



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

(Incorporated in Bermuda with limited liability)
Stock Code: 00327



Global Offering

Sponsor, Global Coordinator and Bookrunner



* For identification purposes only

IMPORTANT

The Global Offering, including the Preferential Offer, will not be made to persons nor open for acceptance by persons in Australia, Malaysia, New Zealand and Papua New Guinea or persons with a registered address in Australia, Malaysia, New Zealand and Papua New Guinea. This prospectus does not constitute an offer or invitation for the Offer Shares in Australia, Malaysia, New Zealand and Papua New Guinea. The distribution of this prospectus in Australia, Malaysia, New Zealand and Papua New Guinea may be restricted by the applicable laws of these jurisdictions and this prospectus is not for distribution in any of these jurisdictions. Persons who come into possession of this prospectus should seek advice on and observe any of such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws of these jurisdictions.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the US Securities Act and in accordance with any applicable US state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.



PAX Global Technology Limited

百富環球科技有限公司*

(Incorporated in Bermuda with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 319,200,000 Offer Shares comprising 260,000,000 new Shares to be offered by the Company and 59,200,000 Sale Shares to be offered by the Selling Shareholders (subject to adjustment and Over-allotment Option)
Number of Public Offer Shares	: 31,920,000 new Shares (subject to adjustment)
Number of International Offer Shares	: 285,509,976 Offer Shares (subject to adjustment and Over-allotment Option)
Number of Reserved Shares	: 1,770,024 new Shares (subject to adjustment)
Maximum Offer Price	: HK\$3.23 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal Value	: HK\$0.10 per Share
Stock Code	: 00327

Sponsor, Global Coordinator and Bookrunner



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix VII — Documents Delivered to the Registrars of Companies and Available for Inspection" in this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and has been filed, or as soon as reasonably practicable after the date of this prospectus, will be filed with the Registrar of Companies in Bermuda. Neither the Securities and Futures Commission, the Registrar of Companies in Hong Kong or the Registrar of Companies in Bermuda take any responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by the Global Coordinator (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 14 December 2010 and, in any event, not later than Thursday, 16 December 2010. The Offer Price will not be more than HK\$3.23 and is currently expected to be not less than HK\$2.53. Investors applying for Public Offer Shares and/or Reserved Shares must pay, on application, the maximum Offer Price of HK\$3.23 for each Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%.

The Global Coordinator, on behalf of the Underwriters, may, with the Company's consent (for itself and on behalf of the Selling Shareholders), reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$2.53 to HK\$3.23 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer and the Preferential Offer. In such a case, notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer and the Preferential Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.paxglobal.com.hk. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Public Offer Shares and Reserved Shares" in this prospectus.

If, for any reason, the Global Coordinator (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders) are unable to reach an agreement on the Offer Price by Thursday, 16 December 2010, the Global Offering will not become unconditional and will lapse immediately thereafter.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers for, the Public Offer Shares, are subject to termination by the Global Coordinator (on behalf of the Underwriters) if certain events shall occur prior to 8:30 a.m. on the day on which trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

* For identification purposes only

8 December 2010

EXPECTED TIMETABLE

Date⁽¹⁾

Application lists open ⁽²⁾	11:45 a.m. on Monday, 13 December 2010	
Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk ⁽³⁾	11:30 a.m. on Monday, 13 December 2010	
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 13 December 2010	
Latest time to lodge WHITE, YELLOW and BLUE Application Forms	12:00 noon on Monday, 13 December 2010	
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Monday, 13 December 2010	
Application lists close	12:00 noon on Monday, 13 December 2010	
Expected Price Determination Date	Tuesday, 14 December 2010	
Announcement of:		
(a) the final Offer Price;		
(b) the indication of level of interest in the International Offer;		
(c) the results of applications under the Public Offer and Preferential Offer; and		
(d) the basis of allotment of the Public Offer Shares and Reserved Shares,		
to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before	Friday, 17 December 2010	
Announcement of results of allotment in the Public Offer and Preferential Offer (with successful applicants' identification document numbers, where applicable) available through a variety of channels, including the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.paxglobal.com.hk , as described in the section headed "How to Apply for the Public Offer Shares and Reserved Shares" in this prospectus		from Friday, 17 December 2010
Results of allocations in the Public Offer and the Preferential Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function		Friday, 17 December 2010
Despatch of Share certificates in respect of wholly or partially successful applications on or before ⁽⁵⁾		Friday, 17 December 2010
Despatch of refund cheques (if applicable) in respect of wholly and partially successful applications (if applicable) or wholly or partially unsuccessful applications on or before		Friday, 17 December 2010
Despatch of HK eIPO White Form e-Auto Refund payment instructions (if applicable) in respect of wholly and partially successful applications (if applicable) or wholly or partially unsuccessful applications on or before		Friday, 17 December 2010
Dealings in Shares on the Stock Exchange expected to commence on		Monday, 20 December 2010

EXPECTED TIMETABLE

Notes:

- (1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).
- (2) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 13 December 2010, the application lists will not open on that day. Please refer to the section headed “How to Apply for the Public Offer Shares and Reserved Shares — When May Applications Be Made — Effect of bad weather on the opening of the application lists” in this prospectus.
- (3) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting application, when the application lists close.
- (4) Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares and Reserved Shares — Applying by Giving Electronic Application Instructions to HKSCC” in this prospectus.
- (5) Share certificates are expected to be issued on Friday, 17 December 2010.

Share certificates will only become valid certificates of title if the Public Offer and the Preferential Offer have become unconditional in all respects and neither the Public Offer Underwriting Agreement nor the International Underwriting Agreement has been terminated in accordance with its terms, and the earliest time by which these two conditions can be met is expected to be at around 8:30 a.m., on Monday, 20 December 2010. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

e-Auto Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and the Preferential Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. If you apply through the HK eIPO White Form service by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account on or around Friday, 17 December 2010. If you apply through the HK eIPO White Form service by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider on or around Friday, 17 December 2010, by ordinary post and at your own risk. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such personal data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate that applicant’s refund cheque.

You should read carefully the sections headed “Underwriting”, “How to Apply for the Public Offer Shares and Reserved Shares” and “Structure of the Global Offering”, for details relating to the structure of the Global Offering, how to apply for the Public Offer Shares and Reserved Shares and the expected timetable including, inter alia, applicable conditions, the effect of bad weather, and the despatch of refund cheques and Share certificates.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer and the Preferential Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares and the Reserved Shares offered by this prospectus pursuant to the Public Offer and the Preferential Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit public offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the Global Offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

The Global Offering, including the Preferential Offer, will not be made to persons nor open for acceptance by persons in Australia, Malaysia, New Zealand and Papua New Guinea or persons with a registered address in Australia, Malaysia, New Zealand and Papua New Guinea. This prospectus does not constitute an offer or invitation for the Offer Shares in Australia, Malaysia, New Zealand and Papua New Guinea. The distribution of this prospectus in Australia, Malaysia, New Zealand and Papua New Guinea may be restricted by the applicable laws of these jurisdictions and this prospectus is not for distribution in any of these jurisdictions. Persons who come into possession of this prospectus should seek advice on and observe any of such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws of these jurisdictions.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholders, the Sponsor, the Global Coordinator, the Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares. There are risks associated with an investment in the Offer Shares. Some of the particular risks of investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an electronic fund transfer point-of-sale (EFT-POS) terminal solutions provider principally engaged in the development and sale of EFT-POS products and provision of related services. We ranked first in terms of sales volume of EFT-POS terminals, with a 32.5% market share of the sales volume of EFT-POS terminals, in China in 2009, according to Analysys International.

We develop and sell countertop and mobile EFT-POS terminals which are able to process a wide range of electronic payment types including signature and PIN-based debit cards, credit cards, contactless/radio frequency identification cards, RF-enabled mobile phones, IC cards, pre-paid gift and other stored-value cards. We also develop and sell consumer activated devices, contactless devices and EFT-POS software (which is installed in our EFT-POS products and not sold independently). Save for product assembly and processing, which we outsource, we design and develop our products and manufacturing procedures, carry out research and development, source raw materials and components, implement quality control in-house, and sell and distribute our products (with the support of our distributors, who are also our customers, in some of our overseas markets) and provide after-sales services. Through our subcontractors, which are Independent Third Parties, we also provide contract-based maintenance services to certain of our customers in Hong Kong and Macau, whereas, in China, we also provide maintenance services by our own service team.

Our customers can broadly be categorized into acquirers (such as payment processors and financial institutions) and merchant service providers. In China, our customers include but are not limited to UMS, Bank of China, Agricultural Bank of China, Bank of Communications and China Mobile. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our five largest customers accounted for 79.8%, 85.4%, 74.3% and 62.5%, respectively, of our total sales revenue for those periods. For the same periods, UMS which is our largest customer accounted for 54.0%, 56.4%, 31.7% and 26.9%, respectively, of our total sales revenue for those periods due to diversification of sources of sales revenue of our Group. Our EFT-POS products have been sold to more than 50 overseas countries and regions including the US, Singapore, Taiwan, Japan, South Korea, New Zealand, France, Finland, Saudi Arabia, South Africa and Russia. During the Track Record Period, all of our sales in China, Hong Kong and the US were conducted through direct sales by our sales team while our sales to other overseas countries were principally conducted through our distributors, with a small proportion being direct sales. In China, a large proportion of our sales are generated as a result of our ability to be successfully selected as a qualified supplier of our major customers in China. Like other companies in the EFT-POS market in China, it is not common for us to enter into long-term contracts with our customers. Instead, our sales are conducted primarily on an order-by-order basis either as a qualified supplier or by direct sales.

As at the Latest Practicable Date, we had a total of 23 overseas distributors (who may or may not have entered into formal written agreements with us), which were all Independent Third Parties. These overseas distributors included payment service solutions providers, merchant service providers, credit card payment system solutions providers for banks and electronic voucher distributors in the relevant markets. During the Track Record Period, we entered into formal written agreements normally with those overseas distributors with which we intend to develop strategic alliances for the purpose of expanding our business into the respective overseas markets. Generally under the terms of our formal written distribution agreements, our distributors are allowed to hold themselves out as distributors of our EFT-POS products and they are to develop the largest possible market for our EFT-POS products in the relevant territories by publishing advertisements and conducting sales and promotional activities. Some of our distributors are entitled to appoint sub-distributors or sub-agents

SUMMARY

to distribute our products. Our distribution agreements generally have contract terms that range from one to five years and they are terminable by either party by giving prior notice or by mutual consent of the parties. Some of our distribution agreements are automatically renewable unless terminated by the parties.

The following table sets forth our revenue by product categories in terms of amount and as a percentage of our total revenue during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Countertop EFT-POS terminals	288,097	89.15%	414,148	83.91%	401,685	81.49%	156,907	79.96%	216,279	80.79%
Mobile EFT-POS terminals	23,082	7.14%	61,724	12.51%	55,646	11.29%	28,764	14.66%	19,787	7.39%
Consumer activated devices	1,512	0.47%	3,921	0.79%	16,165	3.28%	2,715	1.38%	11,433	4.27%
Contactless devices	—	0.00%	919	0.19%	3,665	0.74%	625	0.32%	8,921	3.33%
Services (Note 1)	7,423	2.30%	9,636	1.94%	13,574	2.75%	6,261	3.20%	6,386	2.39%
Others (Note 2)	3,029	0.94%	3,241	0.66%	2,207	0.45%	949	0.48%	4,892	1.83%
Total:	323,143	100.00%	493,589	100.00%	492,942	100.00%	196,221	100.00%	267,698	100.00%

Notes:

- (1) *During the Track Record Period, we provided contract-based maintenance services to certain of our customers in Hong Kong. For details, please refer to the section headed “Business — After-sales services, warranty and maintenance services”.*
- (2) *During the Track Record Period, we separately sold accessory items to our customers. Examples of such accessory items were download cable, telephone line, thermal paper, sticker and barcode scanning gun etc.*

According to Analysys International, the EFT-POS market growth rate in China, in terms of sales value, was 47.3%, 46.9% and 2.5%, respectively for the years ended 31 December 2007, 2008 and 2009, thus showing a declining market growth rate. For further details, please refer to the section headed “Industry Overview — Sales of EFT-POS Products in China — Growth in sales of EFT-POS products in China” in this prospectus. For the corresponding periods, the revenue growth rate of our Group was 63.3%, 52.7% and -0.1%, respectively and we therefore consider our growth is generally in a similar trend as compared to the industry in China. However, according to Analysys International, the growing demand for EFT-POS products in China is expected to continue in view of the continuous development of the bank card industry and the rapid growth in card payment transactions in China. Our Directors believe that we are well-positioned to leverage our leading position to take advantage of this growth because of our product quality, solid technical, research and development capabilities and established customer base supported by extensive sales networks.

According to Analysys International, in 2009, the sales volume of the top three largest domestic EFT-POS brands in the PRC (namely, the brands of PAX Technology, Fujian Landi Commercial Equipment Co., Ltd. (福建聯迪商用設備有限公司) and Shenzhen Xinguodu Technology Co., Ltd. (深圳市新國都技術股份有限公司)) represented over 67% of the total EFT-POS terminal sales in China. The top five largest EFT-POS brands of the enterprises in the PRC accounted for over 85% of the total EFT-POS terminal sales in 2009. Amongst those enterprises, Ingenico S.A., the holding company of Fujian Landi Commercial Equipment Co., Ltd. is listed on the Paris Stock Exchange, VeriFone Systems, Inc. (formerly known as VeriFone Holdings Inc.), the holding company of VeriFone Electronics (Beijing) Co, Ltd. (惠爾豐電子(北京)有限公司) is listed on the New York Stock Exchange while Shenzhen Xinguodu Technology Co., Ltd. and Fujian Newland Computer Co., Ltd. (福建新大陸電腦股份有限公司) are listed on the Shenzhen Stock Exchange. Due to the capital-intensive and technology-intensive nature of the EFT-POS industry, enterprises which were less competitive in terms of financial resources and technological expertise have been gradually eliminated in the market.

SUMMARY

We derive the substantial majority of our revenue from sales in China. Our revenue is driven by the market demand for our EFT-POS products in China and our ability to meet that demand. The demand for our products is driven by the economic conditions in China which has experienced rapid growth in recent years, which has been accompanied by the rapid urbanisation of the population in China, growth in the number of households as well as increasing disposable income in urban households.

Consumer spending in China has increased along with the rapid development of the Chinese economy. Since 2005, China's economy has been maintaining a growth rate of around 10%. Consumers in China have gradually developed a spending habit of using bank cards in settling their payments in consumer purchases and the use of bank cards has become and will continue to be a popular mode of consumer payment in China. According to PBOC, a total of 2.27 billion bank cards had been issued in China at the end of the second quarter of 2010, representing a growth of 14.5% as compared with the end of the second quarter of 2009.

Along with the continuous penetration of China UnionPay netted utilization as well as the ongoing improvement of bank card acceptance environment in China, bank card transactions also grew rapidly. In 2009, the inter-bank bank card transactions in China hit RMB7.7 trillion, which was approximately 83.7 times that of the figure in 2001, prior to the establishment of China UnionPay. The proportion of bank card consumption in the total volume of retail sales increased from 2.1% in 2001 to 61.5% in 2009.

The increase in the number of issued bank cards and the volume of bank card transactions has brought about market opportunities to the development of EFT-POS terminals in China. During the period from 2006 to 2009, the CAGR of the sale of EFT-POS terminals in China was 45.4%. With our leading position in the EFT-POS markets, our revenue is driven by the growth of the market.

In the paragraphs below, we discuss certain financial information of our Group during the Track Record Period, including sales volume, average selling price, summary of revenue contribution by geographical region and gross profit margin. A detailed discussion and analysis of our financial information during the Track Record Period is set out in the section headed "Financial Information — Results of Operations".

The following table sets forth our sales volume by product categories and as a percentage of our total sales volume during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Unit sold	%	Unit sold	%	Unit sold	%	Unit sold	%	Unit sold	%
Countertop EFT-POS terminals	146,074	90.42%	221,975	84.63%	273,071	75.64%	100,927	78.93%	158,692	78.61%
Mobile EFT-POS terminals	8,617	5.33%	24,960	9.52%	27,286	7.56%	13,592	10.63%	9,460	4.69%
Consumer activated devices	6,872	4.25%	13,362	5.09%	53,457	14.81%	12,264	9.59%	22,363	11.08%
Contactless devices	—	N/A	2,000	0.76%	7,170	1.99%	1,081	0.85%	11,351	5.62%
Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Others	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total:	161,563	100.00%	262,297	100.00%	360,984	100.00%	127,864	100.00%	201,866	100.00%

Note: N/A means not applicable.

SUMMARY

Our sales volume of countertop EFT-POS terminals increased mainly due to the increase in the sales volume to certain customers in the PRC and generally to overseas customers. Our sales volume of mobile EFT-POS terminals increased and decreased mainly due to the increase (including due to the launch of a new model in 2009) or decrease in the sales volume of particular models of products. In 2008, the increase in sales volume of both countertop EFT-POS terminals and mobile EFT-POS terminals was, in general, also attributable to the increased demand for our products prior to the 2008 Beijing Olympic Games. Our sales volume of consumer activated devices increased mainly due to the continued growth in demand for a model launched in 2008. Our contactless devices were first launched in the market in 2008. Our sales volume of contactless devices increased mainly due to the increased demand of one of our contactless devices models with new features and functions and sales of a number of new models launched in the second half of 2009 and the first half of 2010.

Our sales volume of consumer activated devices and contactless devices generally increased as a proportion of our total sales volume mainly due to higher growth rates of their sales volume as compared with countertop EFT-POS terminals and mobile EFT-POS terminals.

The following table sets forth the average selling price in each of the Group's product categories for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$	HK\$	HK\$	HK\$	HK\$
Countertop EFT-POS terminals	1,972	1,866	1,471	1,555	1,363
Mobile EFT-POS terminals	2,679	2,473	2,039	2,116	2,092
Consumer activated devices	220	293	302	221	511
Contactless devices	N/A	460	511	578	786
Services	N/A	N/A	N/A	N/A	N/A
Others	N/A	N/A	N/A	N/A	N/A

Note: N/A means not applicable.

The average selling price of our countertop EFT-POS terminals and our mobile EFT-POS terminals generally decreased. This was mainly attributable to the decrease in the average selling price of a number of countertop EFT-POS terminals and mobile EFT-POS terminals models, respectively, during the period. In addition, more generally, the decrease in the average selling price of our countertop EFT-POS terminals and mobile EFT-POS terminals was due to market competition as we adjusted our tender sales prices in order to maintain our competitiveness among the market players.

The average selling price of our consumer activated devices increased mainly due to the increase in the average selling price of a model launched in 2008 which is equipped with additional add-on function modules.

The average selling price of our contactless devices increased mainly due to the introduction of a new model with a higher sales price and the higher sales prices of existing models with additional features and functions.

SUMMARY

A summary of revenue contribution by geographical region during the Track Record Period is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
China market	271,353	423,493	405,402	168,831	213,345
Overseas market	<u>51,790</u>	<u>70,096</u>	<u>87,540</u>	<u>27,390</u>	<u>54,353</u>
Total revenue	<u>323,143</u>	<u>493,589</u>	<u>492,942</u>	<u>196,221</u>	<u>267,698</u>

Note: For further breakdown of information in the above table, please refer to the section headed "Business — Customers".

The increases in our revenue generated from the China market for the six months ended 30 June 2010 compared to the six months ended 30 June 2009, and for the year ended 31 December 2008 compared to the year ended 31 December 2007, were mainly attributable to increased sales to two acquirers and increased demand for our products in 2008 prior to the 2008 Olympic Games in Beijing, respectively. Our revenue generated from the China market decreased for the year ended 31 December 2009 compared to the year ended 31 December 2008 mainly due to a decrease in the average selling price of our products.

Our revenue generated from overseas market increased mainly due to the increased sales to certain overseas countries. We explored opportunities to increase our product sales in international markets and expanded our sales and distribution channels by forming strategic alliances with overseas distributors and opened an overseas sales office in the US, where we perceived opportunities for growth during our Track Record Period. Our revenue generated from the overseas markets (via direct sales and sales to our distributors) increased by 35.3%, 24.9% and 98.4% for the years ended 31 December 2008 and 31 December 2009 and the six months ended 30 June 2010, compared with the years ended 31 December 2007 and 31 December 2008 and the six months ended 30 June 2009, respectively.

The following table sets forth the gross profit margin of the Group by product categories for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
Countertop EFT-POS terminals	35%	39%	39%	34%	42%
Mobile EFT-POS terminals	34%	40%	46%	43%	41%
Consumer activated devices	32%	38%	15%	25%	34%
Contactless devices	N/A	52%	52%	59%	51%
Services	18%	24%	41%	35%	32%
Others	48%	64%	42%	33%	7%

Note: N/A means not applicable.

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Our gross profit for the six months ended 30 June 2010 was HK\$109.0 million, representing an increase of 57.4% as compared with HK\$69.2 million for the six months ended 30 June 2009. Our gross profit margin was 40.7% for the six months ended 30 June 2010 as compared with 35.3% for the six months ended 30 June 2009. Our gross profit increased by 1.0% to HK\$192.9 million for the year ended 31 December 2009 from HK\$190.9 million for the year ended 31 December 2008. Our gross profit margin was 39.1% for the year ended 31 December 2009 as compared to 38.7% for the year ended 31 December 2008. Our gross profit increased by 69.6% to HK\$190.9 million for the year ended 31 December 2008 from HK\$112.5 million for the year ended 31 December 2007. Our gross profit margin increased to 38.7% for the year ended 31 December 2008 from 34.8% for the year ended 31 December 2007. During the Track Record Period, our gross profit margin increased as we proactively reduced our cost of materials and introduced products with additional features with higher gross profit margin. For further details, please refer to the section headed “Financial Information — Results of operation”.

We believe our research and development efforts are vital to our competitiveness. Our research and development activities focus on the enhancement of the functionality, quality, design and style of our EFT-POS products, as well as the development of new products. Our mission is to provide innovative and reliable technological products to our customers that meet the needs of diversified industrial requirements. Our success in research and development is demonstrated by the awards and accreditations we have received. Pax Technology (Shenzhen) was accredited as a High-tech Enterprise (高新技術企業) in 2003 by Shenzhen Bureau of Science and Technology (深圳市科學技術局) and a High-tech Enterprise (高新技術企業) in 2009 by Shenzhen Bureau of Science Technology and Information (深圳市科技和信息局), Shenzhen Finance Bureau (深圳市財政局), Shenzhen Municipal Office of State Administration of Taxation (深圳市國家稅務局), Administrator of Local Taxation of Shenzhen Municipality (深圳市地方稅務局) in the PRC. A company is accredited as a High-tech Enterprise in accordance with the Guidelines for the Accreditation of High-tech Enterprises (高新技術企業認定管理工作指引). Such a High-tech Enterprise enjoys a preferential tax rate of 15%, as well as other preferential treatments pursuant to policies of the State and local governments.

We have engaged an EMS manufacturer to provide assembly and processing services to us, and have used PKS as our sole EMS manufacturer since 2006. Pursuant to our cooperative agreement with PKS, we provide all raw materials required for PKS to assemble and process our EFT-POS products and PKS provides assembly and processing services to manufacture our EFT-POS products in accordance with our product designs and specifications. The cooperative agreement is terminable by either party by giving six months’ notice to the other party. We believe that sub-contracting the assembly and processing of our EFT-POS products allows us to concentrate our resources on the design and development of new EFT-POS products, product marketing, branding, quality management and logistics management.

We place strong emphasis on the quality and reliability of our products. We manage all our business and operating processes to ISO 9001:2008 Quality Management Systems standard in the design and sales of electronic payment systems including POS terminals, smart card readers and PIN entry devices. We believe this shows that we have the management and operating processes to the standards required by ISO.

COMPETITIVE STRENGTHS

We believe our success to date and potential for future growth can be attributed to a combination of our competitive strengths, including the following:

- We have a leading position in the EFT-POS market in China and are well-positioned to benefit from the potential rapid growth of this market
- We have solid technological, research and development capabilities

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- We have an established customer base supported by our sales network
- We have experienced and dedicated senior management team with an in-depth knowledge of the market in which we operate

BUSINESS STRATEGIES

Our goal is to maintain and enhance our position as an EFT-POS terminal solutions provider in the EFT-POS market in the PRC and become one of the leading players in the international market. We plan to achieve this goal by pursuing the following strategies:

- Maintaining and enhancing our leading position by continuing to develop innovative products that satisfy customers' requirements
- Further enhancing our research and development and technological capabilities
- Expanding and optimizing our sales and after-sales network in the PRC
- Expanding our presence and increasing our market shares in key international markets

INFORMATION ON HI SUN AND ITS RELATIONSHIP WITH OUR GROUP

Hi Sun is principally engaged in (i) the development and sale of EFT-POS terminal solutions and the provision of related services through our Group, and (ii) the provision of financial solutions, payment solutions, telecommunication solutions, operation value-added services, and electronic power meters and solutions through the Hi Sun Group. We operate our business independently of and do not rely on the Hi Sun Group. We also have the benefit of a non-competition undertaking from Hi Sun for so long as it remains our controlling shareholder. Further information on the businesses of Hi Sun Group and our Group is set out in the section headed "Relationship with Hi Sun".

Immediately after completion of the Global Offering and the Capitalisation Issue and assuming the Over-allotment Option is not exercised, Hi Sun will own 44.4% of our then issued share capital and will continue to be the controlling shareholder of our Company.

Hi Sun has indicated that it intends to hold its interest in our Group as a long term investment. Hi Sun is not permitted under the Listing Rules, and has undertaken to the Underwriters not to, to dispose of its shareholding in our Company for a period of six months from the date on which dealings in the Shares of our Company commenced on the Stock Exchange. In addition, during the subsequent six month period, Hi Sun must not dispose of those Shares, if, immediately following that disposal, Hi Sun will cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.


REASONS FOR AND BENEFITS FROM THE SPIN-OFF OF OUR COMPANY FROM THE HI SUN GROUP

As set out in the announcements and shareholders circular of Hi Sun both dated 8 November 2010, Hi Sun considers that the proposed spin-off of our Group will be beneficial to the Hi Sun Group and our Group for the following reasons:

- The proposed spin-off will, upon its implementation, allow the Hi Sun Group to focus on the business of financial solutions, payment solutions and telecommunications solution and operation value-added services and electronic power meters and solutions. Our Group will focus on the business of EFT-POS terminal solutions, which has now grown to a size which warrants a separate listing. This will enable the two separate management teams to adopt

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different business strategies better suited towards the businesses of the two groups, have a clearer segregation of roles, enhance their ability to focus on opportunities specific to the business of the relevant group, from which both the Hi Sun Group and our Group could benefit.

- In terms of profile for listing, the proposed spin-off of our Group from the Hi Sun Group will enable each of Hi Sun and our Group to establish its own profile thereby attracting different investors. The Global Offering and separate listing of our Company can enhance awareness of, and strengthen, the “” brand which can facilitate our Group’s efforts in developing overseas markets for our products.
- Since Hi Sun will remain as a controlling shareholder of our Company, Hi Sun will continue to benefit from the growth and the business prospects of our Company through its equity interest in the results of and potential dividends, if any, from our Company.

THE PREFERENTIAL OFFER

In order to enable holders of Hi Sun Shares to participate in the Global Offering on a preferential basis as to allocation only, Qualifying Hi Sun Shareholders are being invited to apply for an aggregate of 1,770,024 Reserved Shares (representing approximately 0.55% of Shares initially available under the Global Offering) in the Preferential Offer. Each Qualifying Hi Sun Shareholder is entitled to apply on the basis of an Assured Entitlement of two Reserved Shares for every 3,000 Hi Sun Shares held by it as of 5:00 p.m. on the Record Date. The Reserved Shares are being offered under the International Offer and are not subject to the clawback mechanism as described in the section headed “Structure of the Global Offering — The Public Offer”.

With a view to maintaining at least the minimum prescribed percentage of our Shares in the hands of the public in compliance with the Listing Rules immediately after the Global Offering and to maximize the opportunity of the public to participate in the Global Offering, directors and substantial shareholders of Hi Sun and our Company who are also holders of Hi Sun Shares will waive their entitlements to participate or in any event not participate in the Preferential Offer. No Reserved Shares will be offered to our connected persons or persons who will become connected persons of the Company immediately upon completion of the Global Offering to the extent that they are Qualifying Hi Sun Shareholders. No consideration has been or will be paid to those waiving Qualifying Hi Sun Shareholders. Instead, Reserved Shares to which such Qualifying Hi Sun Shareholders would have been entitled will be reallocated and offered to the other Qualifying Hi Sun Shareholders under the Preferential Offer on an equitable basis.

Qualifying Hi Sun Shareholders should note that Assured Entitlements to Reserved Shares may not represent a multiple of a full board lot of 1,000 Shares. Further, the Reserved Shares allocated to the Qualifying Hi Sun Shareholders will be rounded down to the closest whole number if required, and that dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth, for the periods indicated, the selected financial data from our combined financial information. For more information, please refer to Appendix I — Accountant’s Report of PAX Global Technology Limited.

