ("UMS"), financial institutions and the Operators in the near future. The rapid expansion of the Operators improved our customer concentration ratio and brought more growth to the industry.

## OVERSEAS MARKET

**Significant room for growth in emerging market**

The penetration rate of EFT-POS terminals in emerging markets is far below that in mature markets. With a booming middle class in emerging markets, the pace of local financial computerization has accelerated. At the same time, government promotion is another growth catalyst in Russia, Middle East and African Countries. We expect that there is a strong demand growth of EFT-POS terminals in India, Indonesia in Asia, Nigeria in Africa, South America, Middle Asia and Middle East in the coming years.

**Mass opportunities from new certifications' requirements and technology advancement**

Some buyers in countries such as Australia have started to adopt the newest and highest PCI certifications. This is both a challenge and an opportunity. PAX's new series of products has already passed the highest international certifications. The tendency towards wide usage of Near Field Communication ("NFC") was related to the popularization of contactless cards by Visa and MasterCard. As a result of vigorous promotion of contactless cards such as PayPass and payWave, demand for NFC products will be significantly increased, especially in the mature markets.

**Expansion opportunities from Europay, MasterCard and Visa ("EMV") migration and industry consolidation**

The United States is going through the EMV migration process now. According to the estimations of industry experts, the annual demand for EFT-POS terminals in the United States will significantly increase from the current level in the next three years. Over the past five years, there were busy mergers and acquisitions in the industry. To date, PAX has become one of the few international EFT-POS terminals providers. PAX has a high global ranking with a complete product line and it has basically achieved "GLOBAL PRESENCE". Our products can be sold to all major global markets and we can provide service support to our partners. Capitalising on PAX's solid international reputation, we are confident in our ability to seize the expansion opportunities from industry consolidation.

## FINANCIAL REVIEW

The key financial figures for the year ended 31 December 2012 are extracted as follows:

| | **For the year ended 31 December** | | |
|---|---|---|---|
| | **2012** | 2011 | |
| | ***HK$'000*** | *HK$'000* | *+/(-)* |
| Revenue | **1,313,330** | 1,103,180 | 19% |
| Gross profit | **464,187** | 391,702 | 19% |
| Other income | **28,408** | 41,712 | (32)% |
| Other gains — net | **1,671** | – | 100% |
| Selling expenses | **(113,674)** | (124,100) | (8)% |
| Administrative expenses | **(157,336)** | (101,851) | 54% |
| Operating profit | **223,256** | 207,463 | 8% |
| Income tax expense | **(40,297)** | (25,668) | 57% |
| Profit for the year attributable to equity holders of the Company | **182,959** | 181,795 | 1% |
| EBITDA | **226,631** | 210,596 | 8% |
| Research and development expenses *(included in administrative expenses)* | **(82,808)** | (52,695) | 57% |

| | **As at 31 December** | | |
|---|---|---|---|
| | **2012** | 2011 | |
| | ***HK$'000*** | *HK$'000* | *+/(-)* |
| Total current assets | **2,183,266** | 1,994,994 | 9% |
| Total non-current assets | **10,494** | 11,044 | (5)% |
| Total assets | **2,193,760** | 2,006,038 | 9% |
| Total liabilities | **382,926** | 404,884 | (5)% |
| Net current assets | **1,800,340** | 1,590,110 | 13% |
| Total equity | **1,810,834** | 1,601,154 | 13% |

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2012** | 2011 | *+/(-)* |
| PER SHARE DATA | | | |
| Earnings per share for the profit attributable to equity holders of the Company | | | |
| — Basic (HK$) | **0.176** | 0.175 | 1% |
| — Diluted (HK$) | **0.176** | 0.175 | 1% |

| | For the year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| FINANCIAL RATIOS | | |
| Gross profit margin | **35.3%** | 35.5% |
| EBITDA margin | **17.3%** | 19.1% |
| Net profit margin | **13.9%** | 16.5% |

**Revenue**

Turnover increased by 19% or HK$210.1 million to HK$1,313.3 million for the year ended 31 December 2012 from HK$1,103.2 million for the year ended 31 December 2011. Turnover from the China market grew by 22% year on year or HK$163.6 million to HK$918.9 million. Similarly, turnover from overseas market grew by HK$46.5 million to HK$394.4 million, representing a growth of 13%.

