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

**PAX Global Technology Limited**

**百富環球科技有限公司***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00327)**

# RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

**FINANCIAL HIGHLIGHTS**

| RESULTS | **2013** *HK$'000* | 2012 *HK$'000* | +/(-) |
|---|---|---|---|
| Revenue | **1,472,488** | 1,313,330 | +12% |
| Gross profit | **541,129** | 464,187 | +17% |
| EBITDA | **269,920** | 226,631 | +19% |
| Operating profit | **266,190** | 223,256 | +19% |
| Profit for the year (excluding the share option scheme expenses) | **240,240** | 203,332 | +18% |
| Profit for the year | **226,540** | 182,959 | +24% |

| | **2013** | 2012 | +/(-) |
|---|---|---|---|
| Earnings per share | | | |
| — Basic (HK$) | **0.218** | 0.176 | +24% |
| — Diluted (HK$) | **0.211** | 0.176 | +20% |

| KEY BALANCE SHEET ITEMS | **2013** *HK$'000* | 2012 *HK$'000* | +/(-) |
|---|---|---|---|
| Total assets | **2,832,808** | 2,193,760 | +29% |
| Total liabilities | **745,686** | 382,926 | +95% |
| Total equity | **2,087,122** | 1,810,834 | +15% |

* *For identification purpose only*

The board of directors (the "Board") of PAX Global Technology Limited (the "Company" or "PAX") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with comparative figures for the year ended 31 December 2012. 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 80 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 80 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 18% in 2009 to 29% in 2013. 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 7.63 million by the end of 2013 (The end of 2012: 4.83 million) and in-network EFT-POS terminals grew to over 10.63 million sets by the end of 2013 (The end of 2012: 7.12 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 4.214 billion bank cards had been issued in China as at the end of 2013, representing a growth of 19% as compared with the end of 2012 and each individual on average held approximately 3.11 bank cards as at the end of 2013. 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 and hotels 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 terminal 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 market segment.

**New Market Patterns Created by Third-Party Payment Service Operators**

As at 31 December 2013, the People's Bank of China issued payment licences to 250 third-party payment service operators (the "Operators"). 47 of them obtained bank card acceptance licences. 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 that in other market sector. We anticipate that the Operators will strengthen the expansion for rolling out their EFT-POS terminals networks in the coming years. Today, the acquiring business market is divided into three sectors, namely UnionPay Merchant Services Co. Ltd ("UMS"), financial institutions and the Operators. 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 significantly increase, 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 increase significantly 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 mainstream EFT-POS terminal solutions 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 expansion opportunities from industry consolidation.

## FINANCIAL REVIEW

The key financial figures for the year ended 31 December 2013 are extracted as follows:

| | **For the year ended 31 December** | | |
|---|---|---|---|
| | **2013** | 2012 | |
| | ***HK$'000*** | *HK$'000* | *+/(-)* |
| Revenue | **1,472,488** | 1,313,330 | +12% |
| Gross profit | **541,129** | 464,187 | +17% |
| Other income | **50,075** | 28,408 | +76% |
| Other gains — net | **303** | 1,671 | -82% |
| Selling expenses | **(131,124)** | (113,674) | +15% |
| Administrative expenses | **(194,193)** | (157,336) | +23% |
| Operating profit | **266,190** | 223,256 | +19% |
| Income tax expense | **(39,650)** | (40,297) | -2% |
| Profit for the year attributable to equity holders of the Company | **226,540** | 182,959 | +24% |
| EBITDA | **269,920** | 226,631 | +19% |
| Research and development expenses *(included in administrative expenses)* | **(94,480)** | (82,808) | +14% |

| | **As at 31 December** | | |
|---|---|---|---|
| | **2013** | 2012 | |
| | ***HK$'000*** | *HK$'000* | *+/(-)* |
| Total current assets | **2,824,424** | 2,183,266 | +29% |
| Total non-current assets | **8,384** | 10,494 | -20% |
| Total assets | **2,832,808** | 2,193,760 | +29% |
| Total liabilities | **745,686** | 382,926 | +95% |
| Net current assets | **2,078,738** | 1,800,340 | +15% |
| Total equity | **2,087,122** | 1,810,834 | +15% |