Combined income statements

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	323,143	493,589	492,942 ^(Note 1)	196,221	267,698
Cost of sales	(210,623)	(302,699)	(300,082)	(127,001)	(158,748)
Gross profit	112,520	190,890	192,860	69,220	108,950
Other income	7,701	10,427	10,479	2,568	4,317
Selling expenses	(26,993)	(43,554)	(59,083)	(24,967)	(29,094)
Administrative expenses	(22,638)	(40,162)	(43,744)	(17,147)	(25,511)
Operating profit	70,590	117,601	100,512	29,674	58,662
Finance costs	(1,579)	(835)	(429)	(338)	—
Profit before income tax	69,011	116,766	100,083	29,336	58,662
Income tax expense	(4,796)	(10,704)	(15,532)	(4,723)	(8,489)
Profit for the year/period attributable to equity holders of the Company	<u>64,215</u>	<u>106,062</u>	<u>84,551^(Note 2)</u>	<u>24,613</u>	<u>50,173</u>

Notes:

- 1 *Our revenue decreased by 0.1% for the year ended 31 December 2009 from 2008 as our total sales volume increased by 37.6% for the year ended 31 December 2009 from 2008 and substantially offset by the decrease of the average selling price of our countertop EFT-POS terminals and mobile EFT-POS terminals in response to market competition.*
- 2 *Profit for the year attributable to equity holders of our Company decreased by 20.3% for the year ended 31 December 2009 from 2008. The decrease was mainly due to an increase in selling expenses and an increase in income tax expenses.*
- 3 *For further details of the above two notes, please refer to the section headed “Financial Information — Results of Operation — Year Ended 31 December 2009 Compared to Year Ended 31 December 2008”.*

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Selected information from combined balance sheets

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total current assets	349,649	481,669	556,314	574,470
Total non-current assets	7,990	8,480	9,393	10,912
Total assets	357,639	490,149	565,707	585,382
Total current liabilities and total liabilities	(134,441)	(151,639)	(142,646)	(106,419)
Net current assets	215,208	330,030	413,668	468,051
Owners' equity	223,198	338,510	423,061	478,963

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

The Directors have prepared a forecast of our Group's combined profit attributable to equity holders of the Company for the year ending 31 December 2010 based on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances.

Forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010⁽¹⁾⁽²⁾ Not less than HK\$142.7 million⁽²⁾⁽³⁾

Unaudited pro forma forecast earnings per Share⁽⁴⁾ Not less than HK\$0.14

Notes:

- (1) *The forecast consolidated profit attributable to equity holders for the year ending 31 December 2010 is extracted from the section headed "Financial Information — Profit Forecast for the Year Ending 31 December 2010". The basis on which the above profit forecast has been prepared are summarized in Appendix III. The forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 has been prepared based on the audited combined results for the six months ended 30 June 2010, the unaudited combined results based on the management accounts of our Group for the four months ended 31 October 2010 and a forecast of the consolidated results of our Group for the remaining two months ending 31 December 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 3 of Section II of the Accountant's Report, the text of which is set out in Appendix I.*
- (2) *The forecast consolidated profit attributable to equity holders for the six months ending 31 December 2010 is expected to increase from that for the six months ending 30 June 2010 due to the seasonal pattern in our business. Sales demand from our customers in the second half of the year is expected to be higher in anticipation of an increase in the volume of electronic payment transactions during the Chinese National Day and Christmas holidays. Besides, sales demand from our customers generally slows down during the first half of the year.*
- (3) *The calculation of the forecast consolidated profit attributable to equity holders for the year ending 31 December 2010 includes a value added tax refund of HK\$20.0 million of which HK\$16.1 million has been approved by the local tax bureau and received by our Group as at 31 October 2010.*
- (4) *The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010, on the basis that 1,000,000,000 Shares were in issue assuming that the Shares to be issued pursuant to the Reorganisation, the Capitalisation Issue and the Global Offering had been in issue since 1 January 2010, but takes no account of any Shares which may be issued upon the exercise of Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme referred to the section headed "Share Option Scheme" in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed "Share Capital" or otherwise.*

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OFFER STATISTICS

	Based on an Offer Price of HK\$2.53 per Offer Share	Based on an Offer Price of HK\$3.23 per Offer Share
Market capitalisation of the Shares ⁽¹⁾	HK\$2,530 million	HK\$3,230 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$1.06	HK\$1.24

Notes:

- 1 The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of Shares which may be issued upon exercise of any option granted or to be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed “Share Capital” or otherwise).*
- 2 The unaudited pro forma net tangible asset per Share has been arrived at after adjustments referred to in the section headed “Appendix II — Unaudited Pro Forma Financial Information” and based on 1,000,000,000 Shares expected to be in issue following the Global Offering, but takes no account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme referred to the section headed “Share Option Scheme” in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed “Share Capital” or otherwise.*

DIVIDEND POLICY

After the completion of the Global Offering, we may in the future distribute dividends by way of cash or by other means that we consider appropriate. We will not declare or pay any dividends other than from profits and reserves lawfully available for distribution. A decision to declare and pay any dividends would require the recommendation of the Directors and approval of the Shareholders. Under the Bye-Laws, the Directors have the power to pay interim dividends but only if they are justified by the distributable profits of our Group. The decision to pay dividends will be reviewed in light of factors such as our results of operations, financial condition and position, operating and capital requirements, the amount of distributable profits based on our Bye-Laws, the Companies Act, applicable laws and regulations and other relevant factors.

Pursuant to the new PRC Enterprise Income Tax Law as approved by the National People’s Congress on 16 March 2007 (the “**New PRC EIT Law**”) and its implementation regulations, dividends payable by a foreign investment enterprise to its foreign investors are subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We do not expect our PRC subsidiary, being a foreign-invested company, to pay out any dividends from profit earned after 1 January 2008 in the foreseeable future. For further details, please refer to the section headed “Risk Factors — Risks relating to conducting business in the PRC — Our PRC subsidiary is subject to existing restrictions on paying dividends or making other distributions to us and changes in foreign exchange regulations may adversely affect our business, financial condition and results of operations”.

Any distributable profits that are not distributed in any given year may be retained and made available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available for reinvestment in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board of Directors.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$670.7 million, after deducting the underwriting commissions and estimated expenses payable by us in the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$2.88 per Offer Share, being the midpoint of the Offer Price range stated in this prospectus.

We estimate that the Selling Shareholders will receive net proceeds from the Global Offering ranging from approximately HK\$144.5 million (assuming an Offer Price of HK\$2.53 per Offer Share, being the low end of the Offer Price range stated in this prospectus) to HK\$184.5 million (assuming an Offer Price of HK\$3.23 per Offer Share, being the high end of the Offer Price range stated in this prospectus) in aggregate, after deducting the underwriting commissions and estimated expenses payable by the Selling Shareholders in relation to the Global Offering.

Assuming we receive the estimated net proceeds of HK\$670.7 million as described above, we intend to use these net proceeds for the following purposes:

- Approximately HK\$268.3 million (approximately 40% of our net proceeds) over three years from 2011 to 2013 (as to approximately HK\$75.1 million, HK\$87.0 million and HK\$106.2 million in 2011, 2012 and 2013 respectively, being approximately 11.2%, 13.0% and 15.8% of our net proceeds respectively) for enhancing our research and development efforts. We plan to build stronger and larger in-house research and development team through recruitment, investments in new equipment and technologies for EFT-POS products. Out of this 40% of our net proceeds, we plan to use:
 - (a) approximately HK\$107.2 million (approximately 16% of our net proceeds) (as to approximately HK\$31.5 million, HK\$35.5 million and HK\$40.2 million in 2011, 2012 and 2013 respectively, being approximately 4.7%, 5.3% and 6.0% of our net proceeds respectively) on research and development in product hardware including a new series of various EFT-POS terminals, contactless devices, EFT-POS kiosks and other multi-functional payment products and solutions;
 - (b) approximately HK\$53.7 million (approximately 8% of our net proceeds) (as to approximately HK\$16.1 million, HK\$17.4 million and HK\$20.2 million in 2011, 2012 and 2013 respectively, being approximately 2.4%, 2.6% and 3.0% of our net proceeds respectively) on research and development in product software including developing upgraded versions of PAX PayPro and ProTims, Linux software platform and end-to-end encryption software;
 - (c) approximately HK\$53.7 million (approximately 8% of our net proceeds) (as to approximately HK\$16.1 million, HK\$17.4 million and HK\$20.2 million in 2011, 2012 and 2013 respectively, being approximately 2.4%, 2.6% and 3.0% of our net proceeds respectively) on research and development in communications modules, chips and other product-related technologies such as RF identification, WiMax, digital signature, fingerprint recognition technologies;
 - (d) approximately HK\$40.3 million (approximately 6% of our net proceeds) (as to approximately HK\$8.7 million, HK\$12.7 million and HK\$18.9 million in 2011, 2012 and 2013 respectively, being approximately 1.3%, 1.9% and 2.8% of our net proceeds respectively) on expansion of our research and development team through recruitment, mainly of graduates from universities in the PRC who possess relevant qualification, and also head hunting experienced research and development experts in the PRC and overseas. We plan to recruit and acquire over 200 research and development staff from 2011 to 2013; and

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- (e) approximately HK\$13.4 million (approximately 2% of our net proceeds) (as to approximately HK\$2.7 million, HK\$4.0 million and HK\$6.7 million in 2011, 2012 and 2013 respectively, being approximately 0.4%, 0.6% and 1.0% of our net proceeds respectively) on training and development of our employees, acquiring new tools and equipment mainly from overseas suppliers and engaging consultancy services for our research and development team.
- Approximately HK\$100.6 million (approximately 15% of our net proceeds) over three years from 2011 to 2013 (as to approximately HK\$16.8 million, HK\$36.2 million and HK\$47.6 million in 2011, 2012 and 2013 respectively, being approximately 2.5%, 5.4% and 7.1% of our net proceeds respectively) for expanding our distribution network, of which we plan to use:
 - (a) approximately HK\$13.4 million (approximately 2% of our net proceeds) (as to approximately HK\$2.7 million, HK\$4.0 million and HK\$6.7 million in 2011, 2012 and 2013 respectively, being approximately 0.4%, 0.6% and 1.0% of our net proceeds respectively) on strengthening our brand building through attending international industrial exhibitions, advertisements on industrial magazines and internet and hosting ceremonies, forums, workshops for new products and/or new technologies; and
 - (b) approximately HK\$87.2 million (approximately 13% of our net proceeds) (as to approximately HK\$14.1 million, HK\$32.2 million and HK\$40.9 million in 2011, 2012 and 2013 respectively, being approximately 2.1%, 4.8% and 6.1% of our net proceeds respectively) on strengthening our market and promotional initiatives, both in China and internationally, including enhancing and expanding our existing US office and establishing one international office in each of Europe, South America and the Middle East;
- Approximately HK\$234.8 million (approximately 35% of our net proceeds) for potential merger and acquisition opportunities of both upstream industries and our competitors, in respect of which we do not have any identified target or developed plan as at the Latest Practicable Date. We aim mainly to target companies from upstream industries with unique and innovative technologies that are applicable to our EFT-POS products and our competitors with complementary market coverage or product lines which can have direct and effective impact on enhancing our market share in the EFT-POS industry. We will also seek companies with strong sales or research and development team to improve the overall competitiveness and effectiveness of our Group; and
- Approximately HK\$67.0 million (approximately 10% of our net proceeds) for funding the working capital requirements of our Group's operations and other general corporate purposes.

The application of the net proceeds as stated above are only current estimates and will be subject to changes based on prevailing economic, market and business conditions and, if applicable, negotiations with third parties.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive net proceeds of approximately HK\$699.7 million at the low end of the Offer Price range of HK\$2.53 per Offer Share and HK\$906.9 million at the high end of the Offer Price range of HK\$3.23 per Offer Share, after deducting the estimated underwriting commissions and estimated expenses payable by us. The additional net proceeds received from the exercise of the Over-allotment Option will be applied pro rata for the abovementioned purposes.

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In the event that the Offer Price is finally determined at the low end of the indicative Offer Price range between HK\$2.53 and HK\$3.23 per Offer Share, assuming the Over-allotment Option is not exercised, the net proceeds from the issue of new Shares will decrease by approximately HK\$87.5 million, as compared with the above computation (which is based on the midpoint of the Offer Price range stated in this prospectus). In such case, our Directors intend to adjust the above uses on a pro rata basis.

In the event that the Offer Price is finally determined at the high end of the indicative Offer Price range between HK\$2.53 and HK\$3.23 per Offer Share, assuming the Over-allotment Option is not exercised, the net proceeds of the issue of new Shares will increase by approximately HK\$87.5 million, as compared with the above computation (which is based on the midpoint of the Offer Price range stated in this prospectus). Our Directors will allocate such additional net proceeds for the above uses on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes, we intend that such net proceeds, to the extent permitted by applicable laws and regulations, will be placed on deposits with banks or financial institutions.

We will not receive any of the net proceeds of the Global Offering from the sale of the Sale Shares by the Selling Shareholders. The Selling Shareholders will be responsible for the underwriting commission, together with any applicable Stock Exchange trading fee, SFC transaction levy, CCASS transaction fees and stamp duty (if any) payable in respect of the sale of the Sale Shares. We will be responsible for all other costs of the Global Offering.

RISK FACTORS

There are certain risks relating to an investment in our Shares. These can be categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering. For a detailed discussion of the risk factors, please refer to the section headed “Risk Factors” in this prospectus.

Risks relating to our business

- We depend upon a single contract manufacturer to process and assemble all of our EFT-POS products.
- We rely upon a limited number of customers in China for a large percentage of our sales. If we do not effectively manage our relationships with these customers, our sales and results of operation may be materially and adversely affected.
- The selling prices of EFT-POS products may decrease over time. If we cannot supplement our product portfolio with new products that can command higher selling prices or lower the cost of our products thereby maintaining or improving our gross profit margin, our profitability and financial condition may be adversely affected.
- We are subject to industry and technology changes and are dependent on development and market acceptance of new products. If we are unable to adequately respond to these changes, continually enhance our existing products and market new products in a timely manner, our results of operation may be adversely affected.
- While our products are all subject to a stringent quality control procedures, it is possible that our products may have defects that may be difficult or even impossible to detect. Such defects could result in the loss of sales, delays in our collection of receivables, increased costs and claims against us.

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- Any unauthorized use of our intellectual property by third parties may cause damage to our business and impair our ability to compete effectively.
- Our expansion into international markets may not be successful.
- We did not enter into formal written agreements with all our distributors and not all formal written agreements with our distributors have minimum purchase order requirement.
- We may fail to renew our High-tech Enterprise Certificate in the future, which will make us unable to obtain certain governmental benefits and funding associated with it.
- Our future acquisitions and investments may not be successful.
- Our Group's business is subject to operational risks.
- We had uncollectible debts during the Track Record Period and our business is subject to general trading risk.
- We have limited insurance coverage and it may be inadequate to cover all risks of loss associated with our business operations, in particular when our products are placed at our customers' premises for quality check.
- Our controlling shareholder, Hi Sun, may take actions that are not in, or are in conflict with, our public shareholders' best interests.
- While our business was not significantly impacted by the global financial crisis, our business may be negatively affected by the unstable economy which continues after the global financial crisis.

Risks relating to our industry

- It is not a common practice for customers in the EFT-POS market in China to enter into long-term contracts with their suppliers.
- The EFT-POS market in which we operate is highly competitive and subject to price pressure.
- There are extensive industry standards and government regulations that EFT-POS product suppliers have to comply with in order to remain competitive in both the PRC market and international markets. If our products fail to comply with these standards and regulations, our production and sales may be adversely affected.
- We have no insurance coverage for product liability claims.

Risks relating to conducting business in the PRC

- Our business, financial condition, results of operations and prospects could be negatively affected by PRC political, economic and legal developments and changes in government policies.
- An outbreak of severe acute respiratory syndrome ("SARS"), avian influenza A ("H5N1"), influenza A virus subtype H1N1 ("H1N1") or other epidemic if uncontrolled could have a negative impact on our production, sales and distribution operations.
- Our business could be adversely affected by changes and uncertainties in the PRC legal system.

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- Government control of currency conversion and changes in the exchange rates between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.
- We may be deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC tax on our worldwide income, which may significantly increase our income tax expenses and materially decrease our profitability or otherwise adversely affect the value of your investment.
- Our PRC subsidiary is subject to existing restrictions on paying dividends or making other distributions to us and changes in foreign exchange regulations may adversely affect our business, financial condition and results of operations.
- PRC regulations relating to loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of the Global Offering to contribute additional capital or make loans to our PRC subsidiary.
- Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions.

Risks relating to the Global Offering

- There has been no prior public market for our Shares.
- Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus.
- Investors of our Shares in the Global Offering will experience an immediate dilution and may experience further dilution if we issue additional Shares in the future.
- Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.
- The Offer Price may not be indicative of prices that will prevail in the trading market and the market price of our Shares may be volatile.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“acquirer(s)”	a member of a card association (such as American Express, MasterCard and Visa) which maintains merchant relationships and receives bankcard transactions from the merchants
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person
“Analysys International”	Analysys International (北京易觀網絡信息諮詢有限公司), the market research consultant of our Company and an Independent Third Party
“American Express”	American Express Company, also known as “AmEx” or “Amex”, is a diversified global financial services company that is headquartered in New York City
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s), GREEN Application Form(s) and BLUE Application Form(s), or where the context so requires, any of them
“Asset Appraisal”	Asset Appraisal Limited, the property valuer of our Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Assured Entitlement(s)”	the entitlement of Qualifying Hi Sun Shareholders to apply for the Reserved Shares under the Preferential Offer on the basis of two Reserved Shares for every 3,000 Hi Sun Shares held by each Qualifying Hi Sun Shareholder as at 5:00 p.m. on the Record Date
“ BLUE Application Form(s)”	the form of application for the Reserved Shares for use by the Qualifying Hi Sun Shareholders under the Preferential Offer
“Board” or “Board of Directors”	the board of directors of our Company
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands

DEFINITIONS

“Bye-Laws”	the bye-laws of our Company approved pursuant to the written resolutions of the sole Shareholder of our Company on 1 December 2010, as amended or supplemented from time to time
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the allotment and issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company described in the section headed “Appendix VI — Statutory and General Information”
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
“China UnionPay”	China Union Pay (中國銀聯), also known as UnionPay (銀聯) or CUP, a bankcard organisation established under the approval of the State Council and PBOC in the PRC. It is also the only interbank network in China excluding Hong Kong and Macau, linking the automatic teller machines (ATMs) of some fourteen major banks and various smaller banks throughout mainland China. It is also an EFT-POS network
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	PAX Global Technology Limited (百富環球科技有限公司*), an exempted company incorporated in Bermuda on 15 February 2010 with limited liability
“connected persons”	has the meaning ascribed to it under the Listing Rules

* For identification purposes only

DEFINITIONS

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, means the controlling shareholder of our Company, being Hi Sun
“Digital Investment”	Digital Investment Limited, a company 95% owned by HAO Capital China Fund L.P. and a substantial shareholder (as defined in the Listing Rules) of Pax Technology through holding series A preference shares of Pax Technology prior to the completion of the Reorganisation, and a Selling Shareholder
“Director(s)”	director(s) of our Company
“Dream River”	Dream River Limited, a company wholly-owned by HAO Capital Fund II L.P. and a substantial shareholder (as defined in the Listing Rules) of Pax Technology through holding series B preference shares of Pax Technology prior to the completion of the Reorganisation, and a Selling Shareholder
“EMVCo”	EMVCo, a company jointly owned by Visa, MasterCard, JCB and American Express, managing the EMV standards and associated compliance processes
“Euro”	the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community (as amended and supplemented from time to time)
“GDP”	gross domestic product
“Global Coordinator” or “Bookrunner”	CITIC Securities Corporate Finance (HK) Limited, being the global coordinator, bookrunner and one of the joint lead managers of the Global Offering
“Global Offering”	the Public Offer, the International Offer and the Preferential Offer
“Grand Global”	Grand Global International Limited, a company incorporated in the BVI on 8 May 2009 with limited liability. Grand Global is a wholly-owned subsidiary of our Company
“GREEN Application Form(s)”	the form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group” or “our Group” or “the Group”	our Company and its subsidiaries of the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses operated by its present subsidiaries or (as the case may be) its predecessor

DEFINITIONS

“HAO Capital”	HAO Capital China Fund L.P. (in relation to Digital Investment) and HAO Capital Fund II L.P. (in relation to Dream River)
“Hao Share Swap Agreement”	the share swap agreement dated 5 November 2010 entered into between the Company, Digital Investment and Dream River, as amended by a letter agreement between the same parties dated 1 December, 2010, pursuant to which the Company has agreed to purchase or procure the purchase of, and Digital Investment and Dream River have agreed to sell their aggregate 40% interest in Pax Technology to be satisfied by the issue and allotment of an aggregate of 100,000,000 Shares credited as fully paid to Digital Investment and Dream River, representing 40% of the issued share capital of our Company immediately after completion of this share swap agreement
“Hi Sun”	Hi Sun Technology (China) Limited (高陽科技(中國)有限公司*), a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code: 818)
“Hi Sun (BVI)”	Hi Sun (BVI) Limited, a wholly-owned subsidiary of Hi Sun and a member of the Hi Sun Group
“Hi Sun Group”	Hi Sun and its subsidiaries (excluding, except where the context indicates otherwise, our Company and our subsidiaries)
“Hi Sun Limited”	Hi Sun Limited, a company incorporated in the British Virgin Islands and a substantial shareholder of Hi Sun
“Hi Sun Shares”	ordinary shares with a nominal value of HK\$0.0025 each in the share capital of Hi Sun
“Hi Sun Technology”	Hi Sun Technology Holding Limited, a wholly-owned subsidiary of Hi Sun and a member of the Hi Sun Group
“HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form (www.hkeipo.hk)
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website (www.hkeipo.hk)
“HKFRS”	Hong Kong Financial Reporting Standards

* For identification purposes only

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	party or parties that is or are independent of our Company and connected persons of our Company
“International Offer”	the conditional placing by the International Underwriters of the International Offer Shares with professional and institutional investors at the Offer Price outside the United States in reliance on Regulation S, and the Preferential Offer, subject to and in accordance with the terms set out in the section headed “Structure of the Global Offering”
“International Offer Shares”	the 226,309,976 new Shares initially being offered by us for subscription and the 59,200,000 Sale Shares being offered by the Selling Shareholders for purchase pursuant to the International Offer (excluding the Preferential Offer), together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option, and subject to reallocation as described in the section headed “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Offer whose names are set out in the section headed “Underwriting — International Underwriters”
“International Underwriting Agreement”	the conditional international underwriting agreement relating to the International Offer expected to be entered into by, among others, our Company, our controlling shareholder, the Selling Shareholders, the Global Coordinator and the other International Underwriters on or about 14 December 2010
“JCB”	Japan Credit Bureau is a credit card company based in Tokyo, Japan. Its English name is JCB Co., Ltd.
“Joint Lead Managers”	CITIC Securities Corporate Finance (HK) Limited and First Shanghai Securities Limited
“King & Wood”	King & Wood, our legal advisers as to the PRC law

DEFINITIONS

“Kyokuto Hong Kong”	Kyokuto China Limited (旭東中國有限公司), a company with limited liability incorporated under the laws of Hong Kong and the largest shareholder of PKS as at the Latest Practicable Date
“Kyokuto Japan”	Kyokuto Electronic Co., Ltd. (旭東電氣株式會社), a company incorporated in Japan and a shareholder of PKS as at the Latest Practicable Date
“Latest Practicable Date”	1 December 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about Monday, 20 December 2010, on which dealings in the Shares may first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
“MasterCard”	MasterCard Worldwide, a multinational corporation with its headquarters in the MasterCard International Global Headquarters in Harrison, New York, United States
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company on its incorporation, as amended or supplemented from time to time
“merchant service providers”	companies that provide transaction processing solutions to merchants by assisting merchants in setting up their operations to accept cards as a form of payment from their customers
“NPC”	The National People’s Congress of the PRC (中華人民共和國人民代表大會), the national legislative body of the PRC

DEFINITIONS

“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK\$3.23 and which is expected to be not less than HK\$2.53, such price to be agreed upon by us (for ourselves and on behalf of the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Public Offer Shares, the International Offer Shares and the Reserved Shares, where relevant, with any additional Shares being issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters exercisable by the Global Coordinator on behalf of the International Underwriters, pursuant to which we may be required to allot and issue up to an aggregate of 47,880,000 additional Shares (in the aggregate representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocations in the International Offer, details of which are described in the section headed “Structure of the Global Offering”
“Overseas Hi Sun Shareholders”	registered holders of Hi Sun Shares whose addresses on the register of members of Hi Sun were outside Hong Kong and Singapore as of 5:00 p.m. on the Record Date
“Pax Technology”	Pax Technology Limited (百富科技有限公司), a company incorporated in Hong Kong on 8 March 2000 with limited liability. Pax Technology is a 60% indirectly owned subsidiary of our Company which will become our indirect wholly-owned subsidiary upon completion of the Hao Share Swap Agreement
“Pax Technology (Shenzhen)”	Pax Computer Technology (Shenzhen) Co., Ltd.* (百富計算機技術(深圳)有限公司), a company incorporated in the PRC on 13 July 2001 with limited liability. Pax Technology (Shenzhen) is a 60% indirectly owned subsidiary of our Company which will become our indirect wholly-owned subsidiary upon completion of the Hao Share Swap Agreement
“Pax Technology (USA)”	Pax Technology, Inc., a company incorporated under the laws of the State of Georgia in the United States on 10 March 2008 with limited liability. Pax Technology (USA) is a 60% indirectly owned subsidiary of our Company which will become our indirect wholly-owned subsidiary of our Company upon completion of the Hao Share Swap Agreement

* For identification only

DEFINITIONS

“payment processors”	companies that provide card processing services. In a typical credit card payment transaction, a payment processor is responsible for checking card payment transaction details received from a merchant by forwarding them to the respective card issuing banks or card association for verification and the payment processor supplies authorization and settlement services to the merchant
“PBOC”	The People’s Bank of China, the central bank of PRC
“PKS”	Guangzhou Panyu Kyokuto Sakata Electronics Ltd. (廣州番禺旭東阪田電子有限公司), a foreign invested enterprise established in the PRC and an Independent Third Party
“PKS Chaotian Factory”	a production facility operated by PKS which is located at Chaotian Industrial Zone, Shilou town, Panyu district, Guangzhou, PRC
“PRC” or “China”	the People’s Republic of China. References in this prospectus to the PRC or China exclude Hong Kong, Macau and Taiwan
“PRC government”	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
“Preferential Offer”	the preferential offer to the Qualifying Hi Sun Shareholders of 1,770,024 Offer Shares (representing approximately 0.55% of the Offer Shares initially available under the Global Offering) at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the BLUE Application Form, as further described in the section headed “Structure of the Global Offering — The Preferential Offer”
“Price Determination Date”	the date, expected to be on or about 14 December 2010, on which the Offer Price is to be fixed by agreement between us (for ourselves and on behalf of the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters)
“Public Offer”	the offer for subscription of the Public Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms
“Public Offer Shares”	the 31,920,000 new Shares being initially offered by us for subscription at the Offer Price pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure of the Global Offering”

DEFINITIONS

“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set out in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 7 December 2010 relating to the Public Offer entered into amongst our Company, the controlling shareholder and the Public Offer Underwriters
“Qualifying Hi Sun Shareholders”	holders of the Hi Sun Shares, whose names appear on the register of members of Hi Sun as of 5:00 p.m. on the Record Date, with a holding equal to or more than 3,000 Hi Sun Shares other than the Overseas Hi Sun Shareholders
“Record Date”	24 November 2010, being the record date for ascertaining the Assured Entitlement under the Preferential Offer
“Regulation S”	Regulation S under the US Securities Act
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation by which our group structure immediately after completion of the Hao Share Swap Agreement is achieved as described in Appendix VI — Statutory and General Information
“Reserved Shares”	the 1,770,024 Offer Shares being offered by us in aggregate to the Qualifying Hi Sun Shareholders pursuant to the Preferential Offer
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sale Shares”	the 59,200,000 Shares being offered by the Selling Shareholders in aggregate at the Offer Price under the International Offer
“Selling Shareholders”	Digital Investment and Dream River
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the capital of our Company

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to written resolutions of the sole Shareholder of our Company dated 1 December 2010, further details of which are described in the section headed “Appendix VI — Statutory and General Information — Share Option Scheme”
“Shareholder(s)”	holder(s) of Shares
“Sponsor”	CITIC Securities Corporate Finance (HK) Limited
“Stabilization Manager”	CITIC Securities Corporate Finance (HK) Limited
“State”	the government authorities authorized to perform specified duties in the name of the PRC according to the PRC laws, including without limitation the NPC and the State Council
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into on or about the Price Determination Date between the Global Coordinator and Hi Sun
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“subsidiaries”	has the meaning ascribed to it in section 2 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as approved by the SFC and as amended from time to time
“Track Record Period”	the three financial years ended 31 December 2009 and the six months ended 30 June 2010
“UMS”	Unionpay Merchant Services (銀聯商務有限公司), a subsidiary of China UnionPay
“US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“US persons”	US persons as defined in Regulation S
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

DEFINITIONS

“Underwriters”	the Public Offer Underwriters and the International Underwriters
“Underwriting Agreements”	the Public Offer Agreement and the International Underwriting Agreement
“Visa”	Visa Inc., commonly referred to as VISA (Visa International Service Association), is a multinational corporation based in San Francisco, California, USA.
“we” or “us” or “our”	our Company and our subsidiaries or, where the context so requires, our Company only
“ WHITE Application Form(s)”	the form of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicants’ own name
“ YELLOW Application Form(s)”	the form of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translations of company names in Chinese or other language which are marked with “” and Chinese translations of company names in English which are marked with “*” are for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this prospectus in connection with our Group and our business. Some of these may not correspond to standard industry definitions.