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2012** | 2011 | |
| | ***HK$'000*** | *HK$'000* | *+/(-)* |
| EFT-POS terminals | **1,168,755** | 945,107 | 24% |
| Consumer activated devices | **104,072** | 116,206 | (10)% |
| Contactless devices | **14,396** | 19,904 | (28)% |
| Services | **18,459** | 13,749 | 34% |
| Others* | **7,648** | 8,214 | (7)% |
| | **1,313,330** | 1,103,180 | 19% |

* 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.

**EFT-POS Terminals**

Turnover from the sale of EFT-POS terminals increased by 24% to HK$1,168.8 million for the year ended 31 December 2012 from HK$945.1 million for the year ended 31 December 2011. Turnover growth has been driven by the increase in both China and overseas sale during the year. Emerging markets in EMEA regional business unit contributed significantly to growth in overseas sale.

Meanwhile, bankcard payment has been gaining increasingly popularity in China. Besides UMS, financial institutions and the Operators have been aggressively building their EFT-POS networks in order to capture the benefits from the rising usage of electronic payment and high levels of retail consumption in China. Furthermore, recent state policies have also encouraged the building of electronic transaction networks, which further fuels the fast growth of EFT-POS terminals demand.

**Consumer Activated Devices**

Turnover from the sale of consumer activated devices decreased by 10% to HK$104.1 million for the year ended 31 December 2012 from HK$116.2 million for the year ended 31 December 2011.

**Contactless Devices**

Turnover from the sale of contactless readers decreased to HK$14.4 million for the year ended 31 December 2012, and by 28% from HK$19.9 million for the year ended 31 December 2011. The fall in demand was mainly because that our upgraded EFT-POS terminals generally have built-in contactless card reader.

**Services**

Turnover from provision of services increased by 34% to HK$18.5 million for the year ended 31 December 2012 as compared to HK$13.7 million for the year ended 31 December 2011. Maintenance services made up the bulk of service income and were mainly generated in Hong Kong, and contributed most part of the service income growth.

**Sales by Geographical Region**

| | **For the year ended 31 December** | | |
|---|---|---|---|
| | **2012** | 2011 | |
| | ***HK$'000*** | *HK$'000* | *+/(-)* |
| China market | **918,935** | 755,329 | 22% |
| Overseas market | **394,395** | 347,851 | 13% |
| | **1,313,330** | 1,103,180 | 19% |

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

Turnover generated from the China market increased by 22% to HK$918.9 million for the year ended 31 December 2012, from HK$755.3 million for the year ended 31 December 2011. Relatively low EFT-POS penetration rate, strong economic growth, high levels of retail consumption, and the successful promotion and acceptance of bank cards, loyalty cards, and social security cards generated demand for EFT-POS terminals. In addition, UMS, financial institutions and the Operators in China continually placed EFT-POS terminals in merchants and provided related services to capture market share in one of the fastest growing markets in the world.

Turnover generated from the overseas market increased by 13% to HK$394.4 million for the year ended 31 December 2012 from HK$347.9 million in last accounting year. Overseas market turnover contributed to 30% of total turnover compared with 32% in last accounting year. The increase was mainly attributable to increased segmental sales in EMEA and USCA (the "United States and Canada") regions. The Group has continuously expanded its international market presence in countries including Canada, Dominica and Brazil in the Americas, Uzbekistan, Kazakhstan and Tajikistan in Middle Asia, Latvia, Finland and France in Europe, Kuwait and Turkey in the Middle East, Nigeria in Africa as well as Japan and Australia in Asia Pacific. As at 31 December 2012, we had over 35 (2011: over 30) overseas distributors and partners worldwide.