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2013** | 2012 | *+/(-)* |
| PER SHARE DATA | | | |
| Earnings per share for the profit attributable to equity holders of the Company | | | |
| — Basic (HK$) | **0.218** | 0.176 | +24% |
| — Diluted (HK$) | **0.211** | 0.176 | +20% |

| | For the year ended 31 December | |
|---|---|---|
| | **2013** | 2012 |
| FINANCIAL RATIOS | | |
| Gross profit margin | **36.7%** | 35.3% |
| EBITDA margin | **18.3%** | 17.3% |
| Net profit margin | **15.4%** | 13.9% |

**Revenue**

Turnover increased by 12% or HK$159.2 million to HK$1,472.5 million for the year ended 31 December 2013 from HK$1,313.3 million for the year ended 31 December 2012. Turnover from the China market grew by 14% year on year or HK$127.2 million to HK$1,046.1 million. Similarly, turnover from overseas market grew by HK$32 million to HK$426.4 million, representing a growth of 8%.

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2013** | 2012 | |
| | ***HK$'000*** | *HK$'000* | *+/(-)* |
| EFT-POS terminals | **1,366,580** | 1,168,755 | +17% |
| Consumer activated devices | **48,348** | 104,072 | -54% |
| Contactless devices | **16,407** | 14,396 | +14% |
| Services | **20,687** | 18,459 | +12% |
| Others* | **20,466** | 7,648 | +168% |
| | **1,472,488** | 1,313,330 | +12% |

* 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 17% to HK$1,366.6 million for the year ended 31 December 2013 from HK$1,168.8 million for the year ended 31 December 2012. Turnover growth has been driven by the increase in both China and overseas sale during the year. Asia Pacific ("APAC"), Latin America and Commonwealth of Independent States ("LACIS") and the United States of America and Canada ("USCA") business units contributed to overseas sale growth.

Meanwhile, bankcard payment has been gaining 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, due to the consideration of revenue tax control and speeding up economic flow, state policies in the recent years have supported the building of electronic transaction networks and deducted commission charges to encourage merchants to accept electronic payment, which further fuels the fast growth of EFT-POS terminals demand.

**Consumer Activated Devices**

Turnover from the sale of consumer activated devices decreased by 54% to HK$48.3 million for the year ended 31 December 2013 from HK$104.1 million for the year ended 31 December 2012.

**Contactless Devices**

Turnover from the sale of contactless readers increased to HK$16.4 million for the year ended 31 December 2013, and by 14% from HK$14.4 million for the year ended 31 December 2012. There has been an increasing demand, primarily from the emerging markets in APAC, for supplementary equipment of older models. Applications of NFC in these regions are gradually emerging. The reason for such increased popularity of this kind of products in these regions is that contactless reader device is a much cheaper alternative while they make the transition to newer models of EFT-POS terminals with built-in NFC function.

**Services**

Turnover from the provision of services increased by 12% to HK$20.7 million for the year ended 31 December 2013 as compared to HK$18.5 million for the year ended 31 December 2012. Maintenance services made up the bulk of service income and were mainly generated in Hong Kong, and contributed a main portion of the service income growth.

**Sales by Geographical Region**

| | **For the year ended 31 December** | | |
|---|---|---|---|
| | **2013** | 2012 | |
| | ***HK$'000*** | *HK$'000* | *+/(-)* |
| China market | **1,046,095** | 918,935 | +14% |
| Overseas market | **426,393** | 394,395 | +8% |
| | **1,472,488** | 1,313,330 | +12% |

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

Turnover generated from the China market increased by 14% to HK$1,046.1 million for the year ended 31 December 2013, from HK$918.9 million for the year ended 31 December 2012. 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 8% to HK$426.4 million for the year ended 31 December 2013 from HK$394.4 million in last accounting year. The increase was mainly attributable to the increased segmental sales in APAC, LACIS and USCA business units. Overseas market turnover contributed to 29% of total turnover as compared to 30% in last accounting year. 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 2013, we had over 80 overseas distributors and partners worldwide.

**Gross Profit Margin**

Gross profit margin for the year ended 31 December 2013 was 36.7%, improved by 1.4 points as compared with 35.3% in last accounting year. We consider that our gross profit margin maintains at a healthy level.