TERM	DEFINITION
“AC”	alternating current
“Bluetooth”	is a proprietary open wireless protocol for exchanging data over short distances (using short length radio waves) from fixed and mobile devices, creating personal area networks (PANs). It was originally conceived as a wireless alternative to RS-232 data cables. It can connect several devices, overcoming problems of synchronization
“CDMA”	Code Division Multiple Access. CDMA converts speech signal into digital format and then transmits it from satellite phone to satellite systems and down to the ground station. CDMA signal is the foundation for 3G communication systems worldwide
“DC”	direct current
“ECR”	electronic cash register, an electronic device for calculating and recording sales transactions, and an attached cash drawer for storing cash
“EFT-POS”	electronic fund transfer point-of-sale, which refers to the use of point-of-sale terminals to validate and submit credit or debit card transactions.
“EMS”	electronic manufacturing services, a term used for companies that design, test, manufacture, distribute, and provide return/repair services for electronic components and assemblies for original equipment manufacturers (OEMs)
“EMV”	an international industry standard managed by EMVCo that define the rules for processing chip cards, originally named after the 3 organizations (Europay, MasterCard and Visa) that produced the specifications
“EMV Level 1”	EMV standard which covers the electrical and physical interfaces, and the transmission of data, between a terminal and a processing chip card
“EMV Level 2”	EMV standard which covers the set of functions that provide all the necessary processing logic and data that is required to select and process a processing chip card application in order to perform an EMV transaction
“EMV migration”	the migration to the EMV standard where chip and pins are involved to reduce fraud related to the copying of magnetic strips and card counterfeiting by the card issuing associations such as MasterCard and Visa

GLOSSARY OF TECHNICAL TERMS

“ERP”	Enterprise Resource Planning, an integrated computer-based system used to manage internal and external resources including tangible assets, financial resources, materials, and human resources. It is an application and software architecture whose purpose is to facilitate the flow of information between all business functions inside the boundaries of the organisation and manage the connections to external stakeholders
“GPRS”	General Packet Switched Radio Service, which refers to the application of packet-switch technology in wireless telecommunications which will only consume network resources during data transmission without the need to have a dedicated channel for continuous data transmission flow. GPRS technology allows mobile subscribers to transmit and receive data at a speed exceeding 115 kbit/s
“GSM”	Global System for Mobile Communications, a standard for mobile telephone systems in the world a wide area wireless communications system that uses digital radio transmission to provide voice, data, and multimedia communication services
“IC card”	a card that contains a microprocessor chip. This chip can be used to perform EMV transactions on a payment terminal, and such a card is commonly referred to as a “smart card”
“Internet”	a global data communications system which is a hardware and software infrastructure that provides connectivity between computers
“ISO”	International Organisation for Standardisation, a worldwide federation of national standards bodies
“ISO 9001:2000”, “ISO 9001:2008”	<p>ISO 9000 is a family of standards for quality management systems. ISO 9000 is maintained by ISO and is administered by accreditation and certification bodies. The rules are updated, as the requirements motivate changes over time. Some of the requirements in ISO 9001:2008 (which is one of the standards in the ISO 9000 family) include</p> <ul style="list-style-type: none">• a set of procedures that cover all key processes in the business;• monitoring processes to ensure they are effective;• keeping adequate records;• checking output for defects, with appropriate and corrective action where necessary;

GLOSSARY OF TECHNICAL TERMS

	<ul style="list-style-type: none">• regularly reviewing individual processes and the quality system itself for effectiveness; and• facilitating continual improvement
“ISO/IEC 14443”	a series of standards for contactless cards maintained by ISO
“LCD”	liquid crystal display, a technology for television, portable computer displays and watches etc.
“LED”	light-emitting diode, a semiconductor light source, which is commonly used as indicator lamps in many devices
“ODM”	refers to original design manufacturer, a firm which designs and manufactures a product which is specified and eventually branded by another firm for sale
“OEM”	refers to original equipment manufacturer, a firm that manufactures a product which is specified and eventually branded by another firm for sale
“PayPass Certification”	certification by MasterCard on EFT-POS devices with EMV compatible, contactless payment feature based on the ISO/IEC 14443 standard
“PayWave Certification”	certification by Visa on EFT-POS devices with contactless technology feature that allows cardholders to wave their card in front of contactless payment terminals without the need to physically swipe or insert the cards into point-of-sale devices, using RF technology
“PBOC Certification”	certification by Bank Card Test Center which has been authorized by People’s Bank of China since 1998 to provide technical tests for bank cards and terminals according to international, national and the financial industry’s standards in order to verify whether bank card products can meet those standards
“PCB”	printed circuit board, a board manufactured from laminating one or more layers of conductive pathways, tracks or traces onto a non-conductive substratum
“PCI”	Payment Card Industry Security Standards Council, an independent council originally formed by American Express, Discover Financial Services, JCB, MasterCard and Visa, which manage the Payment Card Industry Data Security Standard.
“PCI PTS Approval”	Payment Card Industry PIN Transaction Security Approval granted under the Payment Card Industry PIN Transaction Security Testing and Approval Program
“PIN”	personal identification number

GLOSSARY OF TECHNICAL TERMS

“PIN Pad”	an electronic device used in debit, credit or smart chipcard transaction to input PIN
“PLM”	product lifecycle management system, a software solution for new product introduction and product information management which integrates people, data processes, and business systems
“POS”	point of sale, the location where a transaction occurs
“PSTN”	public switch telephone network, a protocol that allows certain telephony services to be invoked from an IP network
“PTS Certification”	certification by MasterCard on security of Interest Protocol (IP)-enable EFT-POS terminals
“RF”	radio frequency
“TCP/IP”	telephony control protocol which is used for the establishment of speech and data calls between communication devices (such as Bluetooth devices) and the Internet protocol suite which is the set of communications protocols used for the Internet and other similar networks
“TD-SCDMA”	Time Division Synchronous Code Division Multiple Access, a telecommunication technology
“MasterCard TQM”	the MasterCard Terminal Quality Management program, a hardware quality management program, which mainly involves the review and audit of the vendor’s process in the different phases of implementation, manufacturing and distribution
“Wi-Fi”	a wireless networking technology that uses radio waves to provide wireless high-speed Internet and network connections. Wi-Fi is a trademark of the Wi-Fi Alliance that may be used with certified products that belong to a class of wireless local area network (WLAN) devices based on the IEEE 802.11 standards. Because of the close relationship with its underlying standard, the term <i>Wi-Fi</i> is often used as a synonym for IEEE 802.11 technology
“WiMax”	Worldwide Interoperability for Microwave Access, a telecommunications technology that provides wireless transmission of data using a variety of transmission modes, from point-to-multipoint links to portable and fully mobile Internet access

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain proforma information and other matters.

The words “anticipate”, “believe”, “could”, “foresee”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “shall”, “should”, “target” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditures, cash flows and working capital, are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set forth in the section headed “Risk Factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described in the following risk factors when considering making an investment in the Shares being offered in the Global Offering. You should pay particular attention to the fact that our business and operations are conducted almost exclusively in the PRC and are governed by a legal and regulatory environment which in certain aspects differs from that prevailing in other countries. Our business could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of the Shares may decline due to any of the risks and uncertainties and you may lose all or part of your investment. For details regarding the PRC and other relevant matters, please refer to the section headed “PRC Regulatory Overview” in this prospectus.

We believe that an investment in our Shares involves certain risks, some of which are beyond our control. These risks can be broadly categorized into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering. Prospective investors in our Shares should consider carefully all the information set forth in this prospectus. In particular, prospective investors should consider this section in connection with any investment in our Shares.

RISKS RELATING TO OUR BUSINESS

We depend upon a single contract manufacturer to process and assemble all of our EFT-POS products.

We rely upon a single contract manufacturer, PKS, to process and assemble our EFT-POS products in accordance with our specifications. Any disruption to the business or operation of the PKS Chaotian Factory, or to their ability to produce the products we require in accordance with our and our customers' requirements, could significantly affect our ability to fulfil customers' demand on a timely basis. As a result, our relationships with our customers, our sales and results of operations may be adversely affected. In addition, we may not be able to find an alternative contract manufacturer which is located in proximity to our warehouse in Panyu, China. Even if we are able to secure alternative contract EMS manufacturers in a timely manner, it may take time for us to build the same level of collaboration as we have established with PKS and our overall production flow and product supply chain may be adversely affected. Although alternative contract EMS manufacturers are generally available in the PRC and the Directors believe that we should be able to find an alternative contract manufacturer and complete the handover process in one to two months, the number of contract EMS manufacturers of our EFT-POS products is limited, and qualifying a replacement manufacturer could take more time than expected. In addition, despite our plan to explore after Listing the opportunity to develop back-up arrangement (or failing which, mutual understanding) with available additional or alternative EMS manufacturers so as to get their support if our relationship with PKS is terminated, there is no assurance that any definitive back-up arrangement or mutual understanding can be achieved because we do not have any control or significant influence on any such candidate.

Although we have our quality assurance personnel stationed at production facilities of our contract manufacturer, our use of third party contract manufacturer reduces our direct control over product quality, manufacturing lead time, yields and costs and any disruption to the manufacture or supply of our products or to the components which make up our EFT-POS products, or a third party manufacturer's or supplier's failure to remain competitive in terms of functionality, quality or price, could delay or interrupt our ability to deliver our products to customers on a timely basis, which could have a material and adverse effect on our business, prospects, financial condition and results of operations.

RISK FACTORS

Please refer to the section headed “Business — Production Process” in this prospectus for further details of our relationship with PKS. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, processing fees we paid to PKS amounted to HK\$13.9 million, HK\$23.3 million, HK\$25.1 million and HK\$18.8 million, respectively. The processing fees charged by PKS were determined based on the type and complexity of assembly process involved and the quantity of the products processed during the Track Record Period and the credit period granted by PKS to us is 60 days.

We rely upon a limited number of customers in China for a large percentage of our sales. If we do not effectively manage our relationships with these customers, our sales and results of operation may be materially and adversely affected.

A significant percentage of our revenues are attributable to a limited number of customers in China who select qualified suppliers from whom they purchase EFT-POS products. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our five largest customers accounted for approximately 79.8%, 85.4%, 74.3% and 62.5% of our Group’s revenue. Although we were selected as one of the qualified suppliers of various state-grade banks in China during the Track Record Period and we have been able to obtain a considerable volume of purchase orders from these customers, there is no assurance that we will continue to be selected as a qualified supplier of any of these customers in the future. Further, there is no assurance that these customers will purchase EFT-POS products from us as being a qualified supplier of certain customers only confer on us an eligibility to supply EFT-POS products with no guarantee on volume. Therefore, there is no assurance that we will continue to generate large volume of sales from these customers or at all. In addition, our customers do substantial business with some of our competitors. If any of our large customers significantly reduces or delays purchases from us or if we are required to sell products to them at reduced prices or on other terms less favorable to us, our business, prospects, financial condition and results of operations may be materially and adversely affected.

The selling prices of EFT-POS products may decrease over time. If we cannot supplement our product portfolio with new products that can command higher selling prices or lower the cost of our products thereby maintaining or improving our gross profit margin, our profitability and financial condition may be adversely affected.

The average price of EFT-POS products has experienced significant drops in recent years, according to Analysys International. The average selling price of our EFT-POS products shows a general trend of decline during the Track Record Period as the selling price of a number of our older product models decrease, offset slightly by the higher selling price achieved by a number of our newly introduced products during the Track Record Period. We expect that the selling price of our EFT-POS products may decrease over time. As a result, we must continually seek to lower the cost of our products and develop new products which can command a higher selling price. If we fail to achieve these goals thereby maintaining or improving our gross profit margin, our profitability and financial condition may be adversely affected.

We are subject to industry and technology changes and are dependent on development and market acceptance of new products. If we are unable to adequately respond to these changes, continually enhance our existing products and market new products in a timely manner, our results of operation may be adversely affected.

The market in which we operate is characterized by rapid technological change, frequent and numerous product introductions and enhancements, continually evolving industry and government performance and security standards and rapidly changing customers’ and end-users’ requirements. Our success depends to a large extent upon our continued ability to offer new products, and enhancements to our existing products, and to meet changing market requirements, including conformity with applicable standards.

RISK FACTORS

Continually enhancing our existing products and developing and marketing new products and technologies is a complex and uncertain process requiring innovation and accurate anticipation of technological and market trends. These efforts also require significant investment in research and development as well as increased costs of manufacturing and distributing our system solutions, and we may not necessarily be able to increase or maintain prices to account for these costs. Our competitors may be able to adapt to new or emerging technologies to design new products and changes to meet customer requirements more quickly, adopt more aggressive pricing policies than us, and devote greater resources to the marketing of their products. There can be no assurance that we will be able to successfully identify, develop, or manufacture new products and technologies in a cost effective manner, gain market acceptance for new products and technologies or respond to technological changes, new industry standards, and announcements of new products and technologies by competitors. The intense competition may reduce our profitability and may result in a loss of our market share, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

While our products are all subject to a stringent quality control procedures, it is possible that our products may have defects that may be difficult or even impossible to detect. Such defects could result in the loss of sales, delays in our collection of receivables, increased costs and claims against us.

Our products are of high technological complexity and may be susceptible to hardware and software errors or failures that may be undetected or may be difficult, time-consuming and expensive to correct. Even though we have a quality assurance system in place to test all of our products, defects may continue to be identified after our products are delivered to our customers. Any product recalls as a result of product defects or failures could adversely affect our business and reputation, result in additional warranty expenses, diversion of resources from product development and loss of credibility with customers and increase our overall product costs. As a result, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Any unauthorized use of our intellectual property by third parties may cause damage to our business and impair our ability to compete effectively.

We rely on copyright, trademark and patent registrations, as well as confidentiality and other contractual arrangements to establish and protect our intellectual property rights and the proprietary aspects of our products.

We have registered under our own name or applied for registration of a number of patents for invention, practical new models and layout which are important to the Group's business, further details of which are set out in Appendix VI — Statutory and General Information — 4. Intellectual property of the Group. There is no assurance that the pending applications for registration of various intellectual property rights by the Group will eventually be granted by the respective authorities.

We provide PKS, our sole contract EMS manufacturer with information and know-how in relation to the designs, patents, copyrights and trade secrets which are related to the manufacturing of our EFT-POS products. These intellectual property and proprietary technology used in the production of our EFT-POS products are of fundamental importance to our business as we rely on them to manufacture our EFT-POS products. Although we have entered into a confidentiality agreement with PKS and we may enforce our contractual rights under the confidentiality agreement and institute legal proceedings in the PRC in the event of any breach of the agreement, there is no assurance that steps taken by us and PKS will be effective in preventing any misappropriation of our intellectual property and proprietary technology and leakage of our trade secrets.

RISK FACTORS

Some of our intellectual property (such as designs and inventions) was the result of the research and development efforts of our employees. In addition, our employees may have access to confidential information and trade secrets of our Group while they work for us. Although the employment agreements we have with our employees provide that all intellectual property invented or produced by our employees during the course of their employment with our Group shall belong to our Group and the employees should keep confidential all confidential information and trade secrets of our Group which they have knowledge or access to, and we may institute legal proceedings in the PRC against our employees in the event of any breach of their employment agreements, there is no assurance that such measure will effectively prevent any misappropriation of our intellectual property by our employees.

The institution of legal proceedings in any jurisdiction to enforce our intellectual property rights could be costly and could divert the efforts and attention of our management and other personnel from our business operations. In addition, there can be no assurance that such proceedings would be determined in our favor. We apply certain “common technology” (通用技術) (which are in the public domain and available to everyone) in the production of our EFT-POS products which are not registrable by our Group as they do not belong to our Group. In addition, there are countries in which our products are sold, including but not limited to PRC, where protection of patents, trademarks and other intellectual property rights may not be effective or may be very limited. There can be no assurance that any steps taken by our Group will successfully prevent misappropriation or infringement of our intellectual property rights.

Although we have not incurred any losses or claims from any misappropriation or infringement of our intellectual property rights during the Track Record Period, if we are unable to prevent misappropriation or infringement of our intellectual property and proprietary technology or to prevent leakage of our trade secrets, competitors may be able to use and adapt our technology and compete more effectively against us. In these circumstances, our competitive advantage could be diminished and we may lose our sales orders and customers to competitors and our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our expansion into international markets may not be successful.

We intend to continue to expand our EFT-POS product sales to markets outside of China and Hong Kong. In particular, we have established Pax Technology (USA) in March 2008 with the aim to develop and market our EFT-POS products in North America and have expended US\$189,000, US\$1,019,000 and US\$992,000, respectively for the financial years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 mainly on staff recruitment as well as sales and marketing efforts. There is no assurance that our products will be marketed and sold successfully or can be launched to the North American market. If our products cannot be launched successfully in this market, we may not be able to recover our investment in Pax Technology (USA) and the Group’s business, prospect and financial condition and results of operation may be adversely affected.

We mainly rely on third party distributors to sell our EFT-POS products to markets other than China, US and Hong Kong. Our continued expansion into the overseas markets will depend on our ability to maintain our existing sales network and distribution channels as well as establishing new sales networks and markets to expedite our product sales in international markets. We have to compete with other international suppliers which may have stronger financial resources, higher level of brand recognition and longer presence in the industry and in the relevant markets. If distributors choose to market and promote our competitors’ products and services in preference to our products or if we are unable to find suitable sales networks in new markets, this may impair our ability to sell our EFT-POS products in markets outside China, US and Hong Kong, and materially and adversely impact on our strategy to expand into overseas markets.

RISK FACTORS

We did not enter into formal written agreements with all our distributors and not all formal written agreements with our distributors have minimum purchase order requirement.

During the Track Record Period, we have entered into 12 formal written agreements with the relevant overseas distributors. However, the total number of our overseas distributors in the corresponding periods exceeded the number of such formal written agreements. In our overseas markets other than US and Hong Kong, we mainly rely on our overseas distributors to sell and distribute our EFT-POS products. Accordingly, we do not have contractual commitments from those distributors with whom we have not entered into any formal written agreements to protect us from the adverse financial effects of a reduction in demand for our EFT-POS products and services that could result from, for example, general economic downturn, entry of new competitors into the market, introduction of new or improved EFT-POS products by our competitors. We cannot assure you that our overseas distributors will continue to place purchase orders with us in quantities similar to their previous purchase orders, or at all. If they fail to do so, there may be a material adverse effect on our business, prospects, financial condition and results of operation. In addition, not all formal written agreements with our distributors specify any minimum purchase order requirement. If our distributors fail to purchase any EFT-POS products from us or if they substantially reduce their purchase volume from us, our business, prospect, financial condition and results of operation may be materially and adversely affected.

We may fail to renew our High-tech Enterprise Certificate in the future, which will make us unable to obtain certain governmental benefits and funding associated with it.

Our PRC subsidiary, Pax Technology (Shenzhen), was granted with the High-tech Enterprise Certificate (高新技術企業證書) in 2009 in accordance with the Guidelines for the Accreditation of High-tech Enterprises (高新技術企業認定管理工作指引). In the PRC, entities having acquired such a status as a high-tech enterprise enjoy a preferential tax rate of 15% (reduced from the uniform enterprise income tax rate of 25% under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) which took effect on 1 January 2008), as well as other preferential treatment pursuant to policies of the State and local government. As advised by King & Wood, our PRC legal advisers, if Pax Technology (Shenzhen) fails to renew the High-tech Enterprise Certificate upon its expiry in 2012, it will not be able to enjoy government benefits (such as the abovementioned preferential enterprise income tax at the rate of 15%) awarded to high-tech enterprises as well as obtaining funding from the relevant economic development zones and preferential consideration when applying for government assistance for projects. Any such change or termination of the preferential tax treatment and such other government benefits in the PRC enjoyed by our PRC subsidiary may have a negative impact on our results of operation.

Our future acquisitions and investments may not be successful.

Although we do not currently have any specific plan, we may make strategic acquisitions or investments in the future to complement our business operations as well as to boost our research and development capabilities. There is no assurance that any of our research and development projects will become successful or can be put into commercial use. Also, there can be no assurance that we will be able to realize the benefits and synergies expected from such strategic acquisitions or investments, nor that we will be able to successfully integrate a new acquisition or investment with our existing operations, nor that we will be able to identify suitable targets for acquisition or acquire suitable targets on competitive terms in the future. As a result, failure in any such potential acquisitions or investments or in any post transaction integration efforts may materially and adversely affect our business, prospects, financial condition and results of operations.

RISK FACTORS

Our Group's business is subject to operational risks.

Our business is subject to a number of operational risks, some of which are beyond our control, which could delay the production and delivery of our products, increase the cost of procurement of our supplies and slow down the progress of our research and development. Our ability to obtain supplies, produce, distribute and sell our products is crucial to our success. Damage, disruption or delays to raw materials supplies, our production capabilities or our sale and distribution capabilities due to defective raw materials or delays in procurement, or force majeure events such as bad weather, natural disaster, fire, terrorism, strikes, various contagious diseases or other reasons could affect our ability to manufacture, distribute and/or sell our products in accordance with our plans. In terms of our personnel, the market for highly qualified and talented personnel in the industries in which we operate is very competitive and we cannot assure you that we will be able to replace personnel that we may lose, in particular our senior executives and engineers with equally qualified executives or engineers in a timely and cost-effective manner, if at all. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur could affect our business, financial condition and results of operations.

While we anticipate that our operations will experience expansion and growth, we cannot give any assurance that we have adequate financial resources to support our expansion, or that our systems, procedures, and managerial controls will be adequate to support further expansion in our operations.

In addition, we need to maintain sufficient inventory of components that are or may be limited in supply, purchase components in bulk so as to obtain better pricing, respond to customer requests for short lead-time delivery schedules and product returns. The buffer inventory that we keep in our inventory may become obsolete and inventory write-downs may result, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We had uncollectible debts during the Track Record Period and our business is subject to general trading risk.

During the six months ended 30 June 2010, there were uncollectible debts amounting to HK\$444,000 that were written off. These uncollectible debts were made up of receivables from several customers. For further details, please refer to the section headed "Financial Information — Trade and Bill Receivables Analysis". As an EFT-POS products vendor, our business is subject to general trading risk and we cannot assure you that all our customers will settle their payment owed to us on time or in full or at all. Going forward, if a large portion of our trade receivables is not settled by our customers on time or in full or at all, our business, prospect, financial condition and results of operation may be materially and adversely affected.

We have limited insurance coverage and it may be inadequate to cover all risks of loss associated with our business operations, in particular when our products are placed at our customers' premises for quality check.

We have only taken out limited insurance for our business operations. We cannot guarantee that our insurance policies will provide adequate coverage should our Group face extraordinary occurrences that result in loss or damage. In particular, we do not maintain any insurance for loss or damage caused to our products arising from accidents when such products are placed at our customers' premises during quality check. If such loss or damage is caused to our products, we might be required to bear substantial damages for product loss and our business, financial condition and results of operations may be materially adversely affected. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the value of inventories stored at our customers' premises approximated HK\$20,070,000, HK\$41,050,000, HK\$32,920,000 and HK\$30,880,000, respectively accounting for approximately 36%, 40%, 30% and 25%, respectively, of the value of our inventories during those periods. Please also refer to the section headed "Business — Inventory and Logistics — Inventory".

RISK FACTORS

Our controlling shareholder, Hi Sun, may take actions that are not in, or are in conflict with, our public shareholders' best interests.

Upon completion of the Global Offering, Hi Sun will own approximately 44.4% of our issued Shares assuming the Over-allotment Option is not exercised. As our controlling shareholder, Hi Sun may through the exercise of its voting rights in our Company be able to direct the election of all of the members of our Board of Directors and exercise a controlling influence over our business and affairs, including, but not limited to, decisions with respect to:

- mergers or other business combinations;
- the acquisition or disposition of assets;
- the issuance of any additional shares or other equity securities;
- the timing and amount of dividend payments; and
- management of our Company.

The interests of Hi Sun as our controlling shareholder may differ from the interests of our other shareholders. If the interests of our controlling shareholders conflict with the interests of our other shareholders, those other shareholders could be disadvantaged by the action of our controlling shareholders.

While our business was not significantly impacted by the global financial crisis, our business may be negatively affected by the unstable economy which continues after the global financial crisis.

Our Directors believe that while the global financial crisis did not have a significant impact on our business and operating results, our business and operating results have been and may continue to be affected by worldwide economic conditions and, in particular, conditions in the financial institutions and other major industries we serve. The current economic climate, the credit market crisis, particularly the increased difficulty in securing credit, declining consumer and business confidence, fluctuating commodity prices, and other challenges currently affecting the global economy could impact our ability to sell and our customers' ability to make capital expenditures, thereby affecting their ability to purchase our products. In addition, customers in the financial services sector, which might have been severely impacted by the credit crisis, have consolidated in response to the crisis, which could further impact our business by reducing our customer base. Certain of our EFT-POS customers who have seen significant dampening of consumer demand, could face increased financial pressures that could impact their capital expenditures. Although we believe that our cash flows from operations will satisfy our working capital needs, capital expenditures, commitments, and other liquidity requirements associated with our operations through the next 12 months, in the event that we require additional capital to fulfill our future business plans, we may need to obtain additional financing from third parties. In light of the global financial crisis, if we experience such a need for additional financing, we may not be able to obtain sufficient financing on advantageous terms or at all, which could materially and adversely affect our business, financial condition, results of operations and long-term prospects. The extent of the impact of the global financial crisis will depend on a number of factors, including whether the United States economy and the global economy generally, enter into a prolonged recession as a result of the deterioration of the credit markets. If the global economic slowdown continues for a significant period or there is significant further deterioration in the global economy, our results of operations, financial position and cash flows could be materially adversely affected.

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RISKS RELATING TO OUR INDUSTRY

It is not a common practice for customers in the EFT-POS markets in China to enter into long-term contracts with their suppliers.

Like other companies in the EFT-POS market in China, it is not common for us to enter into long-term contracts with our customers. Instead, our sales are conducted primarily on an order-by-order basis either as a qualified supplier or directly. Whether we will continue as a qualified supplier for a customer in the future depends on a number of variables, many of which are beyond our control. Even if we are selected as a qualified supplier, there is no assurance that our customers will place purchase orders with us at the same level as in prior periods, if at all. Accordingly, our sales may vary significantly from period to period, and it is difficult to forecast future sales quantities. A customer that accounts for a significant portion of our revenues in one period may not generate a similar amount of revenue focus, if any, in future periods. A decrease in the number or size of our sales contracts from time to time may adversely affect the results of operations of the Group. In the absence of long term sales contracts, to the extent that we are unable to be selected as a qualified supplier or secure new customers or contracts with existing customers, our performance and profitability could be adversely affected. As such, our results of operations may also fluctuate significantly in the future.

The EFT-POS market in which we operate is highly competitive and subject to price pressure.

The market in which we operate is highly competitive, and we have been subject to price pressures from time to time. Competition from manufacturers, distributors, or providers of products similar to or competitive with our products could result in price reductions, diminishing margins, and a loss of market share. Amongst our competitors are EFT-POS enterprises, such as Fujian Landi Commercial Equipment Co. (福建聯迪商用設備有限公司), VeriFone Electronics (Beijing) Co., Ltd. (惠爾豐電子(北京)有限公司), Shenzhen Xinguodu Technology Co., Ltd. (深圳市新國都技術股份有限公司) and Fujian Newland Computer Co., Ltd. (福建新大陸電腦股份有限公司) which are listed companies or belong to a listed group. There is no assurance that we will be able to compete effectively with any or all of them, if at all. We expect to continue to experience significant and increasing levels of competition in the future.

We compete primarily on the basis of ease-of-use, product performance, price, functionality, quality, the availability of application software programs, the number of third party network host, telecommunication system and card associations and security certifications we have obtained for our EFT-POS products and customer support and responsiveness. We often face additional competitive factors in overseas markets, including but not limited to preferences for local vendors, conformity with local government policies and trade practices. Some of our competitors and potential competitors are more established, benefit from greater name recognition and have significantly greater resources than we do.

The intense competition may reduce our profitability and may result in a loss in our market share, which may have a material adverse effect on our business, prospectus, financial condition and results of operations.

There are extensive industry standards and government regulations that EFT-POS product suppliers have to comply with in order to remain competitive in both the PRC market and international markets. If our products fail to comply with these standards and regulations, our production and sales may be adversely affected.

Our products are subject to substantial and complex array of industry driven standards. We expect that new standards will continually be adopted and proposed by our customers and as a result of the worldwide anti-fraud initiatives in electronic payment systems and the increasing demand for system compatibility and technology developments such as wireless and wireline IP communication. Our products also must comply with government regulations which may change from time to time,

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including those imposed by telecommunications authorities and independent standards groups worldwide regarding emissions, radiation, and connections with telecommunications and radio networks. There is no assurance that we will be able to design our products and solutions to comply with future standards or regulations on a timely basis, if at all. Compliance with these standards could increase the cost of developing or producing our products.