**Gross Profit Margin**

Gross profit margin for the year ended 31 December 2012 was 35.3%, slightly dropping 0.2 points as compared with 35.5% in last accounting year. We consider that our gross profit margin still maintains at a healthy level.

**Other Income**

Other income is comprised primarily of value added tax refund, interest income and subsidy income. It decreased by 32% to HK$28.4 million for the year ended 31 December 2012 from HK$41.7 million in last accounting year. The decrease is mainly due to the decrease of value added tax refund but the decrement impact was partly offset by the increase of interest income and investment gain.

**Other Gains — net**

The Group purchased listed securities during the year ended 31 December 2012. The securities were classified as financial assets at fair value through profit or loss. Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains — net', which amounts to HK$1.7 million during the year 2012. There is no such item in prior accounting year.

**Selling Expenses**

Selling expenses decreased by 8% to HK$113.7 million for the year ended 31 December 2012, from HK$124.1 million for the year ended 31 December 2011. The decrease was mainly attributable to the sharp decrease of maintenance service expenses but which was partly offset by the increment of sales commission expense.

**Administrative Expenses**

Administrative expenses increased by 54% to HK$157.3 million for the year ended 31 December 2012 from HK$101.9 million in the preceding financial year mainly reflecting the increase in research and development costs and share option scheme expenses.

### Net Profit and Net Profit Margin

As a result of the foregoing, the net profit for the year attributable to the equity holders of the Company increased by 1% to HK$183.0 million for the year ended 31 December 2012 from HK$181.8 million for the year ended 31 December 2011. Excluding share option scheme expenses, profit for the year attributable to equity holders of PAX was HK$203.3 million, representing a growth of 12% as compared with last year.

The net profit margin decreased to 13.9% for the year ended 31 December 2012 from 16.5% in the preceding financial year mainly as a result of our reduction in other income and increase in effective tax rate.

## OUTLOOK

To date, PAX has sold more than 3 million EFT-POS terminals to over 70 countries and district regions and worked with over 35 distributors and partners worldwide since the establishment of the Group. In a report issued by The Nilson Report in November 2012, PAX was ranked number 4 globally in terms of volume of EFT-POS terminals shipped in 2011.

## CHINA MARKET

PAX is one of the leading players in EFT-POS terminal solutions market in China. UMS, financial institutions and the Operators are some of our largest customers. China is one of the fastest growing economies in the world with huge commercial growth potential yet to be tapped. Over the past several years the surge in Chinese consumer spending and the public's increasing demand for safer and more secure payment methods have formed the foundation upon which the EFT-POS terminal solutions industry can flourish. Research has indicated that the number of EFT-POS terminals installed in China is less than 4 terminals per 1,000 inhabitants in 2011 as compared to an average of 23 installed EFT-POS terminals per 1,000 inhabitants in certain mature markets. With such a low EFT-POS terminal penetration rate, the increased acceptance of card payment transactions, the ease of obtaining credit cards by consumers and the PRC government's support in developing the country's electronic payment infrastructure are just a few factors expected to continually drive demand for EFT-POS terminals in China.

EFT-POS terminal buyers such as financial institutions are expected to continue to aggressively install terminals in merchants in order to develop their bank cards acquiring businesses and take profit from one of the fastest growing payment markets in the world. Some Operators will continue to install terminals in merchants. Collectively these trends should further improve the EFT-POS terminal penetration rate. Under the special economic system in China, industries such as mobile communications, oil, electricity, rail and public transportation have cornered the market and core enterprises have formed large scale closed payment networks . Vertical applications in these special industries have much room to grow. With respect to the China market, the Group will continue to focus on R&D, technical support and service, strengthening client relationships and sales networks to consolidate our leading position in China.

## OVERSEAS MARKET

Overseas market including Hong Kong, Macau and Taiwan accounts for more than 80% of global market share. Therefore, this is clearly a huge market for PAX. Overseas market provides extra business growth and diversifies our business risk. Since 2000, PAX has invested extensively in R&D to ensure our mainstream products comply if not exceed most international industrial standards and are accredited with international industrial recognized certifications. For more than ten years, we have invested significant resources in building our sales network, worked tirelessly with our international partners and formed specialized teams to focus on individual markets, including EMEA, Latin American and Commonwealth Independent States, Asia Pacific and USCA. In recent years, the significant sales growth in overseas market has attested to our efforts.