**Other Income**

Other income is comprised primarily of value added tax refund, interest income and subsidy income. It increased by 76% to HK$50.1 million for the year ended 31 December 2013 from HK$28.4 million in last accounting year. The increase is mainly due to the increase of value added tax refund and interest income.

**Other Gains — net**

The Group purchased listed securities during the years ended 31 December 2012 and 2013. The securities were classified as financial assets at the fair value through profit or loss. Changes in fair values and gains on disposals of financial assets at fair value through profit or loss were recorded in 'other gains – net', which amounted to HK$0.3 million during the year of 2013 as compared to HK$1.7 million during the year of 2012. All listed securities have been sold during the year of 2013.

**Selling Expenses**

Selling expenses increased by 15% to HK$131.1 million for the year ended 31 December 2013, from HK$113.7 million for the year ended 31 December 2012. The increase was mainly attributable to the increase of staff salary and welfare, advertisement costs, and freight fee.

**Administrative Expenses**

Administrative expenses increased by 23% to HK$194.2 million for the year ended 31 December 2013 from HK$157.3 million in the preceding financial year, mainly reflecting the increase in research and development costs and staff costs, and one-off provision for obsolete inventories.

**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 24% to HK$226.5 million for the year ended 31 December 2013 from HK$183.0 million for the year ended 31 December 2012.

The net profit margin improved to 15.4% for year ended 31 December 2013 from 13.9% in the preceding financial year mainly as a result of the increase in other income, the decrease in effective tax rate, and increase in gross profit margin but partly offset by increase of the selling and administration expense.

## OUTLOOK

To date, PAX has sold more than 5 million EFT-POS terminals in over 80 countries and regions and worked with over 80 distributors and partners worldwide since the establishment of the Group. In a report issued by The Nilson Report in October 2013, PAX was ranked number 4 globally in terms of the volume of EFT-POS terminals shipped in 2012.

## INDUSTRY TREND

**Offline Payment Remains Dominant**

Since the issuance of third-party payment licences by the People's Bank of China in 2011, a number of leading online payment service providers, namely ChinaPNR, obtained offline bank card acceptance licences and strived to develop their offline business, in turn attaining significant business growth. Seeing is believing. The development of online payment was proved to be no hindrance to the booming offline payment industry, and the intensive expansion of offline business by Operators also demonstrated enormous development opportunities in such industry. According to the statistics of the mature payment market from a third party, the market proportion of offline and online payment ranged from 88% to 98% and 2% to 12% respectively, reflecting that offline payment still accounted for a substantial proportion in the market.

Taking into consideration of safety concern, tax control and commission charge, offline payment is the first choice. The trend will not experience material changes in the coming three to five years. The role of EFT-POS terminal solutions providers has an irreplaceable competitive edge.

### Application of New Technology

The overall penetration rate of the EFT-POS with NFC contactless function is still insignificant at present. However, alongside the increasing issuance of contactless cards and the rising popularity of smart phones with NFC function and mobile payment, it is believed that the demand for models with NFC function will grow. The application of other technology such as QR-Code, Sound Wave, Signature Capture and Touch Screen derives various product lines, which in turn provide us with more opportunities.

## 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 8 terminals per 1,000 inhabitants in 2013 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 increasing 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.

Operators are the main driver of market growth. According to the available data, in 2013, over 50% of the supplies were provided by Operators, who spared no effort in identifying middle-sized and small-sized merchants. The low market penetration rate in second and third tiers cities as well as the Great North-west Region provided them with enormous room for business growth. The support from the state policies aimed at facilitating the economic development in backward regions through the accelerated economic flow of electronic payment. In the meantime, taking into consideration of the deducted commission charge, tax control and management, transaction cost and safety concern, offline electronic payment became the first choice. It is expected that the demand for middle-class model among middle-sized and small-sized merchants will experience significant growth. Alongside the promotion of Intelligent Card transition and contactless UnionPay NFC standard ("Quick Pass") carried forward by the People's Bank of China and UnionPay respectively, the demand for the high-end built-in contactless function and mobile model will also grow. The strategy of PAX is to focus on three particular customer groups (UMS, Financial Institutions and Operators) by offering various integrated services. In the fourth quarter, PAX established a service team at merchant level, with a view to utilize the existing sale and service support network to provide services to Operators, and in turn contributed sustainable service income to the Group. It is our first attempt to turn over 3 million existing installation of terminals in the PRC into sustainable income.