In addition, new products must be certified by qualified certification bodies which confirm that our products meet the relevant standards and regulations. The certification process can be costly and time consuming and may increase the amount of time it takes for us to develop and sell our products. If we cannot comply with new or existing industry standards, or obtain or retain necessary regulatory approval or certifications in a timely manner, or if compliance with the relevant standards and regulations results in increasing the cost of our products, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We have no insurance coverage for product liability claims.

We may be subject to product liability claims, suits and complaints incidental to our business in the PRC and in other regions around the world where our products are sold. Under PRC laws, we are not required to maintain any insurance in relation to our business or products. As such, we have not maintained insurance to cover product liability risk. However, pursuant to Product Quality Law of the PRC (中華人民共和國產品質量法), we may be subject to product liability claims in the event that any of our products is alleged to have caused any personal injury or other adverse effects. In addition, Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) protects consumers' rights to safety of person and property in the purchase and use of goods and services. However, we cannot assure you that we would not be involved in any lawsuit or proceeding brought by the end consumer in respect of the product liability claim.

During the Track Record Period, there had been no material legal claims or complaints against the quality or safety standard of our products, thus our operation and financial result had not been affected by the two PRC legislations referred to above. However, going forward, should there be such a claim or should our products be found to be defective and/or should they cause damage or physical injury to any person, we may have to devote significant resources to defend such a claim or to provide compensation from our funds for financial and other losses, damages and liabilities. In addition, the impact of such laws on us in future shall be calculated based on the severity of any product quality accident that may be caused by our products, and such impact cannot be quantified or estimated in advance. Such product liability claims, suits and complaints may have a material adverse effect on our business, prospects, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Our business, financial condition, results of operations and prospects could be negatively affected by PRC political, economic and legal developments and changes in government policies.

The majority of our operating assets are located in the PRC and a substantial part of our revenue is derived from our operations in the PRC. The results of our operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, and government control of foreign exchange.

The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market economy. However, we cannot predict the extent of economic reform pursued by the PRC government and the economic system in the future. In

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addition, while the PRC economy has experienced significant growth in the last two decades, growth has been uneven across both geographic regions and the various sectors of the economy. Our business, financial condition, results of operations and future prospects may be adversely affected by the PRC government's political, economic and social policies, tax regulations or policies, and regulations.

An outbreak of severe acute respiratory syndrome (“SARS”), avian influenza A (“H5N1”), influenza A virus subtype H1N1 (“H1N1”) or other epidemic if uncontrolled could have a negative impact on our production, sales and distribution operations.

An outbreak in the future of SARS, H5N1, H1N1 or other epidemic, if protracted and uncontrolled, may result in the contraction of such disease amongst our employees or those with whom we conduct business on a regular basis, making it necessary to suspend or close certain parts of our operations to prevent the spread of the disease. In addition, if there is an outbreak of SARS, H5N1, H1N1 or other epidemic, there is no guarantee that the World Health Organization or the PRC government will not recommend, or even impose, travel restrictions and/or restrictions on the flow of goods to and from areas affected by the virus. For these reasons, an outbreak of SARS, H5N1, H1N1 or other epidemic could cause significant interruption to our business and have a significant impact upon our revenue and profitability.

Our business could be adversely affected by changes and uncertainties in the PRC legal system.

The PRC legal system is based on the civil law system. Unlike the common law system, prior legal decisions and judgments have limited significance for guidance. The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain uncertain in many areas. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Government control of currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

RMB is not currently a freely convertible currency. We receive the substantial majority of our revenue in RMB. Under the current foreign exchange regulations in the PRC, our PRC subsidiary will be permitted, upon completion of the Global Offering, to effect foreign exchange for current-account transactions through accounts permitted by the PRC government. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. There can be no assurance that the PRC government will not in the future impose restrictions on foreign exchange transactions for current-account items, including the payment of dividends.

The exchange rate of the RMB against the US dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. Since 1994, the conversion of RMB into foreign

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currencies, including US dollars, has been based on rates set by PBOC, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of RMB to US dollars was generally stable. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of RMB appreciated by approximately 2% against the US dollar. The PRC government has since made, and in the future may make, further adjustments to the exchange rate system.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against the US dollar, the Hong Kong dollar or other foreign currency. If the appreciation of RMB continues, and as we need to convert the proceeds from the Global Offering and future financing into RMB for our operations, appreciation of RMB against the relevant foreign currencies would have an adverse effect on RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of RMB against the Hong Kong dollar could adversely affect the amount of any cash dividends on our Shares in Hong Kong dollar terms.

We may be deemed to be a PRC tax resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC tax on our worldwide income, which may significantly increase our income tax expenses and materially decrease our profitability or otherwise adversely affect the value of your investment.

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) that took effect on 1 January 2008, enterprises established outside of China whose “de facto management bodies” are located in China are considered to be “tax resident enterprises” and will generally be subject to the uniform 25% corporate income tax rate as to their aggregate income (excluding dividends received from “tax resident enterprises”). The Regulation on the Implementation of the Enterprise Income Tax Law (企業所得稅法實施條例) further defines “de facto management bodies” as bodies that have substantial or overall management or control over operations, personnel, finances, property, and other aspects of the enterprise. As the financial decisions and personnel decisions of the Company are mainly located in Hong Kong, the Company currently believes that it is not a “tax resident enterprise” under the PRC Enterprise Income Tax Law. However, uncertainty remains with respect to the interpretation of the relevant provisions in the PRC Enterprise Income Tax, which is subject to further interpretation or clarification by the State Administration of Taxation (國家稅務總局) of the PRC. Notwithstanding the above, as part of our Company's management is based in China, our Company may be treated as a PRC tax resident enterprise for enterprise income tax purposes. Moreover, the tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the PRC Enterprise Income Tax Law or the implementation regulations. During the Track Record Period, we had not been recognized by the State Administration of Taxation as a PRC tax resident enterprise and our operation and financial result had not been impacted by the PRC Enterprise Income Tax Law or its implementation rules. If our Company or any of our subsidiaries registered outside the PRC is treated as a “tax resident enterprise” under the PRC Enterprise Income Tax Law, our income tax expenses may increase accordingly as we will be subject to the uniform 25% enterprise income tax rate, and our profitability could decrease materially.

RISK FACTORS

Our PRC subsidiary is subject to existing restrictions on paying dividends or making other distributions to us and changes in foreign exchange regulations may adversely affect our business, financial condition and results of operations.

Our Company is a holding company incorporated in Bermuda, and our major operating subsidiary is incorporated in the PRC. PRC regulations currently permit payment of dividends only out of accumulated profits after tax, as determined in accordance with the accounting standards and regulations in the PRC, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including the HKFRS. Our PRC subsidiary is required to set aside at least 10% of its accumulated profits after tax each year, if any, to fund certain reserve funds, until the aggregate accumulated reserve funds exceed 50% of its registered capital. These reserve funds cannot be distributed as cash dividends. In addition, if our PRC subsidiary incurs debt on its own or enters into certain other agreements in the future, the instruments governing the debt or such other agreements may restrict its ability to pay dividends or make other distributions to the Company.

Pursuant to the new PRC Enterprise Income Tax Law as approved by the National People's Congress on 16 March 2007 (the "**New PRC EIT Law**") and its implementation regulations, dividends payable by a foreign investment enterprise to its foreign investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We do not expect our PRC subsidiary, being a foreign-invested company, to pay out any dividends from profit earned after 1 January 2008 in the foreseeable future. If we are required under the New PRC EIT Law to withhold PRC income tax on capital gains on sales of Shares and/or dividends on our Shares payable to foreign Shareholders, the value of our foreign Shareholders' investment in on our Shares may be materially and adversely affected.

We have assigned our finance department to ensure our compliance with regulations and rules relating to withholding tax going forward.

PRC regulations relating to loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of the Global Offering to contribute additional capital or make loans to our PRC subsidiary.

We are an offshore holding company conducting our operations in China through our PRC subsidiary. In utilizing the proceeds we expect to receive from the Global Offering for the purposes described in the section headed "Future Plans and Use of Proceeds", we may make loans or additional capital contributions to our PRC subsidiary.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds from the Global Offering to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外匯管理辦法實施細則) ("**Individual Foreign Exchange Rules**"), issued on 5 January 2007 by SAFE and the Operating Rules on the Foreign Exchange Administration of the Involvement of Domestic Individuals in the Employee Stock Ownership Plans and Share Option Scheme of Overseas Listed Companies (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued by SAFE in April 2007 ("**Operating Rules**"), PRC citizens who are granted

RISK FACTORS

shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiaries of such overseas listed company or other qualified PRC agents, to obtain the approval from SAFE or its local branches and complete certain other procedures related to the share option or other share incentive plan.

In order to comply with the requirements of Individual Foreign Exchange Rules and Operating Rules, we will require our PRC employees to obtain approval from SAFE or its local branches prior to granting to them any option under the Share Option Scheme. Foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into China. If we or our PRC option holders fail to comply with these rules, we or our PRC option holders may be subject to fines and legal or administrative sanctions.

During the Track Record Period, we did not grant such shares or share options to PRC residents and had not been imposed any fine nor any legal or administrative sanction due to our failure to comply with these rules, hence our operation and financial results had not been impacted by the abovementioned rules. The impact of these rules on us in the future will be calculated based on the severity of our violation of such rules, the possible impact of which cannot be quantified or estimated in advance.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares.

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price for our Shares will be determined by the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Offer Price may not be indicative of the price at which our Shares will trade following the completion of the Global Offering. Moreover, there can be no assurance that there will be an active trading market for our Shares, or if it exists, that it can be sustained following the completion of the Global Offering, or that the price at which our Shares will trade will not decline below the Offer Price. In addition, the price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flows, announcements of new technologies, strategic alliances or acquisitions, or safety accidents suffered by us or other similar EFT-POS products suppliers could cause large and sudden changes in the volume and price at which our Shares will trade.

Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus.

This prospectus contains information and statistics relating to, amongst other things, the PRC, the PRC economy and the EFT-POS market. With respect to information and statistics derived from various official government publications, while we have exercised reasonable care in compiling and reproducing such information and statistics, it has not been independently verified by us or any of our affiliates or advisers, nor by the Underwriters or any other parties involved in the Global Offering or their respective affiliates or advisers. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice relating to the PRC, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Further, there can be no assurance that such information and statistics are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other countries. We cannot ensure the accuracy of such information and statistics, and such information and statistics may not be consistent with other information prepared within or outside the PRC. Prospective investors should not place undue reliance on any of such information and statistics contained in this prospectus.

RISK FACTORS

Investors of our Shares in the Global Offering will experience an immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Shares will be higher than the value of the net tangible assets per Share immediately prior to the Global Offering. Therefore, investors of our Shares in the Global Offering will experience an immediate dilution in the net tangible book value per Share based on the maximum Offer Price of HK\$3.23 per Share. In order to expand our business, we may consider issuing additional Shares in the future. Investors of our Shares may experience further dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our substantial shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future. We will not be able to raise equity capital during the first six months after our Listing except with necessary waivers or consents from our Sponsor and the Stock Exchange. In addition, our ability to raise equity capital in the second six months after our Listing is limited as our undertakings in the Underwriting Agreements do not permit us to issue new Shares if Hi Sun will as a result cease to be our controlling shareholder, when at the same time Hi Sun may dispose of its Shares during that period for so long as it remains our controlling shareholder.

The Offer Price may not be indicative of prices that will prevail in the trading market and the market price of our Shares may be volatile.

The Offer Price for the Shares will be determined by negotiations between the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) and may not be a good indication of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the Offer Price. The price and trading volume of the Shares may be highly volatile. The volatility in the price of our Shares may be caused by factors both within and outside of our control, such as our revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuation in the market prices for our products and services, fluctuations in the share prices for comparable listed companies, announcements of technological innovations or events affecting other companies in the same industry, currency fluctuations, and general political, economic and market conditions, and such factors may be unrelated or disproportionate to our operating results.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER FROM RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong. We do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules as only one of our executive Directors is ordinarily resident in Hong Kong. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that, as our core business operations are based, managed and conducted in the PRC, our management is best able to attend to its functions by being based in the PRC. We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) we will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. Our two authorised representatives are Mr. Li Wenjin, an executive Director, and Mr. Chan Yiu Kwong, the company secretary of the Company and they are ordinarily resident in Hong Kong. They have confirmed that they will be able to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange, if required and will be readily contactable by telephone, facsimile and email, and are authorised to communicate on our behalf with the Stock Exchange;
- (b) both authorised representatives will have means to contact all members of the Board (including the independent non-executive Directors) promptly as and when the Stock Exchange wishes to contact the Directors for any matter. In order to enhance communication between our Company and the Stock Exchange, all Directors have provided to the authorised representatives and the Stock Exchange their contact details such as mobile and office telephone numbers, facsimile numbers and e-mail addresses;
- (c) all Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;
- (d) we have in any event, in accordance with Rule 3A.19 of the Listing Rules, retain First Shanghai Capital Limited, which is licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities in Hong Kong, to act as our compliance adviser, who will have access at all times to our authorised representatives, Directors and other officers. The compliance adviser will, among others, act as our principal channel of communication with the Stock Exchange for the period commencing from the Listing Date and ending on the date that the Company publishes its first full financial year results pursuant to Rule 3A.19 of the Listing Rules;
- (e) Mr. Li Wenjin has been authorised to accept service of process and notices in Hong Kong on our behalf as required under the Companies Ordinance; and
- (f) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or compliance adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in our authorised representatives and compliance adviser appointed pursuant to Rule 3A.19 of the Listing Rules.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Having made all reasonable enquiries, our Directors confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Selling Shareholders, the Sponsor, the Global Coordinator, the Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the respective procedures for applying for Public Offer Shares and Reserved Shares are set out in the section headed "How to Apply for the Public Offer Shares and Reserved Shares" and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer and the Preferential Offer. For applicants under the Public Offer and Preferential Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer and the Preferential Offer. Details of the terms of the Global Offering are described in the section headed "Structure of the Global Offering".

The Listing is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement, subject to, among other conditions, the agreement on the Offer Price between the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting".

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Public Offer Shares or the Reserved Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or organizations by the relevant securities regulatory authorities or an exemption therefrom.

The Global Offering, including the Preferential Offer, will not be made to persons nor open for acceptance by persons in Australia, Malaysia, New Zealand and Papua New Guinea or persons with a registered address in Australia, Malaysia, New Zealand and Papua New Guinea. This prospectus does not constitute an offer or invitation for the Offer Shares in Australia, Malaysia, New Zealand and Papua New Guinea. The distribution of this prospectus in Australia, Malaysia, New Zealand and Papua New Guinea may be restricted by the applicable laws of these jurisdictions and this prospectus is not for distribution in any of these jurisdictions. Persons who come into possession of this prospectus should seek advice on and observe any of such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws of these jurisdictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Shares in issue, Shares to be issued pursuant to Hao Share Swap Agreement and the Capitalisation Issue, the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme.

None of our Shares or loan capital are listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Selling Shareholders, the Sponsor, the Global Coordinator, the Bookrunner and the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOCATION AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Public Offer. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or its agent to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 47,880,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants and investors in our Shares should note that:

- the Stabilization Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilization Manager, or any person acting for it, will maintain such a position;

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- liquidation of any such long position by the Stabilization Manager may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Wednesday, 12 January 2011, being the 30th day after the last date for lodging applications under the Public Offer and the Preferential Offer. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- there can be no assurance that the price of our Shares will stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action or at all; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilization Manager or its agents may on behalf of the underwriters over-allocate up to and not more than an aggregate of 47,880,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by the Global Coordinator or their agent on behalf of the International Underwriters, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements (such as the Stock Borrowing Agreement) or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offer, the Stabilization Manager may borrow up to 47,880,000 Shares from Hi Sun, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement, if so entered into. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Hi Sun by the Stabilization Manager or its agent in relation to the stock borrowing arrangement. Please also refer to the section headed “Structure of the Global Offering — Stock Borrowing Arrangement”.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company’s branch register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited in Hong Kong. The Company’s principal register of members will be maintained by Codan Services Limited in Bermuda.

Dealings in the Shares registered on the register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations of certain Renminbi and U.S. dollars into HK dollars at specified rates. You should not construe these translations as representations that the Renminbi and U.S. dollars could actually be converted into any HK dollars amounts at the rates indicated or at all. For the purpose of illustration only and unless otherwise stated, amounts denominated in Renminbi, U.S. dollars and HK dollars have been translated at the following rates:

RMB1.0000 : HK\$1.1629

US\$1.0000 : HK\$7.7580

No representation is made that any amounts in RMB, US\$ or HK\$ referred to in this prospectus can be or could have been converted into RMB, US\$ or HK\$, as the case may be, at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES AND RESERVED SHARES

The respective procedures for applying for the Public Offer Shares and Reserved Shares are set out in the section headed “How to Apply for the Public Offer Shares and Reserved Shares” and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Nie Guoming (聶國明) (Chairman)	Flat 16B, Tower 2, District B, West Bay Garden, Nanshan District, Shenzhen, Guangdong, PRC	Chinese
Jiang Hongchun (蔣洪春) (Chief Executive Officer)	No. 204, Block 4, Wanliu Fengshangmingju, Haidian District, Beijing, PRC	Chinese
Li Wenjin (李文晉)	Flat H, 20/F., Willow Mansion, 22 Taikoo Wan Road, Taikoo Shing, Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Yip Wai Ming (葉偉明)	Unit H, 38/F., Tower 6, Sorrento 1 Austin Road West, Tsim Sha Tsui, Kowloon	Chinese
Wu Min (吳敏)	Flat A, 13/F., Bonham Mansion, 63 Bonham Road, Mid-levels, Hong Kong	Chinese
Man Kwok Kuen, Charles (文國權)	Flat C, 27/F, Block 1, Elegant Terrace, 36 Conduit Road, Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sponsor, Global Coordinator and Bookrunner	CITIC Securities Corporate Finance (HK) Limited 26/F., CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Joint Lead Managers	CITIC Securities Corporate Finance (HK) Limited 26/F., CITIC Tower 1 Tim Mei Avenue Central Hong Kong First Shanghai Securities Limited 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
Co-manager	CIMB Securities (HK) Limited 19/F., Central Tower 28 Queen's Road Central Hong Kong
Auditor and reporting accountant	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22nd Floor, Prince's Building Central Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law:</i> Richards Butler in association with Reed Smith LLP 20/F., Alexandra House 16-20 Chater Road Central Hong Kong <i>As to PRC law:</i> King & Wood 40/F., Office Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District Beijing 100020 PRC <i>As to Bermuda law:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to US law:</i> Reed Smith LLP 20th Floor, Alexandra House 16-20 Chater Road Central Hong Kong</p>
Legal advisers to the Underwriters	<p><i>As to Hong Kong law:</i> Mallesons Stephen Jaques 13/F., Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong</p> <p><i>As to PRC law:</i> Commerce & Finance Law Offices 6F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing 100022 PRC</p> <p><i>As to US law:</i> Dorsey & Whitney LLP Suite 3008 One Pacific Place 88 Queensway Hong Kong</p>
Property valuer	<p>Asset Appraisal Ltd. Room 802 8/F., On Hong Commercial Building No. 145 Hennessy Road Wanchai Hong Kong</p>
Receiving bankers	<p>Industrial and Commercial Bank of China (Asia) Limited 33rd Floor, ICBC Tower 3 Garden Road, Central Hong Kong</p> <p>Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Hong Kong</p> <p>Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong</p>

CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Headquarter and principal place of business in Hong Kong	Room 2416, 24/F. Sun Hung Kai Centre 30 Harbour Road Hong Kong
Website of the Company	www.paxglobal.com.hk ⁽¹⁾
Company secretary	Chan Yiu Kwong (陳耀光) <i>FCCA, HKICPA</i>
Authorized representatives	Li Wenjin (李文晉) Flat H, 20/F., Willow Mansion 22 Taikoo Wan Road Taikoo Shing Hong Kong Chan Yiu Kwong (陳耀光) Flat D, 12/F., Block East Miramar Villa Shiu Fai Terrace Hong Kong
Audit Committee	Yip Wai Ming (葉偉明) (<i>Chairman</i>) Wu Min (吳敏) Man Kwok Kuen, Charles (文國權)
Remuneration Committee	Yip Wai Ming (葉偉明) (<i>Chairman</i>) Wu Min (吳敏) Li Wenjin (李文晉)
Nomination Committee	Wu Min (吳敏) (<i>Chairman</i>) Yip Wai Ming (葉偉明) Li Wenjin (李文晉)
Compliance adviser	First Shanghai Capital Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
Bermuda principal share Registrar and transfer office	Codan Services Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda

CORPORATE INFORMATION

Hong Kong share registrar

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Principal bankers

Hang Seng Bank Limited
83 Des Voeux Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Industrial and Commercial Bank of China Limited
No. 110, Mei Lin Road
Futian District
Shenzhen City
Guangdong Province
The PRC

China Merchants Bank
1/F., De Wei Sen Building
Gaoxin Nan 7 Road
High-Tech Industrial Park District
Nanshan District
Shenzhen City
Guangdong Province
The PRC

China Construction Bank Corporation
14-15/F., Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong

Note:

1. *The information contained on the website of our Company does not form part of this prospectus.*

INDUSTRY OVERVIEW

This section contains information and statistics relating to the Chinese economy and the industry in which we operate. The information and statistics in this section have been extracted from various official government publications and Independent Third Party publications. We have also derived the information and data partly from the commissioned report issued by Analysys International. While we, the Sponsor, the Underwriters and other parties involved in the Global Offering or their respective directors and advisers have exercised reasonable care in extracting, compiling and reproducing such information and statistics, we cannot ensure the accuracy of such information and statistics and such information and statistics may not be consistent with other information prepared inside or outside China. In addition, we cannot ensure that more updated information or statistics have not been prepared or released by the relevant organizations or companies. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information and statistics have not been independently verified by us, the Sponsor, the Underwriters and other parties involved in the Global Offering or their respective directors and advisers and no representation is given as to the accuracy of such information and statistics. You should not place undue reliance on any of such information and statistics contained in this section.

ABOUT ANALYSYS INTERNATIONAL

We commissioned Analysys International, an Independent Third Party, to provide a market research report in relation to the EFT-POS industry in China. Analysys International is a research and consulting firm focused on technology, media and telecom (“TMT”) industries in China. Since 2000, Analysys International has carried out market researches on broadcasting cable network, telecom network, computer network and internet studies for TMT operators, TMT products and services providers, commercial financial institutions, governments and governmental agencies and other parties with interests in the TMT industry. In conducting its market research, a variety of basic methods are used by Analysys International to acquire relevant information, including:

- by collecting and reviewing publicly available data such as information derived from government sources, annual report of companies and professional institutions in the EFT-POS market, reference books, and articles published in journals; and
- by interviewing industry participants.

Analysys International has informed us that it has exercised due care in collecting and reviewing the information so collected and believes that the basic assumptions are factual and correct and the interpretations are reasonable. Whilst Analysys International has independently analyzed the information, the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. The development forecasts of the EFT-POS industry in China are based on historical information while taking into consideration any substantial economic, market and/or technical changes which might affect the industry.

The total fee for the market research report was RMB397,735.

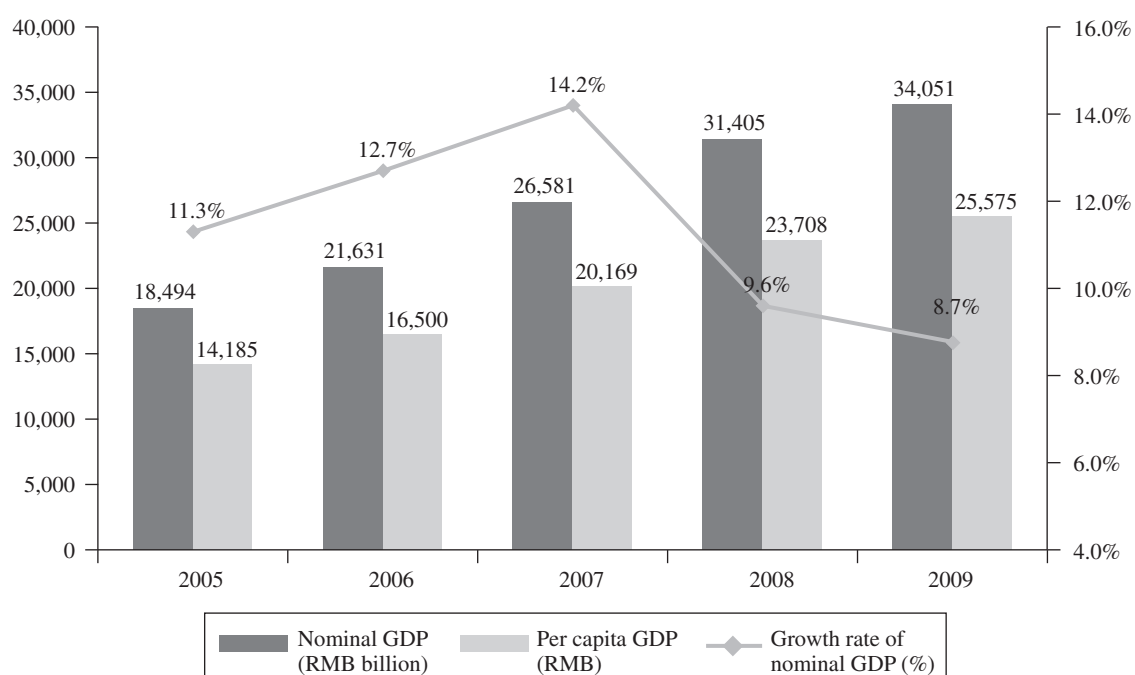
INDUSTRY OVERVIEW

THE PRC ECONOMY

Economic growth of China

Since the introduction of economic reforms by the Chinese government, China has been one of the world's fastest growing economies. According to the National Bureau of Statistics of China, the nominal Gross Domestic Product ("GDP") of China in 2009 was RMB34,051 billion, representing a 8.7% annual growth in 2009. From 2005 to 2009, China's per capita nominal GDP increased from RMB14,185 to RMB25,575. The following chart sets forth China's nominal GDP and per capita GDP in each of the years from 2005 to 2009.

Nominal GDP and nominal per capital GDP in China



Data source: National Bureau of Statistics of China and Analysys International, September 2010

In order to stimulate domestic demand in response to the global financial crisis, in November 2008, the PRC government announced a RMB4 trillion stimulus package through ten measures for economic growth in various industries.

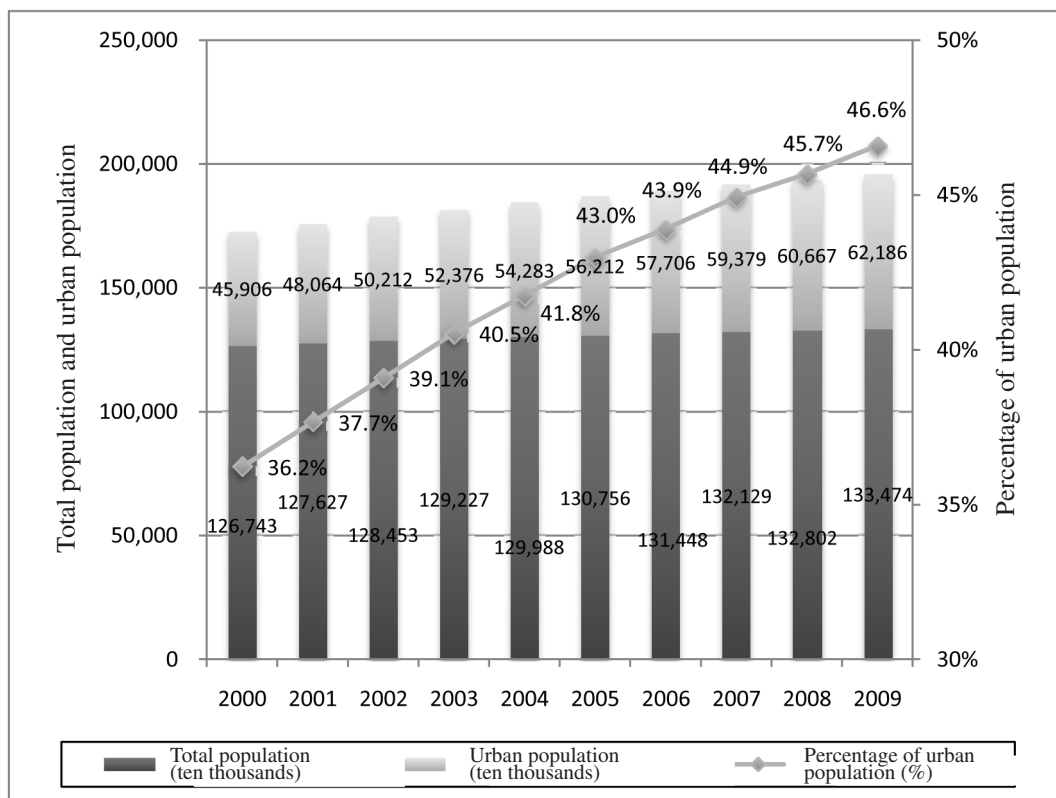
INDUSTRY OVERVIEW

Growth in population, urbanisation and the number of households

The rapid growth of the Chinese economy has been accompanied by rapid urbanisation of its population and growth in the number of households in China.

According to the National Bureau of Statistics of China, the total urban population increased from 459.1 million in 2000 to 621.9 million in 2009, representing an increase of 35.5%. Urban population as a percentage of total population increased from 36.2% in 2000 to 46.6% in 2009. The chart below sets forth the total population and urban population in China and the growth rate of urban population in China in each of the years from 2000 to 2009.