USCA and Latin America have population of 300 million and 500 million respectively, which are one of the biggest markets in the world. Base on the information in The Nilson Report, the two markets accounted for more than 27% of the global shipment volume of EFT-POS terminals in 2011. EMV migration in order is a highlight of the growth in the United States market. In 2008, we established a local company and built a regional team in the United States. By leveraging on the four years of regional and practical experience, we have furthered our understanding of the local market that the quality, stability, reputation, provision of support services and software platform of products are the important purchase considerations, not just product prices. Last year, the significant increase in the United States sales amount and volume was a reaffirmation of PAX's brand, product technology and quality. We have employed more sales personnel to serve increasing customers, while major mature products completed most certifications in 2012. We have invested in the Latin America region for many years and particularly focused on Brazilian market. Brazil has a large population, private consumption is one of major growth drivers of the national economy and most Brazilians use their credit cards, which drives large sale volume of EFT-POS terminals in the market every year, with a much higher security requirement than other counties. With a commitment to promote electronic payment by Brazilian government, as well as drives launched by the World Cup and the Olympic Games, the market should achieve further growth. We have explored this huge market with famous local partners. PAX prepared extensively with rich experience, complete product line, stable products and solid reputation as well as strong partners for USCA and Latin American markets. We firmly believe that, in addition to Commonwealth of Independent States, Middle East and Africa, the USCA and Latin America are two international markets with growth drivers for PAX.

## OVERALL MANAGEMENT STRATEGIES

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

By levering on our strong position in EFT-POS terminal solutions market in China and consolidated international market experience, we believe that we will capture the rapid development of China and emerging markets as well as other important international markets. We believe that we are on the path to becoming one of the leading global EFT-POS terminal solutions providers.

**Liquidity and Capital Resources**

During the year, the main source of funding to the Group was the proceed generated from operating activities of usual course of business of the Company and the surplus of proceeds from over-allotment of shares pursuant to the Global Offering last year. Certain financial data are summarised as follows:

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Cash at bank and on hand | **1,358,426** | 1,152,291 |
| Net current assets | **1,800,340** | 1,590,110 |
| Net cash generated/(used in) from operating activities | **201,988** | (19,488) |
| Net cash generated from financing activities | **–** | 91,674 |

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| Current ratio (times) | **5.7** | 4.9 |
| Quick ratio (times) | **5.1** | 4.2 |

As at 31 December 2012, the Group had cash at bank and on hand and short-term bank deposits of HK$1,358.4 million (2011: HK$1,152.3 million) and no short-term borrowings (2011: Nil). As at 31 December 2012, the Group reported net current assets of HK$1,800.3 million, as compared with HK$1,590.1 million as at 31 December 2011. For the year ended 31 December 2012, net cash generated from operating activities was HK$202 million, as compared with net cash used in operating activities of HK$19.5 million for the year ended 31 December 2011. For the year ended 31 December 2012, there was no net cash used in or generated from financing activities as compared to net cash inflow of HK$91.7 million from financing activities for the year 2011 which was mainly attributable to the proceeds from over-allotment of shares pursuant to the Global Offering.

**Capital Structure and Details of Charges**

As at 31 December 2012, the Group did not have any borrowings or charge on Group assets, the gearing ratio is not applicable (2011: Nil). As at 31 December 2012, approximately HK$469.2 million, HK$727.1 million, HK$161.6 million and HK$0.5 million (2011: HK$315.3 million, HK$709.5 million, HK$125.9 million and HK$1.5 million) of the Group's cash balances were denominated in Renminbi ("RMB"), Hong Kong dollar ("HK$"), US dollar ("US$") and Euro ("EUR") respectively.