Last year, we established a strategic partnership with Hisense in order to enter the market of particular merchant groups. In the coming year, we will continue to identify other business partners to enter other subdivided markets with mixed products.

## 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 that our mainstream products comply with, 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 Europe, Middle East and Africa ("EMEA"), LACIS, APAC and USCA. At the same time, we also set up after sales supporting team for international sales. In recent years, our significant sales growth in overseas market has attested to our efforts.

North America, Brazil, India and Middle East, and Africa are the four overseas markets most valued by PAX. Each market is featured by huge potential, different characteristics and challenges, which generally require the support from local sales teams, local after-sale services and local application software development. In regard to those major markets, we set up direct-selling teams or appointed local distributors with good track record and good reputation. Leveraging on the practical experience over years, we successfully obtained stringent 3-level certificates. For instance, we obtained the Class A certification accredited by a leading acquirer in the US and successfully entered Brazil and India markets. Those markets with high entry barriers (e.g. certificates, Terminal Management Systems ("TMS") and application softwares) tend to emerge less competition yet better gross profit. This represents a great opportunity for PAX as an international mainstream brand. As for our products, we launched a series of mobile EFT-POS ("MPOS") last year. Such kind of products was featured by simplified services facilitated by smart phones and tablet computers. Together with its simple and slim modern design as well as signature capture function, it was well received by the overseas markets and earned numerous purchase orders. Meanwhile, as for the markets in Middle East and Africa, our customized products also received attention from clients. The new generation of our flagship products with strong function will also be launched in overseas market soon. In the coming year, we will render more support to overseas market by optimizing TMS, application development and software development kit. Apart from this, we will also strengthen our promotion in overseas markets through participating in various important industry exhibitions, so as to spread the products of PAX all over the world. We believe that overseas market is the driver of the future growth of PAX.

## OVERALL MANAGEMENT STRATEGIES

Looking forward, PAX will continue to focus on consolidating and enhancing our R&D capacity and building up an international sales network. We will continue to devote more efforts in R&D, with an aim to increase our investment in R&D to over 7% of turnover in the long run. Pyramidal management will be applied to our R&D team so as to retain the best talents. Our long-term R&D goal is to strengthen the software development ability and increase the existing proportion of software engineers from approximately 70% to 80%, so as to meet the growing application needs. We will also proceed to recruit first-rate key software architects with extensive experience in the industry, with a view to improve our software services targeting at overseas customers, particularly those of mature payment markets, within two to three years. This again proves that EFT-POS terminal solution is not simply a "box". We will also dedicate ourselves to cost reduction, utilization of environmental friendly materials and strong function design. Besides, various types of products will be launched to respond to the market demand and the development trend of the payment industry, with a view to capitalize on the prosperous development of both online and offline payment. Our sales channels are gradually optimized and the number of good quality local distributors keeps rising.

In conclusion, our long-term goal is to enhance our R&D capability (e.g. application and development of software), increase income from services, consolidate our sales networks and carry forward both horizontal and vertical expansion of payment value chain through mergers and acquisitions.

By leveraging 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 multi-formula EFT-POS terminal solutions providers.

**Liquidity and Capital Resources**

During the years of 2012 and 2013, the main source of funding to the Group was the proceeds generated from operating activities in the usual course of business of the Company. Certain financial data are summarised as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Cash at bank and on hand | **1,698,407** | 1,358,426 |
| Net current assets | **2,078,738** | 1,800,340 |
| Net cash generated from operating activities | **291,517** | 201,988 |
| Net cash generated from financing activities | **8,350** | – |

| | **As at 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| Current ratio (times) | **3.8** | 5.7 |
| Quick ratio (times) | **3.2** | 5.1 |

As at 31 December 2013, the Group had cash at bank and on hand and short-term bank deposits of HK$1,698.4 million (2012: HK$1,358.4 million) and no short-term borrowings (2012: Nil). As at 31 December 2013, the Group reported net current assets of HK$2,078.7 million, as compared with HK$1,800.3 million as at 31 December 2012. For the year ended 31 December 2013, net cash generated from operating activities was HK$291.5 million, as compared with net cash generated from operating activities of HK$202 million for the year ended 31 December 2012. For the year ended 31 December 2013, net cash generated from financing activities of HK$8.4 million (2012: Nil).