Total population and urban population in China and the percentage of urban population

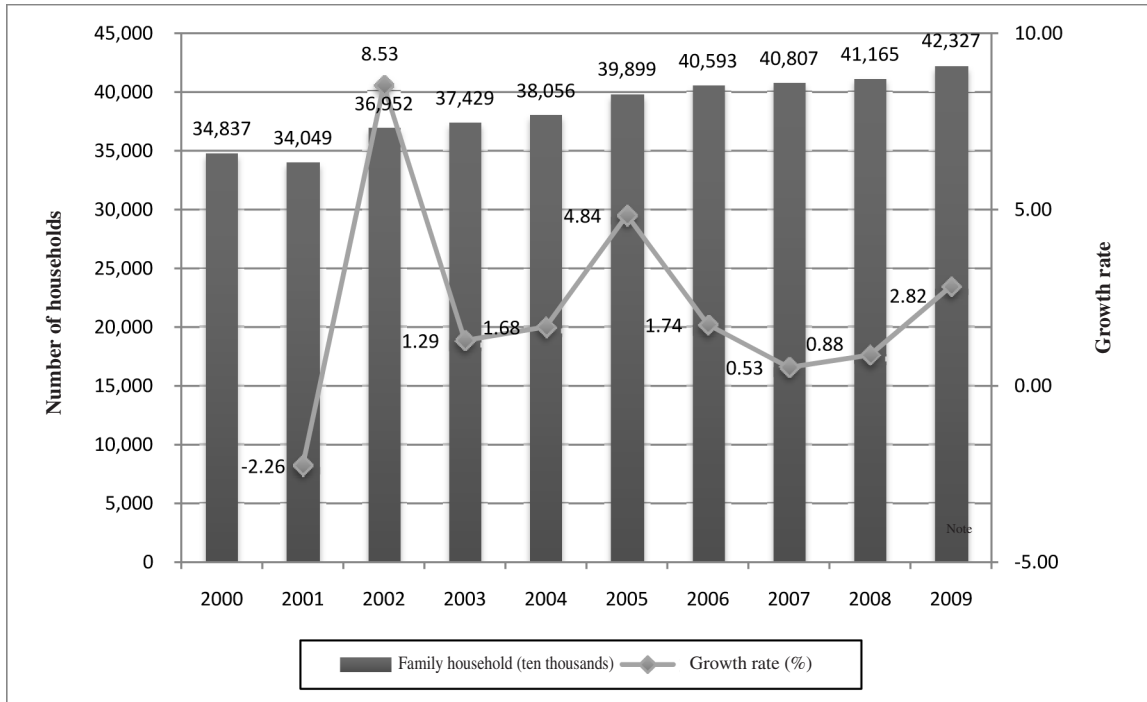


Data source: National Bureau of Statistics of China and Analysys International, September 2010

INDUSTRY OVERVIEW

According to the National Bureau of Statistics of China, the number of households in China has increased from 348.4 million in 2000 to 423.3 million in 2009, representing an increase of 21.5%. The following chart sets forth the number of households in China and the growth rate of the number of households in China in each of the years from 2000 to 2009.

Number of households in China and growth rate



Data source: National Bureau of Statistics of China and Analysys International, September 2010

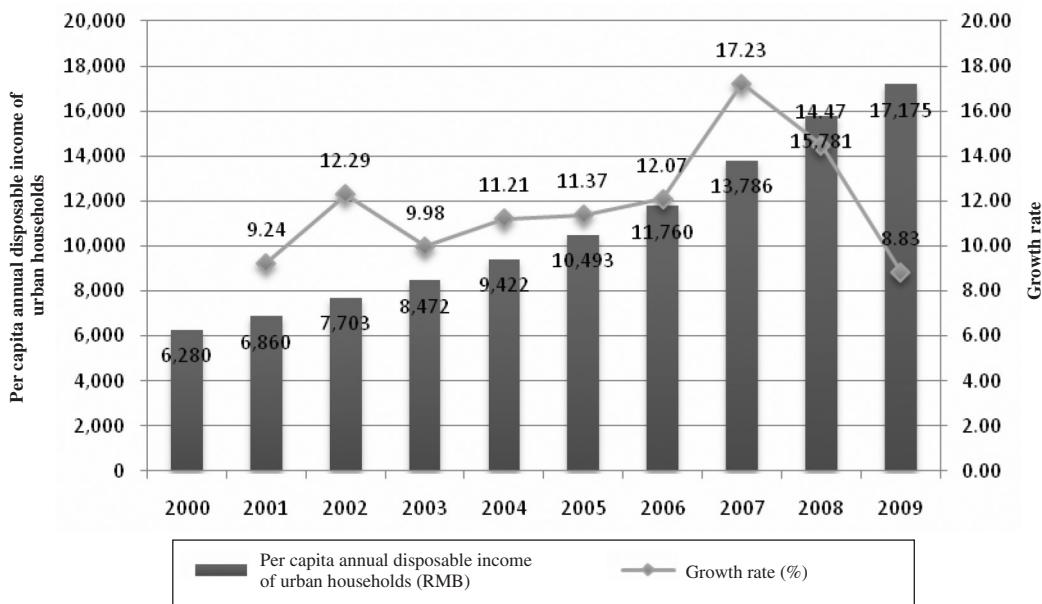
INDUSTRY OVERVIEW

Growth in disposable income of urban households

Personal income from urban households in China has been increasing in conjunction with economic growth.

According to the National Bureau of Statistics of China, from 2000 to 2009, the per capita annual disposable income of urban households in China increased from RMB6,280 to RMB17,175, representing a CAGR of 11.8%.

Per capita annual disposable income of urban households and growth rate



Data source: National Bureau of Statistics of China and Analysys International, September 2010

OVERVIEW OF EFT-POS INDUSTRY AND MARKET IN THE PRC

EFT-POS products in a China context

In China, EFT-POS products are broadly classified as follows:

- EFT-POS terminals which include traditional financial EFT-POS terminals and mobile phone payment terminals. Traditional financial EFT-POS terminals are electronic fund transfer devices which are connected to the China UnionPay network and are used to process different payment types including magnetic strip cards, smart chip cards and contactless cards. Mobile phone payment terminals are devices which apply the wireless technology that enable a mobile phone user to complete an electronic payment transaction by tapping his/her RF-enabled mobile phones to a contactless terminal; and
- peripheral EFT-POS products which include but not limited to PIN Pads and contactless devices.

INDUSTRY OVERVIEW

An EFT-POS terminal is a type of electronic payment device that plays an important role in the electronic payment system. As defined in the Guidance Note to Electronic Payment (No. 1) issued by PBOC (中國人民銀行《電子支付指引(第一號)》), electronic payment refers to the behaviour of an organisation or an individual who directly gives, or authorizes others to give payment instructions through an electronic payment terminal to realize payment and fund transfer transactions. In general, the EFT-POS system is a bank computer network system that implements online business processing between a bank's computer and commercial network, collection network and financial network through public telephone line or packet switching network.

Major types of EFT-POS terminals that are currently available in the market include traditional financial EFT-POS terminals (including countertop and mobile EFT-POS terminals) and mobile phone payment terminals. Nowadays, EFT-POS terminals usually support various communication methods which generally include dial-up, TCP/IP network, GPRS, CDMA and Wi-Fi.

An EFT-POS terminal is used to accept credit cards, debit cards, and contactless cards, etc. EFT-POS terminals are commonly used in the retail environment to handle electronic payment transactions. It plays an important role in the EFT-POS system and there are product security requirements and standards set by banks and card associations that an EFT-POS terminal has to comply with in order to gain access to different markets. According to Analysys International, there are regulatory requirements in China that require EFT-POS terminals to comply with certain domestic and international product and security standards before they can be launched in the market and these include the 3C certification of the China Quality Certification Centre, China UnionPay Network Access License (中國銀聯終端產品入網許可證), China UnionPay POS terminal certification (中國銀聯POS終端認證), the magnetic strip/IC card certification of the Bank Card Test Center in China (中國銀行卡檢測中心磁條卡/IC卡認證), EMV Level 1 and EMV Level 2 certifications and PCI certifications.

Development of the bank card industry in China

Since the 1970's when Bank of China started to engage in its credit card agency business, bank card has become an important financial payment tool to consumers in the PRC. The establishment of China UnionPay in 2002 has accelerated the growth of the bank card industry in China. With the joint efforts of China UnionPay and several commercial banks in China, the bank card netted utilization in China has been continuously penetrated. In China, by the end of 2009, the quantities of online bankcard merchants, online POS and online ATM (automatic teller machines) reached 1,570,000 merchants, 2,410,000 sets and 215,000 sets, respectively.

Growth in card payment transactions in China

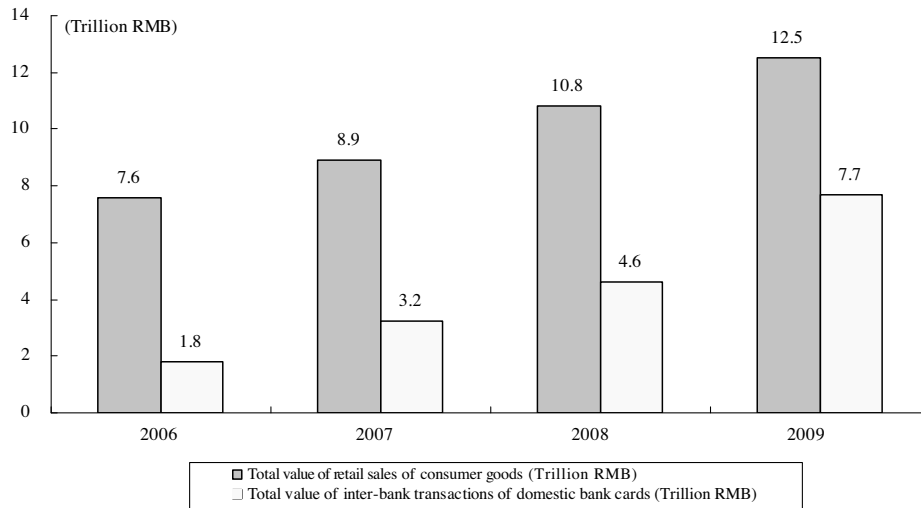
Consumer spending in China has increased along with the rapid development of the Chinese economy. Since 2005, China's economy has been maintaining at a growth rate of around 10%. Despite the recent global financial crisis, China's economy continues to develop under the economic stimulation policies of the government and China's GDP grew by 8.7% in 2009. According to Analysys International, consumers in China have gradually developed a spending habit of using bank cards in settling their payments in consumer purchases and the use of bank cards has eventually become and will continue to be a popular mode of consumer payment in China. According to PBOC, a total of 2.07 billion bank cards had been issued in China at the end of 2009, representing a growth of 15% as compared with the end of 2008 and on average, each individual in China held 1.56 bank cards at the end of the third quarter of 2009.

Along with the continuous penetration of China UnionPay netted utilization as well as the ongoing improvement of bank card acceptance environment in China, the bank card transactions also grew rapidly. In 2009, the inter-bank bank card transactions in China hit RMB7.7 trillion, which was approximately 83.7 times of the figure in 2001, prior to the establishment of China UnionPay. The proportion of bank card consumption in the total retail sales of consumer goods increased from 2.1% in 2001 to 61.5% in 2009.

INDUSTRY OVERVIEW

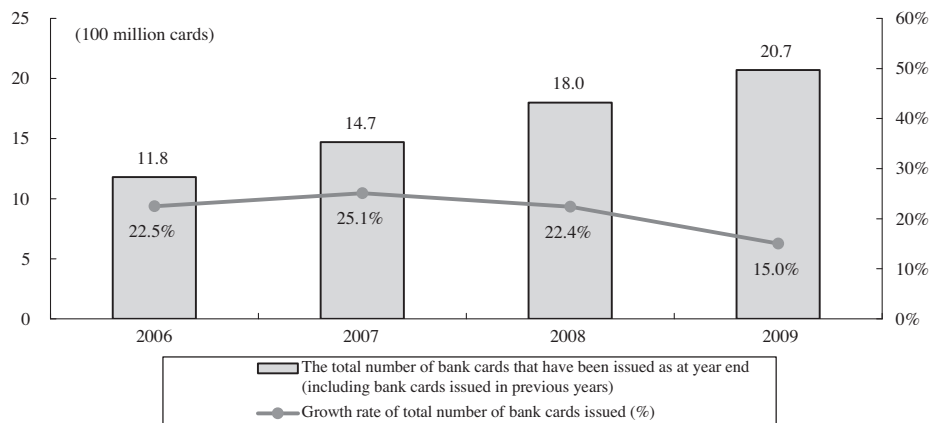
According to Analysys International, the scope of acceptance of bank cards in consumer payments has also been extended from retailers, restaurants and hotels to medical, educational, transportation and telecommunication services. The following charts set forth the value of retail sales of consumer goods and the value of inter-bank transactions of domestic bank cards in China from 2006 to 2009, and the number and growth rate of bank cards issued in China from 2006 to 2009.

Total value of retail sales of consumer goods and total value of inter-bank transactions of domestic bank cards in China from 2006 to 2009



Data source: Analysys International, National Bureau of Statistics of China, PBOC, September 2010

Total number and growth rate of bank cards issued in China from 2006 to 2009



Data source: Analysys International, PBOC, September 2010

INDUSTRY OVERVIEW

Domestic market trends in the development of EFT-POS market

According to Analysys International, the EFT-POS industry in China has entered into a stage of steady growth in terms of forecast sales volume and it is expected that the growth will continue in 2010 though at a steady pace. Moreover, there will be gradual increase in the penetration of electronic payment transactions in China spurred by the PRC government's support of the expansion of the electronic payment industry. In July 2009, PBOC issued the Guidelines on Improving Payment Service Environment in Rural Area (關於改善農村地區支付服務環境的指導意見) with specific measures for the construction of the payment service environment in the rural area in China and an overall objective to achieve at least one bank card per capita and the installation of 240,000 EFT-POS terminals in the rural area by 2012. The overall domestic EFT-POS market remains promising and the size of the market will continue to grow as EFT-POS terminals further penetrate into the rural areas.

Analysys International also expects that there will also be a spurring growth in the EFT-POS industry in 2010 and 2011 with the rapid development of mobile phone payment markets in China. The policies on electronic business development in China's "Eleventh Five Year Plan" (電子商務發展“十一五”規劃) promulgated by National Development and Reform Commission and the State Council Informatization Office (國務院信息化工作辦公室) which highlighted the Mobile Electronic Payment Trial Project (移動電子商務試點示範工程) as one of the key areas of development will continue to provide further stimulations to the rapid development of the mobile payment environment and hence the growth of China's EFT-POS industry. According to the statistics published by the Ministry of Industry and Information Technology in the PRC, China's mobile phone users reached approximately 750 million in 2009 with a CAGR of 17.5% from 2006 to 2009 and China is now one of the countries with the highest population of mobile phone users in the world. According to the statistics published by China UnionPay, as of end of 2009, the total number of mobile phone payment service subscribers in the PRC exceeded 21 million while the usage of mobile phone payment among mobile phone users was only about 3%. The three major telecommunication service providers in China namely, China Mobile, China Telecom and China Unicom have all commenced their mobile phone payment business by launching various mobile phone payment services in 2009. In the global market, there were 70.2 million consumers using mobile payment service and the number is expected to reach more than 190 million by end of 2012. Therefore, the potentials of mobile phone payment terminals markets in both the PRC and the global market are enormous.

According to Analysys International, mobile phone payment is now at its incubation stage. Competitors in this sector include not only the above three major telecommunication operators, but China UnionPay from outside the telecommunication system. China Mobile adopted 2.4G RF technology. China UnionPay cooperated with China Unicom and China Telecom to introduce 13.56M application.

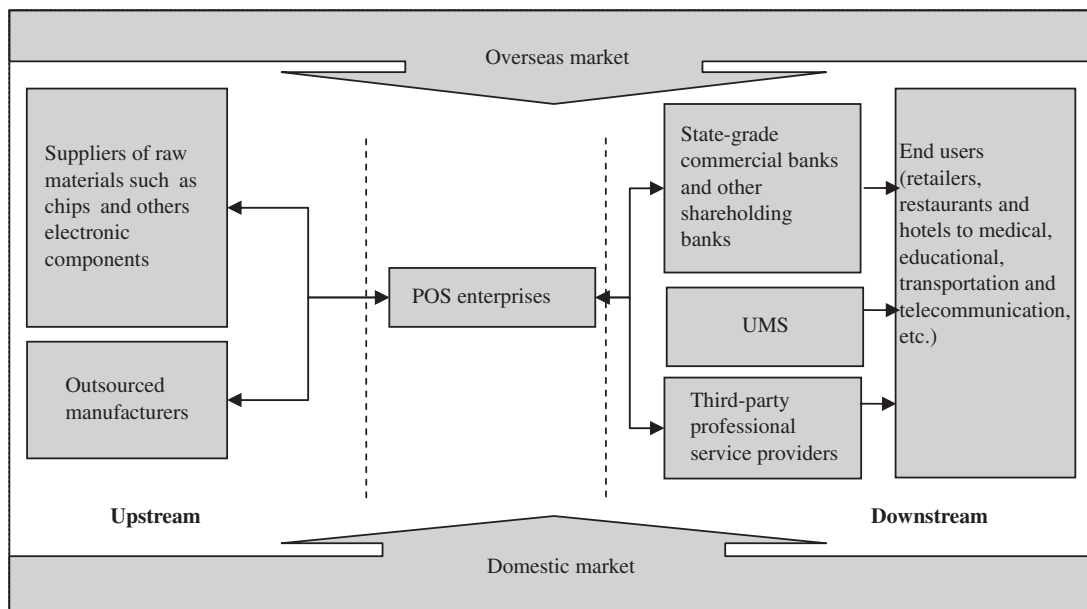
Before China Mobile adopted 2.4G RF application, Hunan China Mobile had taken the lead in an in-house trial of 13.56M application as early as in 2006, followed by Guangdong China Mobile using 13.56M application in the metro. As 13.56M application was still immature at that time, China Mobile subsequently abandoned such application. In March 2009, upon comparing 2.4G and 433M technology, China Mobile adopted the 2.4G RF application. In the same year, China Mobile launched a large-scale promotion of 2.4G RF application in several provinces including Hunan. On the technical side, 2.4G RF application is still relatively immature, and is facing problems such as lack of open standards, security and stability issues. On the market side, 2.4G RF application is incompatible with 13.56M application adopted by most of the contactless smart cards in the market, leading to considerable difficulty for cooperation.

INDUSTRY OVERVIEW

In June 2010, China Mobile has temporarily suspended its adoption of the 2.4G RF application and is now focusing mainly on the 13.56M application and requires its operations in most provinces and cities, except for Chongqing, Shenzhen and Shanghai, to adopt 13.56M application. This means that the mobile payment standard may soon be unified. The turnabout of China Mobile has little impact on mobile phone payment terminal suppliers but relatively large on chip manufacturers. The main reason is that most mobile phone payment terminal suppliers' investment in the research and development of 2.4G RF application standards was mainly in the integration of 2.4G RF application, 13.56M contactless reading and writing application and traditional EFT-POS terminal applications. So far, for 2.4G RF application, the mobile phone payment terminal suppliers have relied mainly on the reader and writer modules provided by other designated professional manufacturers of China Mobile, while 13.56M contactless reader application and traditional EFT-POS terminal applications are developed by themselves. Our existing products in connection with 2.4G RF application standards are compatible with 13.56M contactless reading and writing application standards.

The market for EFT-POS in China

The following diagram illustrates the industrial chain of the EFT-POS industry in China.



Source: *Analysys International, September 2010*

The customer base in the domestic EFT-POS market is generally dominated by a group of major customers including UMS, state-grade banks and their subsidiaries and branches.

INDUSTRY OVERVIEW

UMS, banks and merchant service providers engaged by banks purchase EFT-POS terminals and provide these terminals to merchants. In most cases, UMS and banks provide EFT-POS terminals for use by the merchants for free and they charge the merchants a commission of 0.5-3% of the payment transaction amount. Major customers in the EFT-POS industry in China (including UMS and banks) are generally prudent in choosing suppliers of EFT-POS terminals. There are security requirements and industry standards that an EFT-POS terminal is required to attain before these major customers in the PRC market would consider purchasing such product. Very often, when a major customer selects the EFT-POS terminals of certain brands, there is a tendency for such customer to purchase and repurchase products of the same brands if it is satisfied with the products and services of such EFT-POS enterprise as switching to other brands may sometimes require technological adjustments to the customer's computer systems and may cause compatibility issues. Analysys International believes that future competition in the domestic EFT-POS market will become more intense and domination by the domestic suppliers of EFT-POS terminals will be further enhanced.

Parts and electronic components used in the production of EFT-POS terminals include printers, CPU, memory, communication module and PCB. With the continuing development of these upstream industries, raw materials and components required for EFT-POS terminals can be obtained from an adequate domestic supply, in particular, most of the electronic components for production of EFT-POS terminals can be easily obtained in Shenzhen, the largest production and distribution centre for electronic components in China. EFT-POS manufacturers in China can choose from a wide range of suppliers, therefore they usually have better bargaining power than the suppliers. The price of raw materials of production of EFT-POS products is expected to remain at a relatively low and steady level in China.

Challenges of the EFT-POS industry in China

According to Analysys International, after years of fierce competition in the EFT-POS market in China, customers of EFT-POS terminals in China are now having better bargaining power and they are able to obtain high quality products in the market at very competitive price. Industry players are required to invest resources in long-term research and development and to obtain product certification in order to remain competitive in the industry and such investments may further reduce the profit margins of the business which is generally maintained at a rather low level. Competition amongst EFT-POS manufacturers in China is expected to remain high in terms of product cost, quality and product innovation. Other challenges faced by EFT-POS manufacturers in China include limited financial resources to develop businesses and shortage of qualified personnel resulting in slow independent innovation to improve product features and quality.

Procurement process in the EFT-POS industry in China

Various major banks in China are moving towards a centralized procurement process for EFT-POS products and in recent years, qualified supplier selection processes (which include tenders and competitive negotiations) have been adopted by the Chinese banks to select qualified suppliers from whom they would purchase EFT-POS products for a fixed period. Generally competitive negotiations are by invitation only to existing qualified suppliers while tenders may be open to any interested supplier. In most cases, around two to three suppliers will be selected and appointed by the head office of a bank as the qualified suppliers for each designated EFT-POS product. The practices of each bank differ and branches and subsidiaries may place orders with qualified suppliers directly, rely on centralized procurement by head office or in some instances conduct their own additional tenders to negotiate better terms such as after-sales services with qualified suppliers (other than price which would have been determined in the head office tender).

INDUSTRY OVERVIEW

The procurement of EFT-POS products by UMS and its subsidiaries and branches are also conducted via qualified supplier selection processes in which qualified suppliers would be selected from the tender for each EFT-POS product from whom UMS and its subsidiaries and branches would purchase EFT-POS products depending on their requirements. With its head office located in Shanghai, UMS is the largest customer of EFT-POS products in China. As of the end of 2009, UMS had 37 branches across China. A typical EFT-POS products procurement process of UMS usually begins with an invitation to EFT-POS enterprises to submit bids for tender managed by the UMS head office. UMS head office will select 3-5 qualified suppliers for each EFT-POS product to be purchased. Unit price of each EFT-POS product is determined in the submission documents submitted by the EFT-POS enterprises. Subsidiaries and branches of UMS are required to submit to the head office their purchase requests which include volume, brand and model of the EFT-POS products they require. In terms of the brands of EFT-POS products, they are required to choose from the list of qualified suppliers selected by the head office. The UMS head office will usually approve the choice of suppliers of its subsidiaries and branches so long as their selections are within the selected EFT-POS products of the qualified suppliers. Purchase and delivery orders are sent to the relevant selected EFT-POS enterprises and such EFT-POS enterprises are responsible for the delivery of the ordered products to the relevant subsidiaries and branches.

UMS was established in 2002. From 2002 to 2007 UMS did not conduct qualified supplier selection processes to select qualified suppliers and procured EFT-POS products directly from EFT-POS enterprises. The first qualified supplier selection process UMS conducted was in November 2007 to select qualified suppliers for 2008. Qualified suppliers of EFT-POS products selected by UMS included Pax Technology (Shenzhen), Fujian Landi Commercial Equipment Co., Ltd., VeriFone Electronic (Beijing) Co., Ltd and Shenzhen Xinguodu Technology Co., Ltd. In 2010, UMS called for a new round of qualified supplier selection processes for selection of qualified suppliers for 2010 and 2011 and the EFT-POS enterprises selected by UMS included Pax Technology (Shenzhen), Fujian Landi Commercial Equipment Co., Ltd., Shenzhen Xinguodu Technology Co., Ltd. and VeriFone Electronics (Beijing) Co., Ltd.

With a centralized procurement process adopted by the major customers in the EFT-POS market in China, it is important for EFT-POS enterprises to launch effective marketing strategies to target the head office as well as branches and subsidiaries of these major customers and to provide competitive and excellent after-sales services and maintain good business relationships with them.

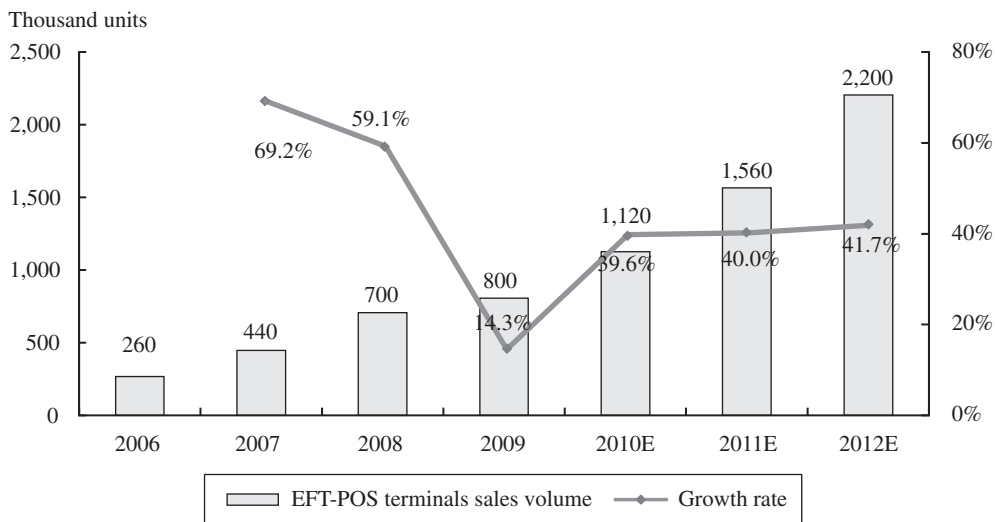
INDUSTRY OVERVIEW

SALES OF EFT-POS PRODUCTS IN CHINA

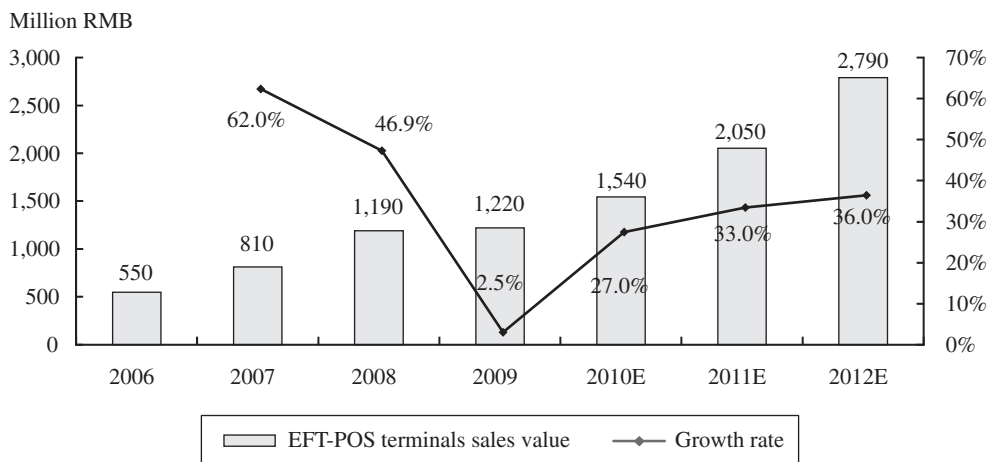
Growth in sales of EFT-POS products in China

The increase in the number of issued bank cards and the volume of bank card transactions have brought about market opportunities to the development of EFT-POS terminals in China. During the period from 2006 to 2009, the CAGR of the sale of EFT-POS terminals in China was 45.4%. According to Analysys International, the growth rate of the EFT-POS market in China decelerated to about 14% in 2009, however with the emerging and rapidly developing markets of the contactless devices and mobile phone payment terminals, the EFT-POS market in China is expected to remain prosperous. The following charts illustrate the sales volume of EFT-POS terminals and annual growth rate of the sale of EFT-POS terminals in China from 2006 to 2009 and the forecast of sales volume of EFT-POS terminals in China from 2010 to 2012.