**Significant Investment**

Save as disclosed in this announcement, the Group has no significant investment held as at 31 December 2012.

**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 2012 (2011: Nil).

**Use of Proceeds**

The net proceeds raised from the Global Offering received by the Company were approximately HK$805.9 million. The net proceeds from the Global Offering were intended to be utilized over three years from 2011 to 2013.

As at 31 December 2012, the planned and utilized amounts of usage of total net proceeds are as follows:

| | **Planned amount** *HK$ million* | **Utilized amount** *HK$ million* |
|---|---|---|
| Enhancing research and development effort | 322.4 | 106.1 |
| Expanding distribution network | 120.8 | 76.8 |
| Potential merger and acquisition | 282.1 | – |
| General working capital | 80.6 | 80.6 |
| | 805.9 | 263.5 |

**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 2012.

**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.

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

**Contingent Liabilities**

The Group had no significant contingent liabilities as at 31 December 2012.

**Human Resources and Remuneration Policies**

The total number of employees of the Group as at 31 December 2012 was 558. The following table shows a breakdown of employees of the Group by functions as at 31 December 2012:

| | |
|---|---|
| Management | 12 |
| Sales and after-sales services and marketing | 183 |
| Research and development | 303 |
| Quality assurance | 13 |
| Administration and human resources | 14 |
| Accounting | 12 |
| Production, procurement and inventory control | 21 |
| | 558 |

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 2012 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

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2012** | 2011 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **1,313,330** | 1,103,180 |
| Cost of sales | *5* | **(849,143)** | (711,478) |
| Gross profit | | **464,187** | 391,702 |
| Other income | *3* | **28,408** | 41,712 |
| Other gains — net | | **1,671** | – |
| Selling expenses | *5* | **(113,674)** | (124,100) |
| Administrative expenses | *5* | **(157,336)** | (101,851) |
| Operating profit/profit before income tax | | **223,256** | 207,463 |
| Income tax expense | *6* | **(40,297)** | (25,668) |
| Profit for the year attributable to equity holders of the Company | | **182,959** | 181,795 |
| Earnings per share for the profit attributable to equity holders of the Company during the year (expressed in HK$ per share) | | | |
| — Basic | *7* | **0.176** | 0.175 |
| — Diluted | *7* | **0.176** | 0.175 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| **Profit for the year** | **182,959** | 181,795 |
| **Other comprehensive income** | | |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | **6,348** | 27,403 |
| **Total comprehensive income for the year attributable to equity holders of the Company** | **189,307** | 209,198 |

## CONSOLIDATED BALANCE SHEET

| | Notes | As at 31 December 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **10,263** | 10,809 |
| Leasehold land | | **231** | 235 |
| **Total non-current assets** | | **10,494** | 11,044 |
| **Current assets** | | | |
| Inventories | | **243,801** | 305,666 |
| Trade and bills receivables | *8* | **544,476** | 503,715 |
| Deposits and other receivables | *8* | **10,333** | 17,305 |
| Financial assets at fair value through profit or loss | | **10,057** | – |
| Restricted cash | | **16,173** | 16,017 |
| Cash at bank and on hand | | **1,358,426** | 1,152,291 |
| **Total current assets** | | **2,183,266** | 1,994,994 |
| **Total assets** | | **2,193,760** | 2,006,038 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **103,773** | 103,773 |
| Reserves | | **1,707,061** | 1,497,381 |
| **Total equity** | | **1,810,834** | 1,601,154 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables | *9* | **224,879** | 249,570 |
| Other payables and accruals | *9* | **131,301** | 140,414 |
| Taxation payable | | **26,746** | 14,900 |
| **Total current liabilities and total liabilities** | | **382,926** | 404,884 |
| **Total equity and liabilities** | | **2,193,760** | 2,006,038 |
| **Net current assets** | | **1,800,340** | 1,590,110 |
| **Total assets less current liabilities** | | **1,810,834** | 1,601,154 |

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

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 address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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 14 March 2013.

### 2 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. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

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.