**Capital Structure and Details of Charges**

As at 31 December 2013, the Group did not have any borrowings or charge on Group assets, and the gearing ratio is not applicable (2012: Nil). As at 31 December 2013, approximately HK$892.4 million, HK$591.9 million, HK$214.0 million and HK$0.03 million (2012: HK$469.2 million, HK$727.1 million, HK$161.6 million and HK$0.5 million) of the Group's cash balances were denominated in Renminbi ("RMB"), Hong Kong dollar ("HK$"), US dollar ("US$") and Euro ("EUR") respectively.

**Significant Investment**

Save as disclosed in this announcement, the Group held no significant investment as at 31 December 2013.

**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 2013 (2012: 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 2013, 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 | 200.0 |
| Expanding distribution network | 120.8 | 120.8 |
| Potential merger and acquisition | 282.1 | – |
| General working capital | 80.6 | 80.6 |
| | 805.9 | 401.4 |

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

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2013.

**Exchange Rates Exposure**

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

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

**Contingent Liabilities**

The Group had no significant contingent liabilities as at 31 December 2013.

**Human Resources and Remuneration Policies**

The total number of employees of the Group as at 31 December 2013 was 700. The following table shows a breakdown of employees of the Group by functions as at 31 December 2013:

| | |
|---|---|
| Management | 14 |
| Sales and after-sales services and marketing | 262 |
| Research and development | 361 |
| Quality assurance | 15 |
| Administration and human resources | 14 |
| Accounting | 13 |
| Production, procurement and inventory control | 21 |
| | 700 |

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 2013 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 | |
|---|---|---|---|
| | | **2013** | 2012 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **1,472,488** | 1,313,330 |
| Cost of sales | *5* | **(931,359)** | (849,143) |
| Gross profit | | **541,129** | 464,187 |
| Other income | *3* | **50,075** | 28,408 |
| Other gains — net | | **303** | 1,671 |
| Selling expenses | *5* | **(131,124)** | (113,674) |
| Administrative expenses | *5* | **(194,193)** | (157,336) |
| Operating profit/profit before income tax | | **266,190** | 223,256 |
| Income tax expense | *6* | **(39,650)** | (40,297) |
| Profit for the year attributable to equity holders of the Company | | **226,540** | 182,959 |
| | | ***HK$ per share*** | *HK$ per share* |
| Earnings per share for the profit attributable to equity holders of the Company: | | | |
| — Basic | *7a* | **0.218** | 0.176 |
| — Diluted | *7b* | **0.211** | 0.176 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| **Profit for the year** | **226,540** | 182,959 |
| **Other comprehensive income, net of tax** | | |
| *Items that may be subsequently reclassified to profit or loss* | | |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | **27,698** | 6,348 |
| **Total comprehensive income for the year attributable to equity holders of the Company, net of tax** | **254,238** | 189,307 |

## CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|---|---|---|---|
| | | **2013** | 2012 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **8,152** | 10,263 |
| Leasehold land | | **232** | 231 |
| **Total non-current assets** | | **8,384** | 10,494 |
| **Current assets** | | | |
| Inventories | | **465,114** | 243,801 |
| Trade and bills receivables | *8* | **637,966** | 544,476 |
| Deposits and other receivables | *8* | **6,324** | 10,333 |
| Financial assets at fair value through profit or loss | | **–** | 10,057 |
| Restricted cash | | **16,613** | 16,173 |
| Cash at bank and on hand | | **1,698,407** | 1,358,426 |
| **Total current assets** | | **2,824,424** | 2,183,266 |
| **Total assets** | | **2,832,808** | 2,193,760 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **104,452** | 103,773 |
| Reserves | | **1,982,670** | 1,707,061 |
| **Total equity** | | **2,087,122** | 1,810,834 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables | *9* | **445,541** | 224,879 |
| Other payables and accruals | *9* | **275,072** | 131,301 |
| Taxation payable | | **25,073** | 26,746 |
| **Total current liabilities and total liabilities** | | **745,686** | 382,926 |
| **Total equity and liabilities** | | **2,832,808** | 2,193,760 |
| **Net current assets** | | **2,078,738** | 1,800,340 |
| **Total assets less current liabilities** | | **2,087,122** | 1,810,834 |

# 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 6 March 2014.

## 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 2013 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 2013, 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:

— 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.

— HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

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 the provision of related services. Revenue and other income recognised during the year were as follows:

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| **Turnover** | | |
| Sales of electronic payment products | **1,451,801** | 1,294,871 |
| Provision of electronic payment services | **20,687** | 18,459 |
| | **1,472,488** | 1,313,330 |
| **Other income** | | |
| Interest income | **14,805** | 10,699 |
| Value added tax refund *(note (i))* | **32,788** | 16,154 |
| Subsidy income | **535** | 68 |
| Others | **1,947** | 1,487 |
| | **50,075** | 28,408 |
| | **1,522,563** | 1,341,738 |

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

## 4 SEGMENT INFORMATION

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

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

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

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

| | **Year ended 31 December 2013** | | | | |
|---|---|---|---|---|---|
| | **PRC, other than Hong Kong, Macau and Taiwan** | **Hong Kong** | **US** | **Elimination** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Turnover from external customers | **1,229,582** | **217,161** | **25,745** | **–** | **1,472,488** |
| Inter-segment turnover | **129,027** | **7,450** | **–** | **(136,477)** | **–** |
| Total turnover | **1,358,609** | **224,611** | **25,745** | **(136,477)** | **1,472,488** |
| Segmental earnings/(loss) before interest expense, taxes, depreciation and amortisation ("EBITDA") | **218,774** | **54,121** | **(7,645)** | **4,670** | **269,920** |
| Depreciation | **(3,149)** | **(69)** | **(506)** | **–** | **(3,724)** |
| Amortisation | **(6)** | **–** | **–** | **–** | **(6)** |
| Segmental operating profit/(loss)/ profit/(loss) before income tax | **215,619** | **54,052** | **(8,151)** | **4,670** | **266,190** |
| Income tax expense | | | | | **(39,650)** |
| Profit for the year | | | | | **226,540** |

| | Year ended 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | PRC, other than Hong Kong, Macau and Taiwan | Hong Kong | US | Elimination | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *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 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 |

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

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

| | **Year ended 31 December 2013** | | | |
|---|---|---|---|---|
| | **PRC, other than Hong Kong, Macau and Taiwan** | **Hong Kong** | **US** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Additions to non-current assets | **1,223** | **180** | **3** | **1,406** |

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 | Hong Kong | US | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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 | Hong Kong | US | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Additions to non-current assets | 2,460 | 52 | 250 | 2,762 |

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$178,153,000 (2012: HK$162,453,000) is derived from the largest customer, representing 12.1% (2012: 12.4%) of the total revenue, which is attributable to the PRC operating segment. HK$141,163,000 (2012: HK$136,096,000) is derived from the second largest customer, representing 9.6% (2012: 10.4%) of the total revenue, which is attributable to PRC operating segment.

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

The Group is mainly domiciled in Hong Kong, the PRC 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 | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| **Non-current assets** | | |
| PRC, other than Hong Kong, Macau and Taiwan | **7,366** | 9,084 |
| Hong Kong | **257** | 146 |
| US | **761** | 1,264 |
| | **8,384** | 10,494 |
| **Current assets** | | |
| PRC, other than Hong Kong, Macau and Taiwan | **1,974,671** | 1,239,596 |
| Hong Kong | **828,434** | 924,372 |
| US | **21,319** | 19,298 |
| | **2,824,424** | 2,183,266 |

## 5 EXPENSES BY NATURE

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

| | Year ended 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Auditors' remuneration — audit services | **1,581** | 1,310 |
| Depreciation of property, plant and equipment | **3,724** | 3,369 |
| Amortisation of leasehold land | **6** | 6 |
| Employee benefit expenses (including Directors' emoluments) | **155,968** | 132,624 |
| Costs of inventories sold | **910,549** | 832,535 |
| Operating lease rentals in respect of buildings | **12,821** | 10,637 |
| Research and development costs | **94,480** | 82,808 |
| Loss on disposal of property, plant and equipment | **–** | 8 |
| Write back of provision of trade receivables | **–** | (1,919) |
| Provision for obsolete inventories | **10,955** | – |
| Donation | **10** | 1,238 |

## 6 INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Current income tax | | |
| — PRC corporate income tax | **29,263** | 23,847 |
| — Hong Kong profits tax | **10,175** | 15,909 |
| Under provision in prior year | **212** | 541 |
| Income tax expense | **39,650** | 40,297 |

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year ended 31 December 2013.