Sales of EFT-POS terminals from 2006 to 2012 (China)



Data source: Analysys International, September 2010



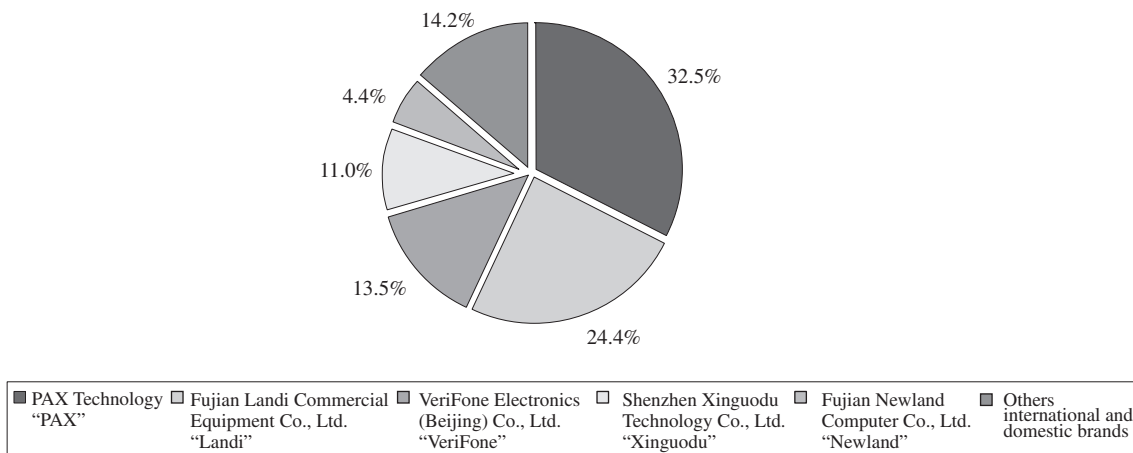
Data source: Analysys International, September 2010

INDUSTRY OVERVIEW

COMPETITION

The EFT-POS market in China was traditionally dominated by international EFT-POS enterprises. However, domestic EFT-POS enterprises began to develop and expand rapidly since 2001. Taking advantage of the relatively low labour costs in China, domestic EFT-POS enterprises have managed to offer products with similar quality at relatively lower price range than international enterprises and in this regard, domestic EFT-POS enterprises have started to gain ground in the PRC market by offering quality EFT-POS products at attractive prices. The following chart illustrates the market share of EFT-POS terminals by brand of the enterprises in China in 2009:

Sales volume of EFT-POS terminals by brand of the enterprises in 2009 (China)



Data source: *Analysys International, September 2010*

EFT-POS terminals supplied by domestic industry players are generally perceived to be more compatible with local electronic payment systems and networks and the quality of EFT-POS products of top domestic brands is comparable to those of international brands. All these factors together have raised the overall competitiveness of domestic EFT-POS brands in the PRC market. There is also a growing trend of domination by a few domestic EFT-POS enterprises in the domestic market. According to *Analysys International*, in 2009, the sales volume of the top three largest domestic EFT-POS brands in the PRC (namely, the brands of PAX Technology, Fujian Landi Commercial Equipment Co., Ltd. (福建聯迪商用設備有限公司) and Shenzhen Xinguodu Technology Co., Ltd. (深圳市新國都技術股份有限公司)) represented over 67% of the total EFT-POS terminal sales in China. The top five largest EFT-POS brands of the enterprises in the PRC accounted for over 85% of the total EFT-POS terminal sales in 2009. Amongst those enterprises, Ingenico S.A., the holding company of Fujian Landi Commercial Equipment Co., Ltd. is listed on the Paris Stock Exchange, VeriFone Systems, Inc. (formerly known as VeriFone Holdings Inc.), the holding company of VeriFone Electronics (Beijing) Co., Ltd. (惠爾豐電子(北京)有限公司) is listed on the New York Stock Exchange while Shenzhen Xinguodu Technology Co., Ltd. and Fujian Newland Computer Co., Ltd. (福建新大陸電腦股份有限公司) are listed on the Shenzhen Stock Exchange. Due to the capital-intensive and technology-intensive nature of the EFT-POS industry, enterprises which were less competitive in terms of financial resources and technological expertise have been gradually eliminated in the market.

INDUSTRY OVERVIEW

PRICE TREND OF EFT-POS PRODUCTS

According to Analysys International, the average price of EFT-POS products has experienced significant drops in recent years. In the 1990's the EFT-POS market in China was dominated by international brands which generally sold their products at a relatively higher price as the market was monopolized by these brands. When domestic EFT-POS enterprises started to grow, competition in the EFT-POS market in China became more severe. The average price of an EFT-POS terminal has dropped from about RMB10,000 in the early 1990's to the present price of about RMB1,000 to RMB2,000. The reduction in the average price of EFT-POS terminals in China also reduced the cost for further development of the bank card industry in China.

PRC REGULATORY OVERVIEW

SPECIFIC PRC LAW AND REGULATIONS RELEVANT TO US

We are an electronic fund transfer point-of-sale (EFT-POS) terminal solutions provider principally engaged in the development and sale of EFT-POS products and provision of related services. We develop and sell countertop and mobile EFT-POS terminals, consumer activated devices, contactless devices and EFT-POS software (which is installed our EFT-POS products and not sold independently). A material part of our operation and market is in the PRC. Set out below is a brief description of certain PRC laws and regulations that have specific relevance to our business and our products.

According to the Catalogue of Industries for Guiding Foreign Investment (Revised 2007) (“**Catalogue**”) promulgated by Ministry of Commerce and the National Development and Reform Commission, the industry of manufacture of electronic specialized equipment, testing equipment, tools and moulds falls within the Catalogue. Foreign investors such as our Group, are entitled to participate in the manufacture of EFT-POS terminals within the territory of the PRC by means of establishment of joint ventures, cooperative joint ventures and wholly foreign-owned enterprises.

Enterprises that focus on the manufacture of specialized equipment such as EFT-POS terminals are subject to testing carried out by the Bank Card Test Center, a subordinate unit of PBOC. In addition, such enterprises and their products are also supervised by the General Administrative of Quality Supervision, Inspection and Quarantine of the PRC, the quality supervision department of the PRC Government, etc.

According to the Technology Specification for the Interoperable Service of Bank Card (銀行卡聯網聯合技術規範) and the Security Specification for the Interoperable Services of Bank Card (銀行卡聯網聯合安全規範) promulgated by PBOC in 2001, PBOC has stipulated both security and technology standards of interchanging information of bank cards through the national information interchange web.

Pursuant to the China Unionpay POS Specification (中國銀聯POS終端規範) promulgated by China Unionpay, China Unionpay has stipulated the standards of hardware, software, security and application of EFT-POS terminals.

Pursuant to the Regulations for the Administration of Manufacturing License for Industrial Products (工業產品生產許可證管理條例) promulgated by the State Council on 9 July 2005, manufacturers of IC Cards and IC Card Readers are required to obtain Manufacturing Licenses, the validity period of which is 5 years for Industrial Products before manufacturing and selling such products.

According to the Policies of Encouraging the Development of Software Industry and Integrated Circuit Industry (關於印發鼓勵軟件產業和集成電路產業發展若干政策的通知) stipulated by the State Council in 2000 (the “**Policies**”) and the Certifying Standard and Managing Measures For Software Enterprises (For Trial Implementation) (軟件企業認定標準及管理辦法) (試行) promulgated by the Ministry of Information Technology of the PRC, the Ministry of Education of the PRC, the Ministry of Science and Technology and the State Administration of Taxation in 2000, enterprises could be recognized as software enterprises and be entitled to the encouragement policies stipulated in the Policies only after obtaining certificate of software enterprise.

According to the Regulations on Administration of Software Products (軟件產品管理辦法) promulgated by the Ministry of Industry and Information Technology of the PRC (the “**Regulations**”) on 1 March 2009, any software products that fall in the category stipulated in the Regulations shall be entitled to the encouragement policies after being registered and filed according to the Regulations.

PRC REGULATORY OVERVIEW

Pax Technology (Shenzhen) currently engages PKS to manufacture IC Cards and IC Card Readers for us. PKS holds a Manufacturing License which will expire on 26 August 2014. Both our Group and PKS have filed such engagement with local authorities.

Under the Law of the People's Republic of China on Product Quality (中華人民共和國產品質量法) (“**Product Quality Law**”) which came into force on 1 September 1993 and was amended on 8 July 2000, anyone who conducts activities of production and sale of any product within the territory of the PRC must abide by the Product Quality Law, and any producers and sellers shall be liable for product quality in accordance with this Law.

Pursuant to the Bidding Law of the People's Republic of China (中華人民共和國招標投標法) (“**Bidding Law**”) which came into force on 1 January 2000, any bidding activities within the Chinese territory shall abide by the Bidding Law. According to the Bidding Law, any bidding process shall consist of invitation to bid, bidding, opening, evaluation and winning of bid, any party violating the legal process provided in the Bidding Law shall be held liable and may be subject to punishments or fines imposed by relevant authorities.

ON-GOING COMPLIANCE

To ensure on-going compliance with the above specific PRC laws and regulations governing our business and products, we have adopted a multi-level approach. Please see the section “Business — Regulatory Compliance” for further details.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

GENERAL

Our Group is an electronic fund transfer point-of-sale (EFT-POS) terminal solutions provider. Our Company was incorporated as a limited liability company under the laws of Bermuda on 15 February 2010 in connection with the Reorganisation, and is the holding company of our Group. Immediately prior to the Reorganisation, our Company did not exist and our subsidiaries were subsidiaries of Hi Sun, a company whose shares are listed on the Stock Exchange.

BUSINESS DEVELOPMENT

We are engaged in the development and sale of EFT-POS products and provision of related services. Since our inception in 2000, we have extended our presence in the international market over the years including having established a base in the US. The following are important milestones in the development of our business to date:

Year	Event
2001	Obtained the first sales order of P60-S1 countertop portable EFT-POS terminals in Korea which marked our initial success in the Korean market
2002	Selected as a supplier of EFT-POS terminals for UMS
2003	Accredited as a High-tech Enterprise (高新技術企業) by Shenzhen Bureau of Science and Technology (深圳市科學技術局)
2004	Implemented ERP system to enhance our supply chain management Selected as a supplier of EFT-POS terminals for the head office of Bank of China Selected as a supplier of EFT-POS terminals for the head office of Bank of Communications
2005	Selected as a supplier of EFT-POS terminals for the credit card center of China Merchants Bank
2006	Selected as a supplier of EFT-POS terminals for the head office of China Construction Bank
2007	Selected as a supplier of EFT-POS terminals for the head office of the Agricultural Bank of China
2008	Incorporated Pax Technology (USA)
2009	Accredited as a High-tech Enterprise (高新技術企業) by the Shenzhen Bureau of Science Technology and Information (深圳市科技和信息局), Shenzhen Finance Bureau (深圳市財政局), Shenzhen Municipal Office of State Administration of Taxation (深圳市國家稅務局), Administrator of Local Taxation of Shenzhen Municipality (深圳市地方稅務局) in the PRC Implemented PLM to enhance our research and development management Aggregate sales of EFT-POS terminals since inception hit 1,000,000 units

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT

Our Group's business is held through Pax Technology (which is currently 60% owned by us). As part of the Reorganisation, we have agreed to acquire the remaining interest in Pax Technology so that assuming all conditions precedent to such acquisition are met and the completion of the acquisition, Pax Technology will become our wholly-owned subsidiary shortly before Listing. Further details of the Reorganisation and the business of each company comprising our Group are set out in the section headed "History, Reorganisation and Corporate Structure — The Reorganisation".

We summarise below our corporate development since the beginning of the Track Record Period. Our corporate history before then is set out in Appendix VI — Statutory and General Information — 1.1 Key changes in our Group's ownership structure before the commencement of the Track Record Period.

Pax Technology group of companies

At the beginning of the Track Record Period, the operating companies in our Group comprised only Pax Technology and Pax Technology (Shenzhen). At that time Pax Technology had its first overseas representative office in Moscow, Russia, which was later closed in November 2008 due to considerations over the operating cost of the Russian representative office.

With the intention of expanding into the North American market, on 10 March 2008, Pax Technology established Pax Technology (USA) as its direct wholly-owned subsidiary under the laws of the State of Georgia, which is currently our principal marketing arm in the US.

Series A & B Investments in Pax Technology

On 4 April 2007, Pax Technology, Hi Sun and an investor, Digital Investment, entered into a subscription agreement pursuant to which Pax Technology agreed to allot and issue 8,750,000 preference shares (subsequently re-designated as series A preference shares on closing of the investment by Dream River described below) in Pax Technology to Digital Investment for a cash consideration of US\$10 million. Those preference shares together give their holders effectively 20% equity interest in Pax Technology. The US\$10 million consideration was paid in two instalments on 23 May 2007 and 25 May 2007. This investment was completed, and the series A preference shares were issued, on 23 May 2007. The funds raised were used for the development of our EFT-POS terminal solutions business.

Pursuant to an agreement dated 30 March 2009 between Pax Technology, Hi Sun, Hi Sun Technology and another investor, Dream River, Hi Sun Technology transferred for a consideration of US\$20 million to Dream River 8,750,000 ordinary shares in (accounting for 20% of the issued share capital of) Pax Technology. In accordance with that agreement, those ordinary shares were converted into series B preference shares immediately upon transfer on completion which took place on 29 April 2009 and the US\$20 million consideration was paid on 30 April 2009. The remaining shares in Pax Technology held by Hi Sun Technology (which then held also interests in the financial and banking solutions businesses of Hi Sun) were transferred on 29 May 2009 to its fellow subsidiary wholly-owned by Hi Sun, Grand Global at HK\$225,000,000, based on the then consolidated net asset value of Pax Technology. The HK\$225,000,000 consideration was settled on 29 May 2009 by way of promissory note.

Based on the total investment amount of Digital Investment and Dream River of US\$30 million (equivalent to HK\$232,500,000 at the exchange rate of US\$1 = HK\$7.75) and taking into account the effect of the Capitalisation Issue, the implied average price per Share to Digital Investment and Dream River (as a group) is HK\$0.79, which represents 68.95% discount to HK\$2.53, being the low end of the Offer Price range and 75.68% discount to HK\$3.23, being the high end of the Offer Price range.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The series A preference shares and series B preference shares of Pax Technology are convertible into ordinary shares at a one for one ratio, subject to adjustments on consolidation, re-classification or sub-division or on issue of shares or other equity securities (other than under an employee share scheme of Pax Technology or its subsidiaries) at a price per share lower than US\$1.143 (in the case of adjustments to the conversion ratio of the series A preference shares) or US\$2.286 (in the case of adjustments to the conversion ratio of the series B preference shares). Both classes of preference shares are entitled to dividends *pari passu* with the ordinary shares of, and voting rights in, Pax Technology on an as-converted basis. They are entitled to preference on return of capital up to the amount of initial investment by the relevant investors in those shares plus dividends in arrears and thereafter rank *pari passu* with ordinary shares as to the remainder. Neither the series A preference shares nor the series B preference shares are subject to any redemption, except for the purposes of giving effect to any exercise of conversion rights attached to those preference shares. Further details of the rights attaching to the series A preference shares and the series B preference shares are set out in Appendix VI — Statutory & General Information — 1.5 Changes in share capital of subsidiaries. We have conditionally agreed under the Hao Share Swap Agreement to acquire all of these preference shares immediately before Listing as part of the Reorganisation.

The relationship between the shareholders of Pax Technology is governed by a shareholders agreement, pursuant to which each of Digital Investment and Dream River has the right, among others, (i) subject to its holding an aggregate of not less than 5% of their respective preference shares in issue, to appoint one director to the board of directors of Pax Technology; (ii) to participate, on the same terms and conditions, in the sale by Hi Sun or any of its associates of any interest in their ordinary shares in the capital of Pax Technology; and (iii) to subscribe for any new securities issued by Pax Technology convertible or exchangeable into any class of shares in the capital of Pax Technology. All of these rights will terminate upon Listing. The nominee director appointed by Digital Investment and that appointed by Dream River to the board of directors of Pax Technology since the issue of the relevant series of preference shares are required to resign as directors upon completion of the Hao Share Swap Agreement. These nominee directors did not have any executive roles or duties at Pax Technology or any of its subsidiaries and will have no role in our Group after Listing. They sit on the board of Pax Technology as investor representatives in accordance with the terms of the shareholders agreement.

Further information about the minority shareholders of our Group prior to completion of the Global Offering

Digital Investment is a company 95% owned by HAO Capital China Fund L.P. HAO Capital China Fund L.P. is a private equity fund with investment focusing in greater China. It is a close-ended fund with an initial term of eight years. Dream River is a company wholly-owned by HAO Capital Fund II L.P., HAO Capital Fund II L.P. is a private equity fund with investment focusing in greater China. It is a close-ended fund with an initial term of eight years. The investment objectives for both HAO Capital Fund II L.P. and HAO Capital China Fund L.P. are to seek medium term capital appreciation and return on their investments.

The aggregate assets under management of HAO Capital China Fund L.P. and HAO Capital Fund II L.P. are approximately US\$496.8 million as at 30 September 2010 and investors in them include high net worth individuals, corporate and institutional investors. The general partner of HAO Capital Fund II L.P. is HAO Partners L.P. whose general partner is HAO Partners (Holdings) Limited. The general partner of HAO Capital China Fund L.P. is 891 Venture Limited. Mr. Charles Yangsheng Liu controls more than one-third of the voting power at general meetings of both HAO Partners (Holdings) Limited and 891 Venture Limited. HAO Capital has confirmed to us that none of Digital Investment, Dream River and their respective beneficial owners have any other business and/or invest in other companies which compete, or may compete, with the Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

THE REORGANISATION

For purposes of rationalising the corporate structure in preparation for the Listing, our Company was incorporated on 15 February 2010 in Bermuda by Hi Sun and we are undergoing the Reorganisation, further details of which are set out in Appendix VI — Statutory and General Information — 1.5 Reorganisation. In brief, the Reorganisation includes:

- (i) the transfer of Hi Sun's entire indirect interest in Grand Global to our Company in return for new Shares; and
- (ii) transactions under the Hao Share Swap Agreement, upon completion of which Digital Investment and Dream River are to be issued 50,000,000 and 50,000,000 new Shares representing 20% and 20% of the issued share capital of our Company fully diluted by the issue of such new Shares immediately after completion of this agreement. The transactions were designed to ensure that there is no change to the shareholding ratio (and attributable interest in) Pax Technology as between Hi Sun, Digital Investment and Dream River as a result of the Reorganisation, so that they hold the same effective interest in Pax Technology as immediately before the swap. The Hao Share Swap Agreement does not confer upon Digital Investment and Dream River additional rights that they would not otherwise have enjoyed under the shareholders agreement in respect of Pax Technology.

Completion of the Hao Share Swap Agreement is conditional upon, among others, the following conditions: (a) unconditional approval from the Stock Exchange of Hi Sun's spin-off application which forms the subject matter of the announcement of Hi Sun dated 19 August 2010 (other than any condition regarding the Completion of the Hao Share Group Agreement); (b) Digital Investment and/or Dream River having entered into one or more underwriting agreements in respect of the Global Offering; and (c) the Offer Price and the number of Public Offer Shares being acceptable to Digital Investment and Dream River. If the conditions set out above are not fulfilled before 5:00 p.m. on 31 December 2010 (or such later date as the parties to the Hao Share Swap Agreement may agree in writing), the Hao Share Swap Agreement shall terminate and neither party shall have any claim against the other save in respect of any antecedent breach of that agreement and the Global Offering will not proceed.

If Hi Sun withdraws its spin-off application or the Stock Exchange rejects our listing application for whatsoever reason, the Hao Share Swap Agreement may be terminated by the parties thereto. In addition, Digital Investment and Dream River may also terminate the Hao Share Swap Agreement, if there is material adverse change to our business and financial position such that they should be released from their obligations under that agreement to ensure the preservation of their rights under their investment agreements with Pax Technology. If Digital Investment and Dream River exercise their termination rights under the Hao Share Swap Agreement, they will remain shareholders of Pax Technology. Completion of the Hao Share Swap Agreement is expected to take place on the fixing of the Offer Price, assuming that all conditions precedents are fulfilled (unless otherwise waived with the agreement of all parties to that agreement). If, however, listing of the Shares do not take place within 30 days after completion or if the underwriters of the Global Offering exercise their rights to terminate the underwriting agreement for the Global Offering, the Hao Share Swap Agreement provide for the share swap that has by then been effected to be unwound on the third business days after the expiry of such 30 days or (as the case may be) termination (or such other date as may be agreed between the parties). This is to be effected by the repurchase by our Company of all shares issued to Digital Investment and Dream River under the Hao Share Swap Agreement in consideration of us transferring back to them all of their original 40% interest in Pax Technology.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On completion of the Hao Share Swap Agreement, we will wholly-own Pax Technology. Neither Digital Investment nor Dream River will enjoy any special voting, information, veto or other rights attached to the consideration shares it receives under the Hao Share Swap Agreement that are not available to other shareholders of our Company upon Listing.

King & Wood, PRC counsels to our Company, have confirmed that neither the Reorganisation nor the Listing requires the approval of PRC regulatory authorities. In particular, our PRC counsels have confirmed that (i) the pre-IPO reorganisation does not require any approval from the PRC Ministry of Commerce (MOFCOM) or its branches as it takes place outside the PRC and does not involve any direct change of ownership of Pax Technology (Shenzhen) and (ii) no SAFE registration issues apply on the basis that none of the shareholders of the Company or the “de facto controllers” of the Company is a PRC resident.

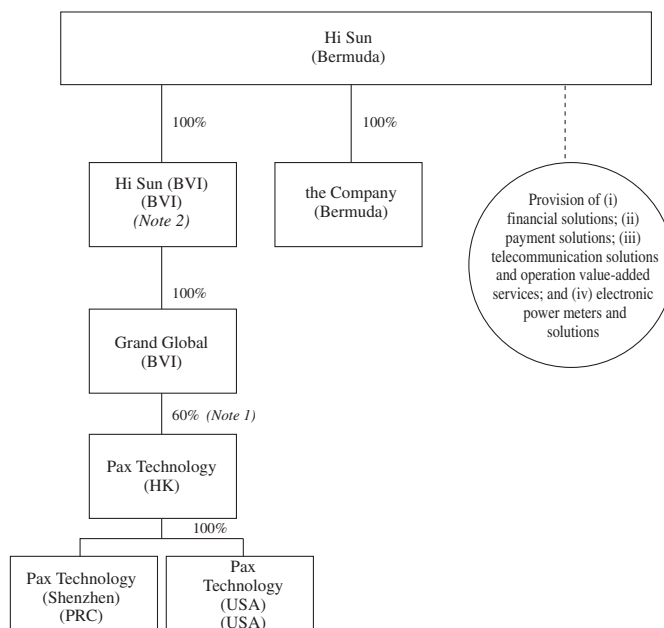
OUR GROUP STRUCTURE

Our Group comprises the following companies engaged in the businesses described below:

- our Company and Grand Global, both being investment holding companies;
- Pax Technology, which is engaged in the sales of EFT-POS products and provision of related services;
- Pax Technology (Shenzhen), which is engaged in the development and sales of EFT-POS products and provision of related services; and
- Pax Technology (USA), which is engaged in the sales of EFT-POS products.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

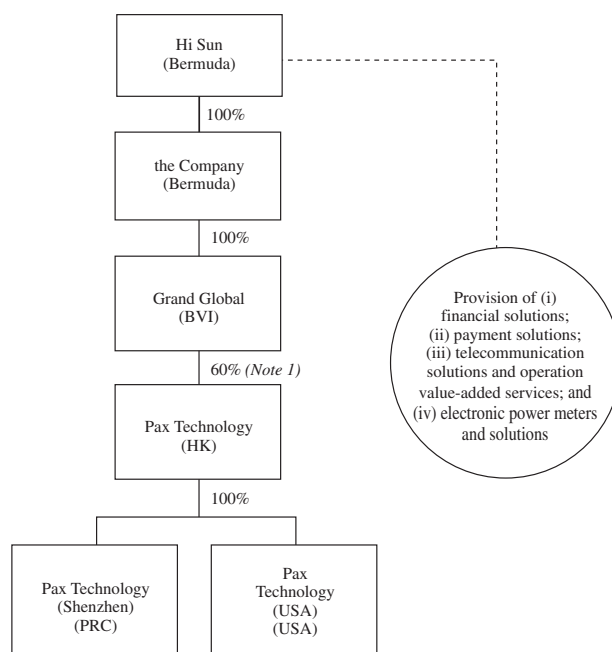
The shareholding structure of our Group immediately prior to the Reorganisation was as follows:



Notes:

1. The remaining 40% interest in Pax Technology is held as to 20% in the form of series A preference shares by Digital Investment and as to 20% in the form of series B preference shares by Dream River.
2. Hi Sun (BVI) is an investment holding company which holds interests in certain other subsidiaries of Hi Sun.

The shareholding structure of our Group as at the date of this prospectus is as follows:

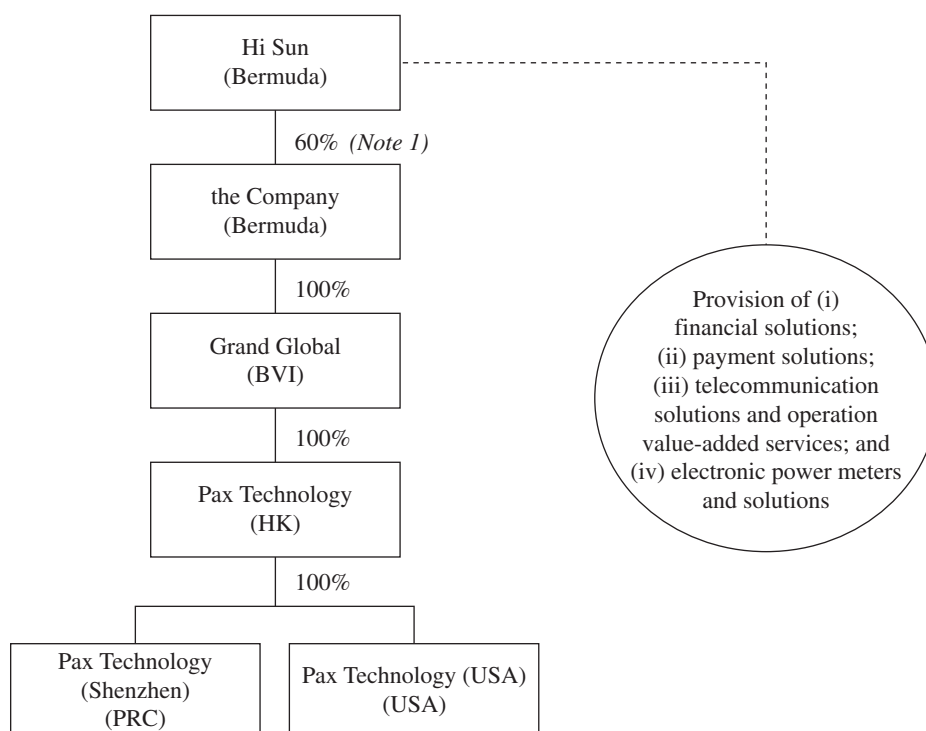


Note:

1. Digital Investment and Dream River have agreed conditionally to transfer their aggregate 40% interest in Pax Technology to our Company or its nominee(s) pursuant to the Hao Share Swap Agreement, completion of which is to take place on the fixing of the Offer Price assuming that all conditions precedent are fulfilled (unless otherwise waived with the agreement of all parties to that agreement).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding structure of our Group immediately after completion of the Hao Share Swap Agreement will be as follows:

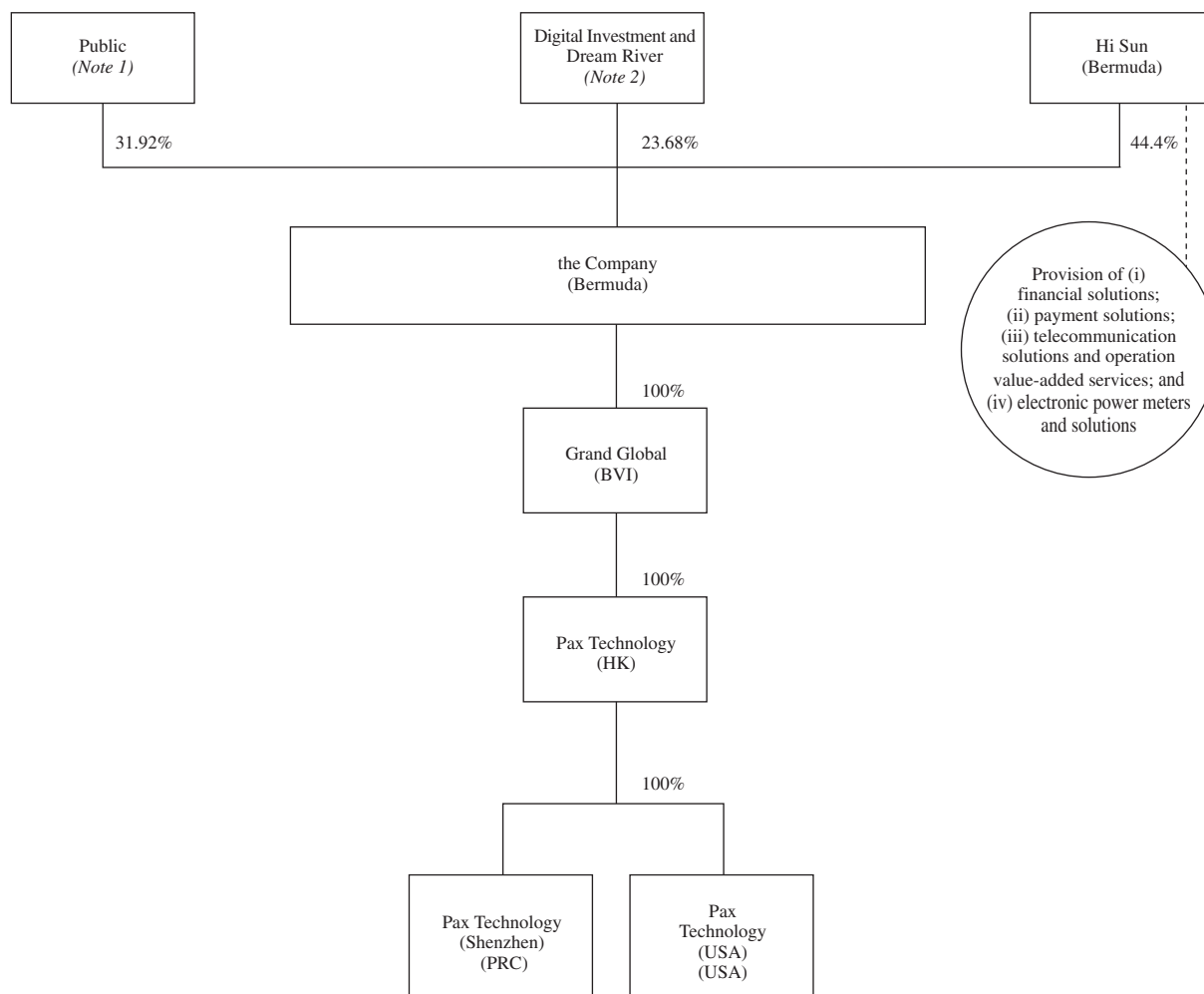


Note:

1. *The remaining 40% interest in the Company is held as to 20% by Digital Investment and as to 20% by Dream River all in the form of ordinary shares. Under the Hao Share Swap Agreement, the Company has undertaken to observe the rights of Digital Investment and Dream River under the shareholders agreement in respect of Pax Technology, (brief particulars of which have been set out in the section headed “History, Reorganisation and Corporate Structure — Corporate Development — Series A & B Investments in Pax Technology”) notwithstanding completion of the share swap contemplated under the Hao Share Swap Agreement, up to (but not beyond) the Listing.*

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding structure of our Group immediately upon completion of the Hao Share Swap Agreement, the Global Offering (without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option) and the Capitalisation Issue will be as follows:




Notes:

1. This represents the successful applicants and placees under the Global Offering.
2. Digital Investment and Dream River will each hold 11.8% shareholding in the Company immediately after the Global Offering assuming no exercise of the Over-allotment Option. Digital Investment is a company 95% owned by HAO Capital China Fund of L.P., which is a close-ended private equity fund. Dream River is a company wholly-owned by HAO Capital Fund II L.P. which is also a close-ended private equity fund. Investors in the two funds include high net worth individuals, corporate and institutional investors. The general partner of HAO Capital Fund II L.P. is HAO Partners L.P., whose general partner is HAO Partners (Holdings) Limited. The general partner of HAO Capital China Fund L.P. is 891 Venture Limited. Mr. Charles Yangsheng Liu controls more than one-third of the voting power at general meetings of both HAO Partners (Holdings) Limited and 891 Venture Limited. Under the International Underwriting Agreement, we expect each of Digital Investment and Dream River to give non-disposal undertakings in respect of Shares (other than the Sale Shares and the charging or pledging of any direct or indirect interest in the Shares in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 144 of the Laws of Hong Kong)) for a bona fide commercial loan) held by them upon Listing for a period of six months commencing on the Listing Date or such longer period as prescribed by the Stock Exchange.
3. Please refer to the section headed "History, Reorganisation and Corporate Structure — The Reorganisation" and Appendix VI — Statutory and General Information — 1.3 Changes in share capital of the Company for details of the Hao Share Swap Agreement.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REASONS FOR AND BENEFITS FROM THE SPIN-OFF OF OUR COMPANY FROM THE HI SUN GROUP

As set out in the announcement and circular of Hi Sun both dated 8 November 2010, Hi Sun considers that the proposed spin-off of our Group will be beneficial to the Hi Sun Group and our Group for the following reasons:

- The proposed spin-off will, upon its implementation, allow the Hi Sun Group to focus on the business of financial solutions, payment solutions, telecommunications solution and operation value-added services and electronic power meters and solutions. Our Group will focus on the business of EFT-POS terminal solutions, which has now grown to a size which warrants a separate listing. This will enable the two separate management teams to adopt different business strategies better suited towards the businesses of the two groups, have a clearer segregation of roles, enhance their ability to focus on opportunities specific to the business of the relevant Group, from which both the Hi Sun Group and our Group could benefit.
- In terms of profile for listing, the proposed spin-off of our Group from the Hi Sun Group will enable each of Hi Sun and our Group to establish its own profile thereby attracting different investors. The Global Offering and separate listing of our Company can enhance awareness of, and strengthen, the “” brand which can facilitate our Group’s efforts in developing overseas markets for our products.
- Since Hi Sun will remain as a controlling shareholder of our Company, Hi Sun will continue to benefit from the growth and the business prospects of our Company through its equity interest in the results of and potential dividends, if any, from our Company.

BUSINESS

OVERVIEW

We are an electronic fund transfer point-of-sale (EFT-POS) terminal solutions provider principally engaged in the development and sale of EFT-POS products and provision of related services. We ranked first in terms of sales volume of EFT-POS terminals, with a 32.5% market share of the sales volume of EFT-POS terminals, in China in 2009, according to Analysys International.

We develop and sell countertop and mobile EFT-POS terminals which are able to process a wide range of electronic payment types including signature and PIN-based debit cards, credit cards, contactless/radio frequency identification cards, RF-enabled mobile phones, IC cards, pre-paid gift and other stored-value cards. We also develop and sell consumer activated devices, contactless devices and EFT-POS software (which is installed in our EFT-POS products and not sold independently). Save for product assembly and processing, which we outsource, we design and develop our products and manufacturing procedures, carry out research and development, source raw materials and components, implement quality control in-house, and sell and distribute our products (with the support of our distributors, who are also our customers, in some of our overseas markets) and provide after-sales services. Through our subcontractors, which are Independent Third Parties, we also provide contract-based maintenance services to certain of our customers in Hong Kong and Macau whereas, in China, we also provided maintenance services by our own service team.

Our customers can broadly be categorized into acquirers (such as payment processors and financial institutions) and merchant service providers. In China, our customers include but are not limited to UMS, Bank of China, Agricultural Bank of China, Bank of Communications and China Mobile. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our five largest customers accounted for 79.8%, 85.4%, 74.3% and 62.5%, respectively, of our total sales revenue for those periods. For the same periods, UMS which is our largest customer accounted for 54.0%, 56.4%, 31.7% and 26.9%, respectively, of our total sales revenue for those periods due to diversification of sources of sales revenue of our Group. Our EFT-POS products have been sold to more than 50 overseas countries and regions including the US, Singapore, Taiwan, Japan, South Korea, New Zealand, France, Finland, Saudi Arabia, South Africa and Russia. During the Track Record Period, all of our sales in China, Hong Kong and the US were conducted through direct sales by our sales team while our sales to other overseas countries were principally conducted through our distributors, with a small proportion being direct sales. In China, a large proportion of our sales are generated as a result of our ability to be successfully selected as a qualified supplier of our major customers in China. Like other companies in the EFT-POS market in China, it is not common for us to enter into long-term contracts with our customers. Instead, our sales are conducted primarily on an order-by-order basis either as a qualified supplier or by direct sales.

As at the Latest Practicable Date, we had a total of 23 overseas distributors (who may or may not have entered into formal written agreements with us), which were all Independent Third Parties. These overseas distributors included payment service solutions providers, merchant service providers, credit card payment system solutions providers for banks and electronic voucher distributors in the relevant markets. During the Track Record Period, we entered into formal written agreements normally with those overseas distributors with which we intend to develop strategic alliances for the purpose of expanding our business into the respective overseas markets. Generally under the terms of our distribution agreements, our distributors are allowed to hold themselves out as distributors of our EFT-POS products and they are to develop the largest possible market for our EFT-POS products in the relevant territories by publishing advertisements and conducting sales and promotional activities. Some of our distributors are entitled to appoint sub-distributors or sub-agents to distribute our products. Our distribution agreements generally have contract terms that range from one to five years and they are terminable by either party by giving prior notice or by mutual consent of the parties. Some of our distribution agreements are automatically renewable unless terminated by the parties.

BUSINESS

We believe our research and development efforts are vital to our competitiveness. Our research and development activities focus on the enhancement of the functionality, quality, design and style of our EFT-POS products, as well as the development of new products. Our mission is to provide innovative and reliable technological products to our customers that meet the needs of diversified industrial requirements. Our success in research and development is demonstrated by the awards and accreditations we have received. Pax Technology (Shenzhen) was accredited as a High-tech Enterprise (高新技術企業) in 2003 by Shenzhen Bureau of Science and Technology (深圳市科學技術局) and a High-tech Enterprise (高新技術企業) in 2009 by Shenzhen Bureau of Science Technology and Information (深圳市科技和信息局), Shenzhen Finance Bureau (深圳市財政局), Shenzhen Municipal Office of State Administration of Taxation (深圳市國家稅務局) and Administrator of Local Taxation of Shenzhen Municipality (深圳市地方稅務局) in the PRC.

We have engaged an EMS manufacturer to provide assembly and processing services to us, and have used PKS as our sole EMS manufacturer since 2006. Pursuant to our cooperative agreement with PKS, we provide all raw materials required for PKS to assemble and process our EFT-POS products and PKS provides assembly and processing services to manufacture our EFT-POS products in accordance with our product designs and specifications. The cooperative agreement is terminable by either party by giving six months' notice to the other party. We believe that sub-contracting the assembly and processing of our EFT-POS products allows us to concentrate our resources on the design and development of new EFT-POS products, product marketing, branding, quality management and logistics management.

We place strong emphasis on the quality and reliability of our products. We manage all our business and operating processes to ISO 9001:2008 Quality Management Systems standard in the design and sales of electronic payment systems including POS terminals, smart card readers and PIN entry devices. In 2010, our countertop EFT-POS terminal S80 was granted the Terminal Quality Management certification by MasterCard. This, among other things, represents our commitment and success to the quality and reliability of our products.

OUR COMPETITIVE STRENGTHS

We believe our success to date and our potential for future growth can be attributed to a combination of our competitive strengths, including the following:

We have a leading position in the EFT-POS market in China and are well-positioned to benefit from the potential rapid growth of this market

We are an EFT-POS terminal solutions provider in China. We ranked first in terms of sales volume of EFT-POS terminals in China in 2009, according to Analysys International. In China, our major EFT-POS customers include UMS, Bank of China, Agricultural Bank of China, Bank of Communications and China Mobile. In the EFT-POS market, we have been able to become one of China Mobile's suppliers for mobile phone payment terminals.

Our customers generally focus on product quality, so we believe that once our customers start using products from a particular supplier, they will develop trust, dependence and stickiness with the supplier because of the quality of the products, customer service and product enhancement. In addition, our customers, primarily being acquirers (such as payment processors and financial institutions) and merchant service providers will typically build infrastructure and personnel around their existing products and the cost of switching suppliers could be material if they decide to procure products from other suppliers. As a leading EFT-POS terminal solutions provider with a track record of providing quality products, we believe we will continue to be one of the preferred suppliers to our customers.

BUSINESS

We believe our leading position in the EFT-POS market in China allows us to be well-positioned to capture a greater proportion of the market share than our competitors from the anticipated rapid growth in the EFT-POS markets. According to Analysys International, we had the largest market share of over 30% of the EFT-POS market in terms of sales volume in China, for the year 2009. According to Analysys International, the sales volume of EFT-POS terminals in China is expected to reach about 2.20 million units in 2012.

We have solid technological, research and development capabilities

With more than ten years experience as an EFT-POS terminal solutions provider, we believe that our accumulated know-how, research and development capabilities, and product design and manufacture expertise have enabled us to develop more advanced and comprehensive products on a timely basis to capture the market opportunities. Pax Technology (Shenzhen) was accredited as a High-tech Enterprise (高新技術企業) in 2003 by Shenzhen Bureau of Science and Technology (深圳市科學技術局) and a High-tech Enterprise (高新技術企業) in 2009 by Shenzhen Bureau of Science Technology and Information (深圳市科技和信息局), Shenzhen Finance Bureau (深圳市財政局), Shenzhen Municipal Office of State Administration of Taxation (深圳市國家稅務局) and Administrator of Local Taxation of Shenzhen Municipality (深圳市地方稅務局) in the PRC. As at the Latest Practicable Date, our Group comprised a total of 319 personnel with diploma and undergraduate qualifications in the relevant academic disciplines such as computer science, electrical technology and electronic engineering. As at the Latest Practicable Date, we held 22 registered patents and 10 computer software copyrights in the PRC.

The production and sales of EFT-POS terminals, the financial payment security products, as well as their application in different areas, require the certification or approval by relevant international authorities and PRC financial institutions. But achieving these certifications or approvals may require both higher technical skills and longer time, thus becoming the biggest barrier for entry into the industry. We have always been prepared to invest resources so that our products are capable of meeting international standards. To this end, we obtained EMV Level 1 certification in 2004 for our product P60-S1. Our EFT-POS products have also obtained other international certifications including Proton World and PCI certifications. As at the Latest Practicable Date, 10 of our EFT-POS products have obtained PCI certification. Our external contactless readers have obtained PBOC Certification, Visa's PayWave Certification and MasterCard's PayPass Certification and our countertop EFT-POS terminal S80 has obtained MasterCard's TQM certification.

We are committed to developing high quality innovative products to meet and anticipate customer needs based on our market research and industry experience, thereby creating a front runner advantage in capturing market share. For example, we have conducted research and development into (i) the embedded Linux Operating System and applied the system in the production process of our existing products and (ii) contactless payment technologies and products such as the EZ-Link in Singapore, the mobile phone payment of China Mobile and the All-in-one Card (寧波市民卡) in Ningbo, Zhejiang province.

We have an established customer base supported by our sales network

Our products are sold to domestic and international customers and we have maintained business relationships with our key customers, through our sales network and supported by our after-sales team.

During the Track Record Period, we have sold our products to markets across Asia, the Middle East, America, Europe, Africa and Australasia. Our key customers include UMS, Bank of China, Agricultural Bank of China, Bank of Communications and China Mobile. We have developed stable relationships with most of these customers.

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Our customer base is covered by a sales network which is reinforced by our interactive customer service approach. As at the Latest Practicable Date, we had a total of 145 employees in our sales and marketing and after-sales services teams, providing sales and sales support services in China with a focus on the more affluent provinces and also supporting our overseas markets. We also established Pax Technology (USA) with a view to expand into the North American markets. In addition to the regular marketing activities performed, we communicate with our customers to identify their needs which feed into our product research and development process. With this interactive approach with our customers, we have been able to anticipate our customers' needs as well as recommend and provide them with innovative products and solutions, creating a competitive advantage for securing orders for such products.

Experienced and dedicated senior management team with an in-depth knowledge of the market in which we operate

We have an experienced senior management team with a diverse range of backgrounds and substantial expertise in the EFT-POS market in both China and our overseas markets. Our executive Directors and senior management have an average of over 10 years of electronic payment solutions industry experience. Their in-depth knowledge and experience in electronic payment solutions, together with in-depth understanding of local cultures and work environments and international business experience, have enabled them to lead our Company to capture and pursue market opportunities, enhance relationship with key customers and formulate and implement development strategies effectively.

In addition, our Group has a stable management team. The stability of our management team has enabled us to pursue our business strategy and run our operation in a consistent and efficient manner, which in turn allows us to properly position our Group in capturing the anticipated growth in our targeted market segments.

OUR STRATEGIES

Our goal is to maintain and enhance our leading position as an EFT-POS terminal solutions provider in the EFT-POS terminals market in the PRC and become one of the leading players in the international market. We plan to achieve this goal by pursuing the following strategies:

Maintaining and enhancing our leading position by continuing to develop innovative products that satisfy customers' requirements

Our Directors believe that one of our key success factors is our foresight and technical expertise to manufacture products which can meet and anticipate customers' requirements on product performance and functions. We place strong emphasis on the development of new products which better satisfy our clients' requirements and allow us to sell our products at premium prices compared to our competitors.

We will continue our emphasis on understanding the changing requirements and needs of end-users towards EFT-POS products and will continue to keep abreast of product and technological trends in the EFT-POS market. We believe there will be an expansion in the markets for contactless payment terminals and contactless readers. With such foresight, since 2009, our research and development team has developed several new products targeting these two growing markets and we intend to continue to develop new products to take advantage of opportunities in these two growing EFT-POS markets.

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Further enhancing our research and development and technological capabilities

Our research and development efforts have been and will continue to be vital to our competitiveness and we intend to continue to invest in our research and development capabilities. Our research and development is focused on hardware, embedded software, and related application system and software.

We plan to expand our research and development capabilities by building a stronger and larger team with more research and development staff and providing training and other development opportunities for our research and development staff. We plan to expand our existing research and development team by progressively increasing the number of research and development specialists in 2011. We will consider inviting experts in EFT-POS products and outstanding management personnel to join our Group and will continue our career development programs for graduates with qualifications in the relevant disciplines such as computer science and electronic engineering from leading universities to assist with our recruitment. We also intend to invest in new facilities and equipment along with the expansion of our research and development team.

We also plan to strengthen and enhance our research and development management system by the introduction of PLM throughout our Group. We believe that such enhancement will further improve our product development efficiency level, shorten our product development cycle and make our research and development process more efficient and effective, time-wise and cost-efficient.

We may make strategic acquisitions in the future to enhance our research and development capabilities. As of the Latest Practicable Date, we did not have any specific plans for research and development acquisitions.

Expanding and optimizing our sales and after-sales network in the PRC

The majority of our customers are located in the PRC. In view of the anticipated rapid growth in the demand for EFT-POS products in the PRC, we plan to optimise and enlarge our sales network there. We intend to enlarge our sales teams in areas where we have experienced strong growth in sales and to increase the number of our sales people in those regions and our customer services points in those regions in the PRC. We also plan to increase our presence in provinces such as Henan and Heilongjiang where we previously did not have a significant presence to promote sales and provide supporting services to surrounding cities and areas.

Expanding our presence and increasing our market shares in key international markets

We will explore opportunities to increase our products sales in international markets and expand our sales and distribution channels by forming strategic alliances with overseas distributors and open overseas sales office in areas with opportunities for growth.

We will continue to optimize our distributors resources in overseas countries and regions by working closely with our existing distributors whom we believe have competitive networks and marketing capabilities. We will also explore the opportunities, working with new distributors, to expedite product penetration in international markets and expand into new international markets. We will also continue to explore new distributorship arrangements in Asia, South America, the Middle East, Africa, Europe, Australia and New Zealand. Leveraging our research and development capabilities and the speed of our new product development, we plan to enter into cooperative arrangements with our customers (including ODM and OEM arrangements) to develop new EFT-POS products. We also plan to enter into strategic alliances with our customers to jointly develop innovative and customized EFT-POS products that are not yet available in the market.

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The North American market will be the primary focus of our international sales as we believe that we can compete effectively based on our competitive pricing, product features and interactive customer service. We intend to continue to utilize Pax Technology (USA) to develop the North American market. We have hired local technological and industry experts and will continue to build our US team by hiring industry experts who understand and have solid EFT-POS experience in the North American market.

OUR EFT-POS PRODUCTS

Our EFT-POS products and services comprise six principal categories. All our EFT-POS products are installed with related EFT-POS software developed by us. The table below sets out the breakdown of our sales revenue by product categories in terms of amount and as a percentage of our total revenue during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Countertop EFT-POS terminals	288,097	89.15%	414,148	83.91%	401,685	81.49%	156,907	79.96%	216,279	80.79%
Mobile EFT-POS terminals	23,082	7.14%	61,724	12.51%	55,646	11.29%	28,764	14.66%	19,787	7.39%
Consumer activated devices	1,512	0.47%	3,921	0.79%	16,165	3.28%	2,715	1.38%	11,433	4.27%
Contactless devices	—	0.00%	919	0.19%	3,665	0.74%	625	0.32%	8,921	3.33%
Services (Note 1)	7,423	2.30%	9,636	1.94%	13,574	2.75%	6,261	3.20%	6,386	2.39%
Others (Note 2)	3,029	0.94%	3,241	0.66%	2,207	0.45%	949	0.48%	4,892	1.83%
Total:	323,143	100.00%	493,589	100.00%	492,942	100.00%	196,221	100.00%	267,698	100.00%

Notes:

- (1) During the Track Record Period, we provided contract-based maintenance services to certain of our customers in Hong Kong. For details, please refer to the section headed “Business — After-sales services, warranty and maintenance services”.
- (2) During the Track Record Period, we separately sold accessory items to our customers. Examples of such accessory items were download cable, telephone line, thermal paper, sticker and barcode scanning gun etc.

According to Analysys International, the EFT-POS market growth rate in China, in terms of sales value, was 47.3%, 46.9% and 2.5%, respectively for the years ended 31 December 2007, 2008 and 2009, thus showing a declining market growth rate. For further details, please refer to the section headed “Industry Overview — Sales of EFT-POS Products in China — Growth in sales of EFT-POS products in China” in this prospectus. For the corresponding periods, the revenue growth rate of our Group was 63.3%, 52.7% and -0.1%, respectively and we therefore consider our growth is generally in a similar trend as compared to the industry in China. However, according to Analysys International, the growing demand for EFT-POS products in China is expected to continue in view of the continuous development of the bank card industry and the rapid growth in card payment transactions in China. Our Directors believe that we are well-positioned to leverage our leading position to take advantage of this growth because of our product quality, solid technical, research and development capabilities and established customer base supported by extensive sales networks.

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The following table sets forth our sales volume by product categories and as a percentage of our total sales volume during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Unit sold	%	Unit sold	%	Unit sold	%	Unit sold	%	Unit sold	%
Countertop EFT-POS terminals	146,074	90.42%	221,975	84.63%	273,071	75.64%	100,927	78.93%	158,692	78.61%
Mobile EFT-POS terminals	8,617	5.33%	24,960	9.52%	27,286	7.56%	13,592	10.63%	9,460	4.69%
Consumer activated devices	6,872	4.25%	13,362	5.09%	53,457	14.81%	12,264	9.59%	22,363	11.08%
Contactless devices	—	N/A	2,000	0.76%	7,170	1.99%	1,081	0.85%	11,351	5.62%
Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Others	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total:	161,563	100.00%	262,297	100.00%	360,984	100.00%	127,864	100.00%	201,866	100.00%

Note: N/A means not applicable.

The following table sets forth the average selling price in each of the Group's product categories during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$	HK\$	HK\$	HK\$	HK\$
Countertop EFT-POS terminals	1,972	1,866	1,471	1,555	1,363
Mobile EFT-POS terminals	2,679	2,473	2,039	2,116	2,092
Consumer activated devices	220	293	302	221	511
Contactless devices	N/A	460	511	578	786
Services	N/A	N/A	N/A	N/A	N/A
Others	N/A	N/A	N/A	N/A	N/A

Note: N/A means not applicable.

For further details, please refer to the section headed "Financial Information — Results of operation".

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EFT-POS terminals and peripheral devices

In its simplest form, an EFT-POS terminal is a standalone device which is used to effect electronic payments. By way of an example, a typical transaction involving electronic fund transfer will have two counterparties who can be described as the merchant (the payee) who is enabled to receive payment by accepting bank cards issued to the cardholder (the payer) through the use of EFT-POS terminals. EFT-POS terminals are thus commonly used in the retail environment to handle electronic payment transactions.

We currently offer a wide range of EFT-POS products including various types of traditional financial EFT-POS terminals (compact-type and detachable-type) which are able to process different payment types including magnetic strip cards, smart chip cards, contactless cards and RF-enabled mobile phones. Our EFT-POS products have several modular configurations which support a variety of connectivity options including wired and wireless Internet protocol technologies. Most of our EFT-POS terminals integrated with IC card readers have obtained international certifications including the PCI certification, EMV Level 1 and Level 2 certifications as well as PRC certifications including PBOC Certifications, China UnionPay Network Access License, Network Access License for Telecommunications Equipment (電信設備進網許可證) and 3C certification of the China Quality Certification Centre.

We also develop and sell peripheral devices including consumer activated devices, such as PIN Pads, and contactless devices. A PIN Pad is an electronic device which is used to input and encrypt a cardholder's PIN. Our PIN Pads have obtained PCI PTS certifications. Our PIN Pads are also integrated into our customer facing terminal namely MT30. A contactless device is used to accept contactless cards for electronic payment transactions. They are often used in payment process for public transport systems or in retail environment to process quick and relatively small payments. Most of our contactless devices have obtained PBOC Certification, Visa's PayWave Certification and MasterCard's PayPass Certification.

In July 2010, Pax Technology (Shenzhen) was invited to participate in a qualified supplier selection tender of Bank of China for simplified model and standard model of telephone-POS terminals and we were successfully selected as a qualified supplier for the standard model of telephone-POS terminals in October 2010. We are developing telephone-POS terminals as a new line of our POS products and we have not sold any telephone-POS terminals during the Track Record Period. In brief, telephone-POS terminals are fixed-cable telephones configured with traditional countertop electronic fund transfer function (or, in other words, they are integrated devices with modern telephone features such as caller number display and electronic phone-book functions in addition to voice-calls on top of the electronic fund transfer function performed by a traditional EFT-POS terminal).

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Set out below is a further introduction of our EFT-POS products (excluding telephone-POS terminals).

Countertop EFT-POS terminals — compact-type (Model numbers: P80, P78, S80, P58, SP30-S, SP30-T, S78)

We offer a variety of countertop EFT-POS terminals that accept magnetic strip cards and IC cards and support credit cards, debit cards and a full range of pre-paid products, including gift cards and TellerLoyalty programs. Some of our countertop EFT-POS terminals are handover terminals. Our countertop EFT-POS terminals normally support both PSTN and TCP/IP connections and offer a wide range of options to our customers.



P80



P78



S80



P58



SP30-S



SP30-T



S78

Countertop EFT-POS terminals — detachable-type (Model numbers : P60-S1, S60-S, S60-T)

Each of our detachable-type countertop EFT-POS terminals comprises a handset which consists of keypad, LCD display screen, magnetic strip and IC card reader and a base which consists of printer and portal that support various communication methods including Wi-Fi and TCP/IP connections. Payment transaction data can be stored in the EFT-POS terminals for later retrieval and forwarded for authorization and settlement when the handset is connected to the base. This type of countertop EFT-POS terminals is generally used in the entertainment, restaurant and hospitality segments.



P60-S1



S60-S



S60-T

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Mobile EFT-POS terminals (Model numbers : P90, S90)

We develop and sell mobile and wireless EFT-POS terminals that support multiple wireless communication methods, such as GSM, GPRS, CDMA and Wi-Fi. We also leveraged the wireless technologies to develop “pay-at-the-table” mobile EFT-POS terminals which can be used in restaurants, hotels, trade fairs and exhibitions.



P90

S90

Consumer activated devices (Model numbers: PP20-C, PP20-D, SP30, SP20, MT30)

We offer a range of PIN Pads that support a variety of connection options to work with EFT-POS terminals. Our PP20-C and SP30 PIN Pads have obtained Visa PED Approval and Visa PCI PTS Approval respectively and our SP20 PIN Pad has obtained PCI PTS Approval. Our MT30 integrated terminal is a fully featured, customer facing terminal with a colour touch screen and is PCI compliant. The principal difference between our consumer activated devices as a type of EFT-POS products and our countertop and mobile EFT-POS terminals is that the payment transactions are activated and effected by consumers (the payers’) by inputting the PIN codes, or in respect of our MT30 integrated terminals, by swiping bank cards or affixing electronic signatures to authorize the payment. Our consumer activated devices can be sold both on a standalone basis or with connection to other electronic payment terminals.



PP20-C/D

SP30

SP20

MT30

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Contactless devices (Model numbers: R50, R30, R50-M, T80)

We offer a variety of external contactless devices across multiple product lines, specifically designed for contactless cards. Our contactless devices comply with various industry standards including MasterCard's PayPass and Visa's PayWave. Our R50 and R30 contactless devices are ISO/IEC 14443 compliant and Mifare compliant. We also develop mobile phone payment terminal T80, an all-in-one countertop mobile phone payment terminal which is both 2.4G and 13.56M compatible. Similar to our consumer activated devices, our contactless devices also bear the customer facing feature with the payment transactions activated and effected by customers, and can be sold both on a standalone basis or with connection to other electronic payment terminals.



EFT-POS software

We develop EFT-POS product related software platform, software development kit, applications software which are offered to our customers together with our EFT-POS products. In view of the technical characteristics associated with our EFT-POS software, our customers usually undertake testing of our EFT-POS products with the relevant software installed before putting the products into their own use. The sale of our EFT-POS software is bundled with our EFT-POS products and peripheral devices. We do not sell our EFT-POS software as standalone products. We offer a range of software including PAXPayPro, ProTims, PaxMe, PaxMeM and TellerLoyalty.