#### (a) New and amended standards adopted by the Group:

There are no new and amended standards to existing HKFRS that are effective for the Group's accounting year commencing 1 January 2012 that could be expected to have a material impact on the Group.

#### (b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

— Amendment to HKAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

— HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

— HKFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

— HKFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

— HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS or US GAAP. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRS 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 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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| **Turnover** | | |
| Sales of electronic payment products | **1,294,871** | 1,089,431 |
| Provision of electronic payment services | **18,459** | 13,749 |
| | **1,313,330** | 1,103,180 |
| **Other income** | | |
| Interest income | **10,699** | 6,317 |
| Value added tax refund *(note (i))* | **16,154** | 31,283 |
| Subsidy income | **68** | 1,207 |
| Others | **1,487** | 2,905 |
| | **28,408** | 41,712 |
| | **1,341,738** | 1,144,892 |

*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 Executive Directors 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 (China excluding Hong Kong, Macau and Taiwan) and the United States of America (the "US"). Management assesses the performance of the Group from a geographic perspective based on the locations of the subsidiaries in which revenues are generated.

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 2012** | | | | |
|---|---|---|---|---|---|
| | **PRC, other than Hong Kong, Macau and Taiwan** *HK$'000* | **Hong Kong** *HK$'000* | **US** *HK$'000* | **Elimination** *HK$'000* | **Total** *HK$'000* |
| Turnover from external customers | **986,219** | **309,539** | **17,572** | **–** | **1,313,330** |
| Inter-segment turnover | **192,187** | **21,014** | **–** | **(213,201)** | **–** |
| Total turnover | **1,178,406** | **330,553** | **17,572** | **(213,201)** | **1,313,330** |
| Segmental earnings/(loss) before interest expense, taxes, depreciation and amortisation ("EBITDA") | **146,881** | **92,876** | **(10,652)** | **(2,474)** | **226,631** |
| Depreciation | **(2,780)** | **(48)** | **(541)** | **–** | **(3,369)** |
| Amortisation | **(6)** | **–** | **–** | **–** | **(6)** |
| Segmental operating profit/(loss)/ profit/(loss) before income tax | **144,095** | **92,828** | **(11,193)** | **(2,474)** | **223,256** |
| Income tax expense | | | | | **(40,297)** |
| Profit for the year | | | | | **182,959** |

| | Year ended 31 December 2011 | | | | |
|---|---|---|---|---|---|
| | PRC, other than Hong Kong, Macau and Taiwan *HK$'000* | Hong Kong *HK$'000* | US *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
| Turnover from external customers | 755,329 | 344,250 | 3,601 | – | 1,103,180 |
| Inter-segment turnover | 249,644 | 3,839 | – | (253,483) | – |
| Total turnover | 1,004,973 | 348,089 | 3,601 | (253,483) | 1,103,180 |
| Segmental EBITDA | 165,758 | 57,919 | (14,095) | 1,014 | 210,596 |
| Depreciation | (2,564) | (40) | (523) | – | (3,127) |
| Amortisation | (6) | – | – | – | (6) |
| Segmental operating profit/(loss)/ profit/(loss) before income tax | 163,188 | 57,879 | (14,618) | 1,014 | 207,463 |
| Income tax expense | | | | | (25,668) |
| Profit for the year | | | | | 181,795 |

The segment assets and liabilities at 31 December 2012 and additions to non-current assets for the year ended 31 December 2012 are as follows:

| | **As at 31 December 2012** | | | |
|---|---|---|---|---|
| | **PRC, other than Hong Kong, Macau and Taiwan** *HK$'000* | **Hong Kong** *HK$'000* | **US** *HK$'000* | **Total** *HK$'000* |
| Segment assets | **1,248,680** | **924,518** | **20,562** | **2,193,760** |
| Segment liabilities | **365,347** | **16,612** | **967** | **382,926** |

| | **Year ended 31 December 2012** | | | |
|---|---|---|---|---|
| | **PRC, other than Hong Kong, Macau and Taiwan** *HK$'000* | **Hong Kong** *HK$'000* | **US** *HK$'000* | **Total** *HK$'000* |
| Additions to non-current assets | **2,460** | **52** | **250** | **2,762** |