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 | |
|---|---|---|
| | **2013** | 2012 |
| Profit attributable to equity holders of the Company (HK$'000) | **226,540** | 182,959 |
| Weighted average number of ordinary shares in issue (thousand shares) | **1,039,126** | 1,037,728 |
| Basic earnings per share (HK$ per share) | **0.218** | 0.176 |

**(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 shares: share options granted on 22 June 2012. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share option. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| Profit attributable to equity holders of the Company (HK$'000) | **226,540** | 182,959 |
| Weighted average number of ordinary shares in issue (thousand shares) | **1,039,126** | 1,037,728 |
| Adjustments for share options (thousand shares) | **34,386** | 1,742 |
| Weighted average number of ordinary shares for diluted earnings per share (thousand shares) | **1,073,512** | 1,039,470 |
| Diluted earnings per share (HK$ per share) | **0.211** | 0.176 |

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

| | **As at 31 December** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables *(note (a))* | **478,027** | 409,756 |
| Amount due from related parties | **69,964** | 4,082 |
| *Less:* provision for impairment of receivables | **(28)** | (28) |
| Trade receivables, net | **547,963** | 413,810 |
| Bills receivables *(note (b))* | **90,003** | 130,666 |
| Trade and bills receivables | **637,966** | 544,476 |
| Deposits and other receivables | **6,324** | 10,333 |
| Trade and bills receivables, deposits and other receivables | **644,290** | 554,809 |

The fair values of trade and bills receivables, deposits and other receivables approximated their carrying values as at 31 December 2012 and 2013.

**(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 2012 and 2013, the ageing analysis of the trade receivables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Up to 90 days | **377,726** | 303,746 |
| 91 to 180 days | **79,905** | 56,048 |
| 181 to 365 days | **45,825** | 16,824 |
| Over 365 days | **44,535** | 37,220 |
| | **547,991** | 413,838 |

**(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 | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Up to 90 days | **42,397** | 75,333 |
| 91 days to 180 days | **47,606** | 55,333 |
| | **90,003** | 130,666 |

## 9 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

| | As at 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables *(note (a))* | **442,090** | 224,837 |
| Amount due to related parties | **3,451** | 42 |
| | **445,541** | 224,879 |
| Other payables and accruals | | |
| Receipt in advance from customers | **190,851** | 58,751 |
| Other tax payables | **42,746** | 40,853 |
| Accrued expenses | **20,688** | 13,336 |
| Others | **20,787** | 18,361 |
| | **275,072** | 131,301 |
| | **720,613** | 356,180 |

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

| | As at 31 December | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Up to 90 days | **417,151** | 204,141 |
| 91 to 180 days | **25,616** | 18,483 |
| 181 to 365 days | **106** | 1,861 |
| Over 365 days | **2,668** | 394 |
| | **445,541** | 224,879 |

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 had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2013.

## DIVIDEND

No dividends had been paid or declared by the Company during the year ended 31 December 2013 (2012: 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 (the "Stock Exchange") (the "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 2013.

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 possess 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 Board has approved the adoption of the revised CG Code effective from 1 April 2012.

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 2013.

## 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 EVENT

On 26 February 2014, PAX Computer Technology (Shenzhen) Co., Limited entered into two Wealth Management Agreements to subscribe for Wealth Management Products issued by Bank of China. The first subscription amount is RMB100,000,000 (approximately HK$127,900,000) with an annual investment return rate of 4.5% for 92 days. Whilst, the second subscription amount is RMB50,000,000 (approximately HK$64,000,000) with an annual investment return rate of 4.6% for 35 days. Both Wealth Management Products are principal and return guaranteed.

## REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2013.

### Scope of Work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 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 2013 sufficient public float as required under the Listing Rules.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This 2013 annual results announcement is published on the Company's website at www.paxglobal.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2013 annual report will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2013 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2013. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2013, which will be included in the Company's 2013 annual report.

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

Hong Kong, 6 March 2014

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