The segment assets and liabilities at 31 December 2011 and additions to non-current assets for the year ended 31 December 2011 are as follows:

| | As at 31 December 2011 | | | |
|---|---|---|---|---|
| | PRC, other than Hong Kong, Macau and Taiwan *HK$'000* | Hong Kong *HK$'000* | US *HK$'000* | Total *HK$'000* |
| Segment assets | 1,124,047 | 873,729 | 8,262 | 2,006,038 |
| Segment liabilities | 375,197 | 29,276 | 411 | 404,884 |

| | Year ended 31 December 2011 | | | |
|---|---|---|---|---|
| | PRC, other than Hong Kong, Macau and Taiwan *HK$'000* | Hong Kong *HK$'000* | US *HK$'000* | Total *HK$'000* |
| Additions to non-current assets | 2,302 | 62 | 2 | 2,366 |

Segmental EBITDA represents segmental operating profit/loss before finance costs, income tax expense, depreciation of property, plant and equipment and amortisation of leasehold land. Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, deposits and other receivables, trade and bills receivables, financial assets at fair value through profit or loss, 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 comprise additions to property, plant and equipment.

Revenue of approximately HK$162,453,000 (2011: HK$210,038,000) is derived from the largest customer, representing 12.4% (2011: 19.0%) of the total revenue, which is attributable to the PRC operating segment. HK$136,096,000 (2011: HK$123,578,000) is derived from the second largest customer, representing 10.4% (2011: 11.2%) of the total revenue, which is attributable to PRC operating segment (2011: Hong Kong 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 and the US.

The Group's non-current assets and 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** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| **Non-current assets** | | |
| PRC, other than Hong Kong, Macau and Taiwan | **9,084** | 9,347 |
| Hong Kong | **146** | 142 |
| US | **1,264** | 1,555 |
| | **10,494** | 11,044 |
| **Current assets** | | |
| PRC, other than Hong Kong, Macau and Taiwan | **1,239,596** | 1,114,700 |
| Hong Kong | **924,372** | 873,587 |
| US | **19,298** | 6,707 |
| | **2,183,266** | 1,994,994 |

## 5 EXPENSES BY NATURE

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

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Auditors' remuneration — audit services | **1,310** | 1,077 |
| Depreciation of property, plant and equipment | **3,369** | 3,127 |
| Amortisation of leasehold land | **6** | 6 |
| Employee benefit expenses (including Directors' emoluments) | **132,624** | 91,055 |
| Costs of inventories sold | **832,535** | 694,303 |
| Operating lease rentals in respect of buildings | **10,637** | 8,131 |
| Research and development costs | **82,808** | 52,695 |
| Loss on disposal of property, plant and equipment | **8** | – |
| (Write back of provision) / provision for impairment of trade receivables | **(1,919)** | 28 |
| Donation | **1,238** | – |

## 6 INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Current income tax | | |
| – PRC corporate income tax | **23,847** | 15,241 |
| – Hong Kong profits tax | **15,909** | 10,425 |
| Under provision in prior year | **541** | 2 |
| Income tax expense | **40,297** | 25,668 |

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year ended 31 December 2012.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

## 7 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.

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| Profit attributable to equity holders of the Company *(HK$'000)* | **182,959** | 181,795 |
| Weighted average number of ordinary shares in issue (thousand shares) | **1,037,728** | 1,036,488 |
| Basic earnings per share (HK$ per share) | **0.176** | 0.175 |

**(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 two categories of dilutive potential ordinary shares: Over-allotment Option for year 2011 and share options for year 2012. 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 1 January 2011 to the date exercised Over-allotment Option) 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. The remaining Over-allotment Option not exercised was expired on 13 January 2011. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | **Year ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| Profit attributable to equity holders of the Company (HK$'000) | **182,959** | 181,795 |
| Weighted average number of ordinary shares in issue (thousand shares) | **1,037,728** | 1,036,488 |
| Adjustments for share options (thousand shares) | **1,742** | – |
| Weighted average number of ordinary shares for diluted earnings per share (thousand shares) | **1,039,470** | 1,036,488 |
| Diluted earnings per share (HK$ per share) | **0.176** | 0.175 |

Diluted earnings per share for the year ended 31 December 2011 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 anti-dilutive effect to the basic earnings per share.

## 8 TRADE AND BILLS RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

| | **As at 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables *(note (a))* | **409,756** | 430,313 |
| Amount due from related parties | **4,082** | – |
| *Less:* provision for impairment of receivables | **(28)** | (1,953) |
| Trade receivables, net | **413,810** | 428,360 |
| Bills receivables *(note (b))* | **130,666** | 75,355 |
| Trade and bills receivables | **544,476** | 503,715 |
| Deposits and other receivables | **10,333** | 17,305 |
| Trade and bills receivables, deposits and other receivables | **554,809** | 521,020 |

The fair values of trade and bills receivables, deposits and other receivables approximated their carrying values as at 31 December 2011 and 2012.

### (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 2011 and 2012, the ageing analysis of the trade receivables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Up to 90 days | **303,746** | 290,318 |
| 91 to 180 days | **56,048** | 84,058 |
| 181 to 365 days | **16,824** | 21,593 |
| Over 365 days | **37,220** | 34,344 |
| | **413,838** | 430,313 |

### (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 | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Up to 90 days | **75,333** | 21,937 |
| 91 days to 180 days | **55,333** | 53,418 |
| | **130,666** | 75,355 |

## 9 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables *(note (a))* | **224,837** | 249,570 |
| Amount due to a related party | **42** | – |
| | **224,879** | 249,570 |
| Other payables and accruals | | |
| Receipt in advance from customers | **58,751** | 78,791 |
| Other tax payables | **40,853** | 19,193 |
| Accrued expenses | **13,336** | 26,962 |
| Others | **18,361** | 15,468 |
| | **131,301** | 140,414 |
| | **356,180** | 389,984 |

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

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Up to 90 days | **204,141** | 228,969 |
| 91 to 180 days | **18,483** | 18,904 |
| 181 to 365 days | **1,861** | 1,369 |
| Over 365 days | **394** | 328 |
| | **224,879** | 249,570 |

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2012.

## DIVIDEND

No dividends had been paid or declared by the Company during the year ended 31 December 2012 (2011: 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

Specific enquiry had been made to all the directors of the Company (the "Directors") and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2012.

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 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") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Company has applied in formulating its corporate governance practices the Principles and complied with all the Code Provisions for the year ended 31 December 2012.

## AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to the CG Code and "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 audit of the Group. It also reviews the effectiveness of both 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 Audit Committee comprises three independent non-executive Directors, namely, Mr. Yip Wai Ming, Dr. Wu Min and Mr. Man Kwok Kuen, Charles. Two meetings were held during the year.

## SUBSEQUENT EVENTS

### Framework agreement for the purchase of raw materials — continuing connected transactions

On 21 February 2013, the Company entered into the framework agreement (the "Framework Agreement") with Hi Sun Technology (China) Limited ("Hi Sun"), pursuant to which the Group will purchase and Hi Sun and its subsidiaries will sell the raw materials for production of EFT-POS related products by the Group.

The term of the Framework Agreement commences on the date of the Framework Agreement, which is 21 February 2013 and will expire on 31 December 2013 (both days inclusive). The cap on the total contract value for the sale and purchase of the raw materials under the Framework Agreement from 21 February 2013 to 31 December 2013 is HK$40,000,000.

## REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2012.

### Scope of Work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 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 Standards 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 during the year ended 31 December 2012 sufficient public float as required under the Listing Rules.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This 2012 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 2012 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 2012 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2012. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2012, which will be included in the Company's 2012 annual report.

By Order of the Board
**Li Wenjin**
*Executive Director*

Hong Kong, 14 March 2013

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