PAXPayPro is an EFT-POS software development toolkit which provides user-friendly interfaces that enable our customers and system integrators to build applications for all our EFT-POS terminals. ProTims is a terminal information management system developed by our software engineers for our customers which manages increasing terminal deployment workload at merchants' countertop via the Internet with an aim to reduce the time and cost associated with regular EFT-POS terminal management, repair and maintenance. PaxMe is an embedded software which provides financial application management platform and bank card transactions platform that runs on our EFT-POS terminals while PaxMeM is a terminal application development tool which can be applied to develop various application software that runs on a PaxMe embedded software platform. TellerLoyalty is a loyalty points management system which can be integrated with EFT-POS terminals.

INDUSTRY STANDARDS

As EFT-POS products are used to process various bank cards or value-stored cards for payment purposes, their safety standard, compatibility and reliability performance are expected to be high. As such, in addition to general electronic product technology certifications, our EFT-POS products are usually expected to have obtained the certifications relating to electronic payment safety, chip cards, contactless cards and customer-level application software before they are launched into the market. In terms of which industry technology certification we need to obtain for our new EFT-POS products, it would depend on the technology functions of the particular product and the target market.

Our EFT-POS products mainly involve the following types of industry technology certifications:

- General certifications - being general technology certifications relating to electronic products;
- Safety certifications - being certifications relating to electronic payment safety;

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- Quality certifications - being certifications relating to terminal quality management;
- Smart card certifications - being technology certifications relating to reading of and writing into smart cards;
- Contactless card certifications - being technology certifications relating to reading of and writing into contactless cards; and
- Application certifications - being application software certifications at the customer level.

During the course of our business development, we have continuously invested time, effort and financial resources in applying for and obtaining our specific EFT-POS products certifications issued under various EFT-POS industry standards or specifications prescribed by both PRC and international industry bodies. The table below sets forth the non-exhaustive certifications we have obtained and when we first obtained the relevant certification. Each of these certifications was issued to a particular EFT-POS product model we submitted for the related application and the obtaining of a certification for a particular product does not mean our other EFT-POS products are covered by such certification.

Certifications	Year first obtained
General certifications	
Certificate for China Compulsory Product Certification	2003
The Ministry of Information Industry of the PRC's Telecommunication Equipment Network Access Permit	2004
Communate Europe Declaration of Conformity (CE) certification	2006
Saudi Arabian Standards Organization (SASO) International Conformity Certification	2007
Supervision & Test Center of Ex-products of China Petroleum & Chemical Industry's Conformity Certificate of Explosion-proof	2008
US Federal Communications Commission (FCC) certification	2008
CB Test Certificate of IEC System for Mutual Recognition of Test Certificates for Electrical Equipment	2008
Underwriter Laboratories Inc. (UL) certification	2009
PCS Type Certification Review Board (PTCRB) certification	2009
Safety certifications	
Visa POS PIN Entry Device certification	2003
PCI PIN Entry Device certification	2006
New Zealand Bankers' Association's PIN Entry Device certification.	2009
Quality certification	
MasterCard TQM certification	2010
Smart card certifications	
EMV Level 1 certification	2001
EMV Level 2 certification	2002
Proton World certification	2003
PBOC2.0 Level 2 Certification	2005
PBOC2.0 Level 1 Certification	2006
General Administration of Quality Supervision, Inspection and Quarantine of the PRC's National Industrial Product Production Permit for IC card reader and writer	2009
Visa Smart Debit/Credit Acquirer Device Validation Tool Kit certification	2009

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Certifications	Year first obtained
Contactless card certifications	
PBOC certification	2007
PayWave Certification	2009
PayPass Certification	2009
The Ministry of Construction of the PRC's IC Card Product Test certification	2010
Application certifications	
Network for Electronic Transfers Singapore Pte Ltd (NETS) Terminal Certification	2001
Electronic Payment Services Company (Hong Kong) Limited (EPS) certification	2002
American Express certification	2002
China UnionPay Network Access License for Magnetic Stripe for POS Terminal	2003
Certificate for JCB Terminal Type Approval	2003

We believe the time, effort and financial resources we have invested in obtaining the various industry technology certifications and our ability to obtain such certifications since 2001 constitute cogent evidence of the great emphasis we place on our research and development and the extensive experience we have accumulated. The know-how and experience we have accumulated enhances our Group's technological capabilities to research and develop new EFT-POS products.

By obtaining the industry specific certifications and approvals, we are able to demonstrate to our customers and potential customers our high level of technological and research and development capabilities. When selecting suppliers for EFT-POS products, our customers or potential customers would usually place certain importance on potential suppliers' ability to obtain industry related certifications or approvals as one of their selection criteria. Different customers may require production of different certifications or approvals but, we believe our ability to produce such certifications or approvals would help enhance our chance of success in securing purchase orders from potential customers. Upon expiry of the relevant validity period of a certification or approval, we may or may not apply for renewal. This is because the relevant certification or approval may no longer be required by our potential customers or the relevant model of EFT-POS products no longer forms part of our product range.

RESEARCH AND DEVELOPMENT

Our research and development activities focus on the enhancement of the functionality, quality, design and style of our EFT-POS products, as well as the development of new products. Our mission is to provide innovative and reliable technological products to our customers that meet the needs of diversified industrial requirements.

As at the Latest Practicable Date, our research and development team consists of 228 members. Approximately 90% of them possess tertiary education qualification from relevant disciplines such as computer science, electrical technology and electronic engineering and approximately 47% of them possess 5 to 15 years of relevant experience.

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All our EFT-POS products are developed by our research and development team. To ensure that new EFT-POS products are developed in an effective and efficient manner, our research and development team adopts an NPI (New Product Introduction) process which consists of various product development procedures including concept design, physical design, prototype manufacture, pre-production and volume ramp. Along with the NPI process, we also adopt an IPD (Integrated Product Development) process, which includes various product development procedures such as analysing customers' needs and requirements, product planning and development management, in order to enhance our ability to meet market demands and make more efficient use of our resources in product development. As at the Latest Practicable Date, our research and development team is divided into seven sub-teams:

- Hardware team which is responsible for the design of hardware schematic, PC development tools and providing hardware support to our production department and sales department;
- Software team which is responsible for the design of driver, kernel, operating system, PC development tools and providing software support to our production department and sales department;
- Testing team which is responsible for conducting tests on product functionality, software and providing support to our production department and sales department;
- Development management team which is responsible for the management of research and development projects;
- Product planning team which is responsible for collecting customers' feedback and analysing customers' needs and developing new EFT-POS products plans for our customers;
- Domestic application development centre which is responsible for the design and development of our product customization software (application software) in China, including application software for our self-developed terminals and ancillary customized system software, technical support for our software products; and
- Overseas application development centre which is responsible for the design and development of our product customization software (application software) overseas, including application software for our self-developed terminals and ancillary customized system software and technical support for our software products.

Our success in research and development can be demonstrated by the awards and accreditations we have received since our inception. Pax Technology (Shenzhen) was accredited as a High-tech Enterprise (高新技術企業) in 2003 by Shenzhen Bureau of Science and Technology (深圳市科學技術局) and a High-tech Enterprise (高新技術企業) in 2009 by Shenzhen Bureau of Science Technology and Information (深圳市科技和信息局), Shenzhen Finance Bureau (深圳市財政局), Shenzhen Municipal Office of State Administration of Taxation (深圳市國家稅務局), Administrator of Local Taxation of Shenzhen Municipality (深圳市地方稅務局) in the PRC. Our EFT-POS products have also received various local and international certifications and accreditations. For details of the awards, certifications and accreditations we have received, please refer to the section headed "Business — Major awards and recognitions".

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our expenditure on research and development amounted to approximately HK\$9.7 million, HK\$13.2 million, HK\$24.1 million and HK\$12.8 million, respectively and accounted for approximately 3.0%, 2.7%, 4.9% and 4.8% of our sales revenue respectively.

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We have developed new EFT-POS products with digital signature capture and touch screen technologies as well as EFT-POS terminals compatible with 3G telecommunication technologies. We expect to commercially launch these EFT-POS products in 2011.

OUR PRODUCTION PROCESS

We believe that by sub-contracting the assembly and processing functions for our EFT-POS products to an independent EMS manufacturer, we are able to concentrate our resources on the design and development of new EFT-POS products, product marketing, branding, quality management and logistics management. We believe that this business model helps us optimize our efficiency and profit margin. Prior to 2006, we had at different times engaged three EMS manufacturers in the PRC to provide processing and assembly services to us. In 2006, we started engaging PKS, an Independent Third Party, to assemble and process our EFT-POS products. We then noted that EFT-POS products manufactured by PKS have consistently been of good quality and the production capacity of PKS is adequate to meet our production demand. In view of this and in order to maintain good quality control over our EFT-POS products, we have used PKS as our sole EMS manufacturer since 2006. PKS provides assembly and processing services for all our EFT-POS products pursuant to a cooperative agreement (the “**PKS Agreement**”) with us. The PKS Agreement does not have a specific term of cooperation, and accordingly does not have a specific provision for renewal. It is terminable by either party by giving six months’ notice to the other party.

PKS is a foreign invested enterprise invested by Kyokuto Japan, Kyokuto Hong Kong and Nippon Leiz (HK) Limited (日本叡智(香港)有限公司) and was established in 1994. As at the Latest Practicable Date, PKS was owned by Kyokuto Hong Kong, Kyokuto Japan and Nippon Leiz (HK) Limited (日本叡智(香港)有限公司). Kyokuto Hong Kong is a company jointly invested by Kyokuto Japan, Step Electric Co., Ltd. and SIIX Hong Kong Limited. PKS holds a Manufacturing License for Industrial Products under which it is permitted to manufacture IC cards and IC card readers.

PKS currently operates two manufacturing facilities in the Chaotian and Luojia districts in Panyu in the Guangdong province. During the Track Record Period, our EFT-POS products were processed and assembled in PKS’ facilities in both Chaotian and Luojia. Since March 2009, the assembly and processing of our EFT-POS products have been centralized at the PKS Chaotian Factory. These two facilities are approximately 98 kilometers and 96 kilometers, respectively, away from the offices of Pax Technology (Shenzhen) and they are both located in the neighbourhood of our warehouse in Panyu, PRC.

PKS allocates assembly lines in its facilities in the PKS Chaotian Factory for the processing and assembly of our EFT-POS products. These assembly lines include:

- five PCB assembly lines where functions such as auto-insertion, surface mounting, wave soldering are performed;
- four casing assembly lines where PCBs and plastic casings are manually assembled and transferred to workers who assembled them together with mechanical components to form EFT-POS products; and
- four packing assembly lines where finished EFT-POS products are manually packed into boxes.

Apart from the five PCB assembly lines which serve us as well as other customers of PKS, PKS has designated the casing and packing assembly lines referred to above to process and assemble our EFT-POS products exclusively.

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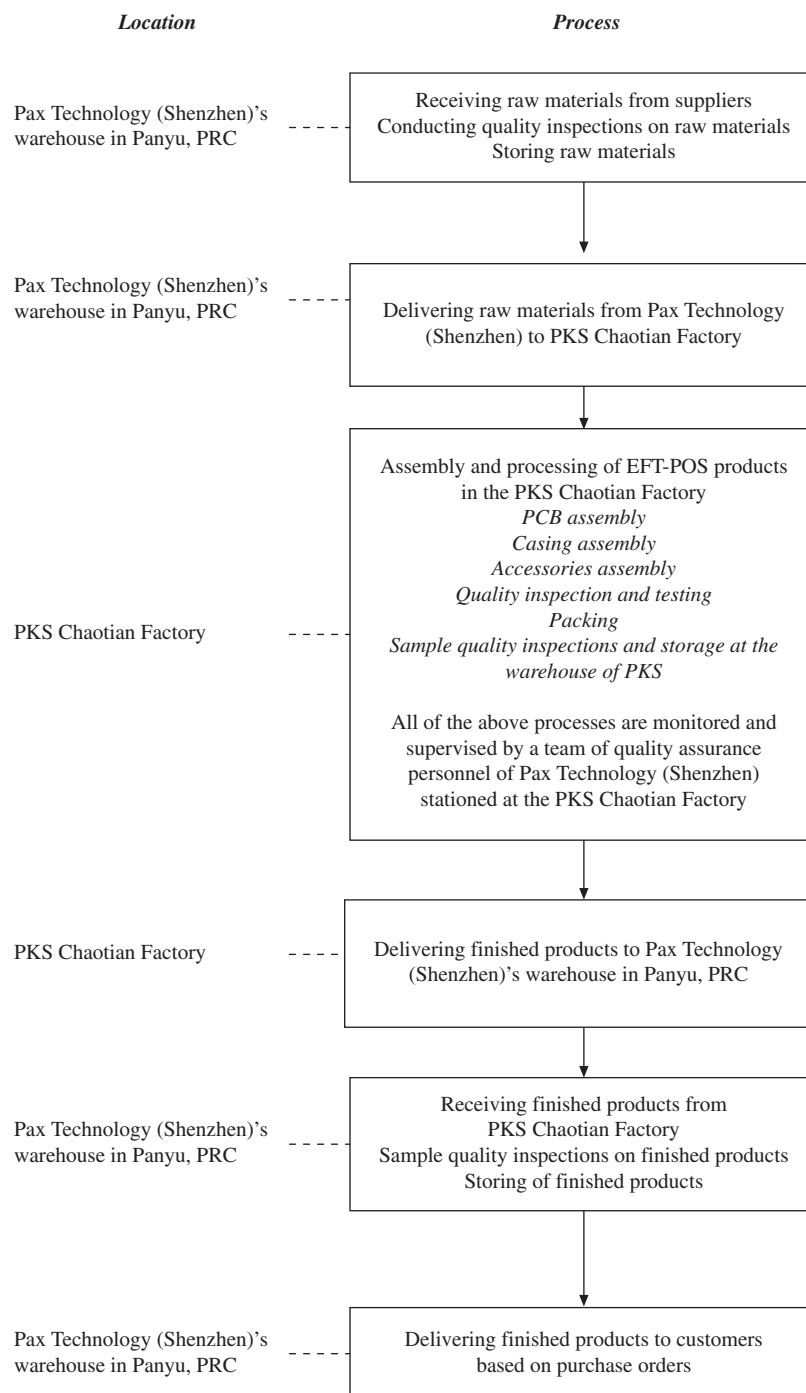
In addition, PKS provides EMS manufacturing services including PCB assembly, cell manufacturing, mould injection, mould manufacturing, manufacturing of automotive electronics, medical electronics, communication electronics and Li-ion pack batteries to its other customers.

We previously also engaged PKS in the procurement of some of the raw materials used in the manufacture of our EFT-POS products. However, to more effectively control the overall quality of our raw materials, we handled the procurement of all of our raw materials in recent years. All materials, components and parts to manufacture our EFT-POS terminals are ordered and purchased by Pax Technology (Shenzhen) and are delivered by suppliers to our warehouse in Panyu, PRC where they undergo quality assurance checks, such as inspection and sample testing by our quality assurance personnel, before they are further delivered to the PKS Chaotian Factory for assembly and processing. The arrangement between PKS and our Group is an arrangement under which we provide all raw materials required for PKS to assemble and process into our EFT-POS products. As advised by King & Wood, our legal advisers as to PRC law, title to all the raw materials, components, parts, semi-finished goods and finished goods remain with our Group under such processing trade arrangement under PRC law. The raw materials, components, parts, semi-finished and finished goods stored at PKS' factory premises are not covered by the insurance policy maintained by the Group. As advised by King & Wood, if damage or loss is suffered in respect of goods in the care of PKS as a result of improper care of PKS, we have a right to demand compensation from PKS under PRC law. Apart from raw materials control and procurement, we also retain control over and handle product design, components and parts procurement and product quality assurance for all our EFT-POS products.

Our research and development engineers design, develop and tailor manufacturing procedures specific to our different product types for PKS to apply in their manufacture of EFT-POS products for us. PKS manufactures all our EFT-POS products in accordance with our product designs and specifications. In order to protect our intellectual property, proprietary technology and trade secrets which may be provided to PKS, we have a confidentiality agreement with PKS whereby PKS undertakes to keep confidential all our trade secrets including but not limited to designs, production methods, manufacturing process, computer software, information database, product designs, protocols, layout, customers' information, sales plan, pricing policy and suppliers' information to the extent made available to PKS by us. In the event of any breach of the confidentiality agreement by PKS and depending on the nature and the extent of the breach, PKS shall compensate us for our economic losses arising from the breach.

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The following flow chart summarizes the production process of our EFT-POS products:



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To ensure that all our products are manufactured to high quality standards, we strictly control each stage of our EFT-POS products manufacturing chain. We have our quality assurance personnel stationed at PKS Chaotian Factory to supervise the assembly and processing process. We also have a quality assurance agreement with PKS whereby we agreed with PKS on certain quality standards and quality assurance procedures which are required to be adopted in the assembly and processing process of our EFT-POS products. For further information about our quality assurance procedures, please refer to the section headed “Business — Quality Assurance”. All finished EFT-POS products are delivered from the PKS Chaotian Factory to our warehouse in Panyu, PRC for sampling quality assurance inspection and storage before they are delivered to our customers in other provinces in the PRC and worldwide.

Whilst we have not had any formal undertaking from PKS, we believe that PKS has been providing EFT-POS assembly and processing services exclusively to us throughout the Track Record Period up to the present. Pursuant to a supplemental agreement to the PKS Agreement, PKS has agreed that, if they have discussions with another party to provide EMS services to that party in relation to POS products, they will notify us of these discussions and obtain our consent. We also believe that before we used their EMS services, PKS has not manufactured EFT-POS products for other customers. Accordingly, as at the Latest Practicable Date, PKS has over three years of experience in manufacturing EFT-POS products. During the Track Record Period, there has not been any incident where PKS has failed to honour its services to us which caused material operational and financial impact on the Group. However, as a control measure to manage the risk associated with having PKS as our sole EMS manufacturer, we maintain inventory in our warehouses which we consider sufficient to meet our customers’ orders for one to two months with reference to sales forecasts prepared by our sales team. We believe that such buffer inventory arrangement will allow us to have sufficient time to transfer the assembly and processing work to other suitable EMS manufacturers. We consider we can find another EMS manufacturer to replace PKS and we estimate that such transfer process will take approximately one to two months. In addition, we may consider engaging other quality EMS manufacturers in the PRC to provide processing and assembly services as the demand for our EFT-POS products continues to grow. We have identified other EMS manufacturers which we consider as having comparable standards in terms of scale of operations and product quality as PKS. As at the Latest Practicable Date, we have not entered into any agreement with any of these other EMS manufacturers. Although there are available alternative contract EMS manufacturer in the PRC, we do not currently intend to engage additional EMS manufacturers to manufacture our EFT-POS products in light of our long term relationship with PKS, our satisfaction with the quality of EFT-POS products manufactured by PKS and that we consider that the production capacity of PKS is adequate to meet the increase in our production demand. After Listing, with a view to minimising the risk of our production process being subject to material disruption in case of the termination of our relationship with PKS, we will continue to review the performance of PKS under the existing arrangement and believe this will help us in the early identification of any need or potential need to engage additional or alternative EMS manufacturers. In addition, within six months after Listing, we plan to explore the opportunity to develop back-up arrangement (or failing which, mutual understanding) with available additional or alternative EMS manufacturers so as to get their support if our relationship with PKS is terminated. Currently, we estimate that it may take three to six months to go through this process. Nevertheless, we cannot assure you that any definitive back-up arrangement or mutual understanding can be achieved. Please also refer to the section headed “Risk Factors — Risks relating to our business — We depend upon a single contract manufacturer to process and assemble all of our EFT-POS products”.

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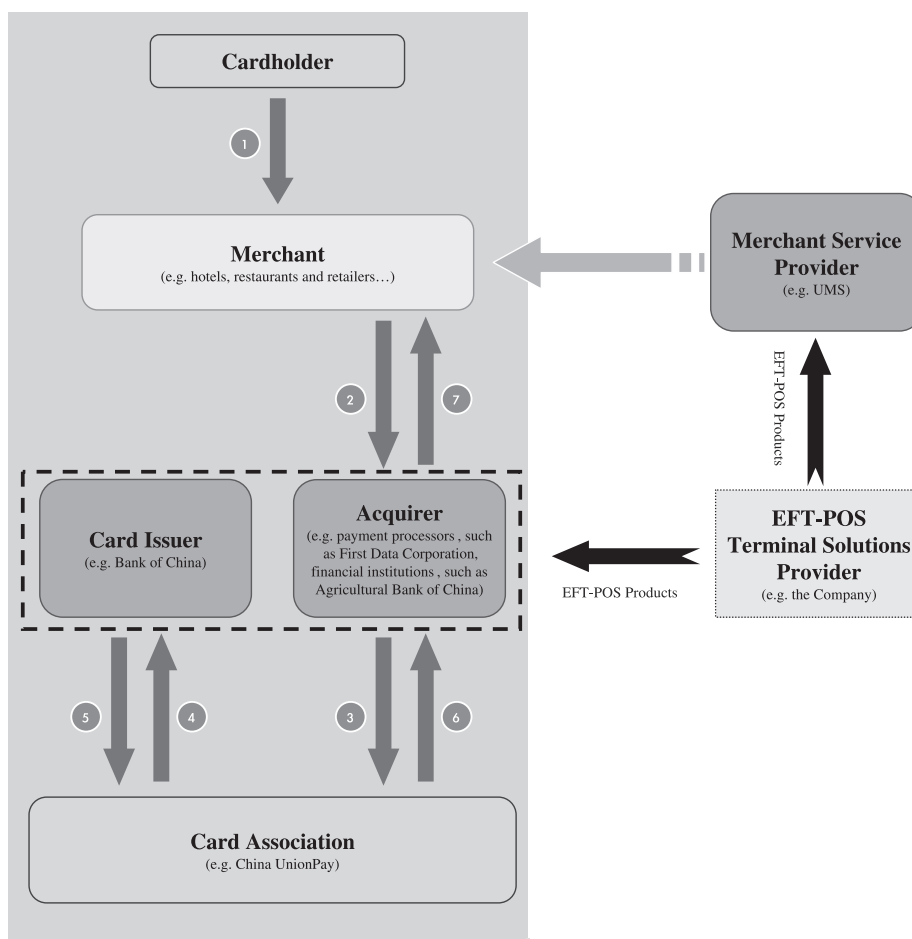
For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, processing fees we paid to PKS amounted to HK\$13.9 million, HK\$23.3 million, HK\$25.1 million and HK\$18.8 million, respectively. The processing fees charged by PKS were determined based on the type and complexity of assembly process involved and the quantity of the products processed during the Track Record Period. The credit period granted by PKS to us is 60 days.

CUSTOMERS

Customers for our EFT-POS products are primarily acquirers (such as payment processors and financial institutions) and merchant service providers. In general, an acquirer is a member of a card association, such as American Express, MasterCard and Visa, which maintains merchant relationships and receives bankcard transactions from the merchants. Payment processors are companies that provide credit card, debit card, gift card and loyalty card processing services. In a typical credit card payment transaction, a payment processor is responsible for checking card payment transaction details received from a merchant by forwarding them to the respective card issuing banks or card association for verification and the payment processor supplies authorization and settlement services to the merchant. Merchant service providers are companies that provide transaction processing solutions to merchants by assisting merchants in setting-up their operations to accept credit, debit, cheques, or gift cards as a form of payment from their customers. A typical merchant service provider in China is UMS and its PRC subsidiaries.

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The following is a simplified diagram illustrating the transaction flow in a typical electronic fund transfer transaction:



Data source: Analysys International, September 2010

Notes:

“” EFT-POS terminal solutions providers sell EFT-POS products and provide related services to merchant service providers and acquirers.

“” Merchant service providers provide transaction processing solutions to merchants by assisting merchants in setting-up their operations to accept cards as a form of payment from their customers.

“”

1: Cardholder pays with card at a merchant through an EFT-POS terminal.

2: The EFT-POS terminal sends transaction data to the acquirer.

3&4: The acquirer sends authorization request and verifies with the card issuer that the card number and transaction amount are both valid through the network of card association.

5&6: The card issuer verifies that the cardholder's credit is sufficient and grants authorization.

7: The acquirer receives the response and relays it to the merchant.

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In China, our EFT-POS customers include but are not limited to UMS, Bank of China, Agricultural Bank of China, Bank of Communications and China Mobile. We have been one of the EFT-POS products suppliers to UMS in China since 2002. From January 2007 to December 2009, we have sold over 333,000 EFT-POS terminals to UMS with total sales amounted to over RMB528 million. We are also one of China Mobile's suppliers in China for mobile phone payment terminals. Like other companies in the EFT-POS market, it is not common for us to enter into long-term contracts with our customers. Instead, our sales are conducted primarily on an order-by-order basis either as a qualified supplier or by direct sales. For details of our China sales and distribution, please refer to the section headed "Business — Customers — China market".

Our products are sold to international markets through Pax Technology (in respect of the Hong Kong market), Pax Technology (USA) (in respect of the US market and our distributors in other overseas markets with a small proportion being direct sales). For details of our overseas sales and distribution, please refer to the section headed "Business — Customers — Overseas market".

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our five largest customers accounted for 79.8%, 85.4%, 74.3% and 62.5%, respectively, of our total sales revenue for those periods. For the same periods, UMS, our largest customer accounted for 54.0%, 56.4%, 31.7% and 26.9%, respectively, of our total sales revenue for those periods due to diversification of sources of sales revenue of our Group. We have had five to seven years of business relationship with our five largest customers for the six months ended 30 June 2010. During the Track Record Period, none of the Directors or their associates or the Shareholders, who, to the best knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of our five largest customers.

A summary of revenue contribution by geographical region and sales channel during the Track Record Period is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
China market					
- tender (including competitive negotiations) (<i>Note 1</i>)	255,661	403,435	376,323	156,961	192,161
- non-tender	<u>15,692</u>	<u>20,058</u>	<u>29,079</u>	<u>11,870</u>	<u>21,184</u>
Total sales revenue from China market	<u>271,353</u>	<u>423,493</u>	<u>405,402</u>	<u>168,831</u>	<u>213,345</u>
Overseas market					
- direct sales (<i>Note 2</i>)	26,756	22,921	25,174	9,439	17,433
- distributors (<i>Note 3</i>)	<u>25,034</u>	<u>47,175</u>	<u>62,366</u>	<u>17,951</u>	<u>36,920</u>
Total sales revenue from overseas market	<u>51,790</u>	<u>70,096</u>	<u>87,540</u>	<u>27,390</u>	<u>54,353</u>
Total revenue	<u>323,143</u>	<u>493,589</u>	<u>492,942</u>	<u>196,221</u>	<u>267,698</u>

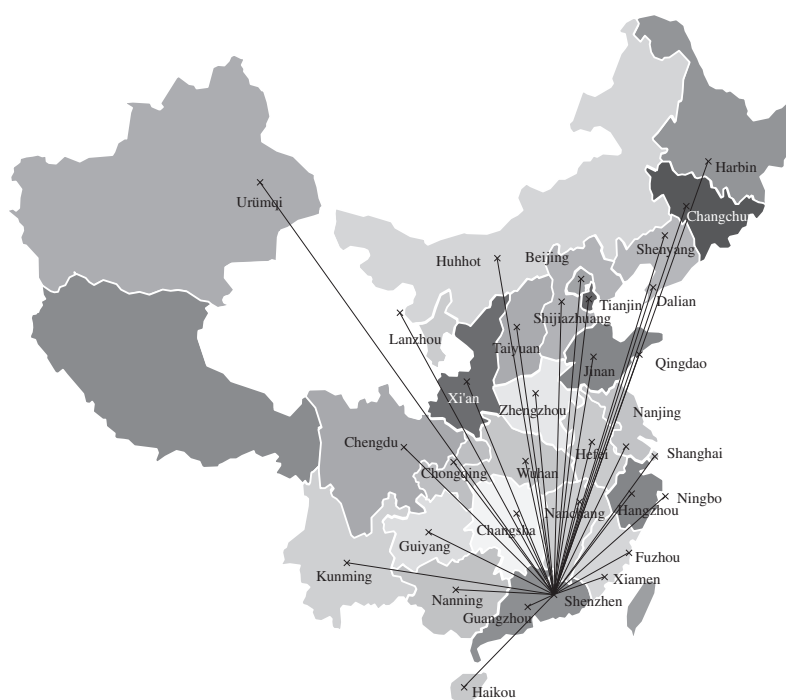
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Notes:

- (1) Please see the section headed “Business — Customers — China market” for further details.
- (2) These cover sales to Hong Kong, the US and other overseas countries and regions where the sales volume to the relevant customers were relatively small.
- (3) These comprise distributors with some of whom we have entered into formal written distribution agreements. Please refer to the sections headed “Risk Factors — Risks relating to our business — We did not enter into formal written agreements with all our distributors and not all formal written agreements with our distributors have minimum purchase order requirement” and “Business — Customers — Overseas Market” for further details.

China market

Our sales and marketing team in China, which consisted of 43 members as at the Latest Practicable Date, is responsible for our EFT-POS product sales in China and Russia. Our sales network in China is further divided into 6 regions namely, the north-eastern China region, the south-western China region, the southern China region, the north-western China region, the eastern China region and northern China region. The following map shows the geographical coverage of our sales team in China as of the Latest Practicable Date.



Our sales to our customers in China are generally conducted in one of three ways. Firstly, we participate in tenders and competitive negotiations through which qualified suppliers are selected (“**qualified supplier selection processes**”). Qualified suppliers selected from the qualified supplier selection processes will generally be required to enter into a framework agreement with the customer, however, this may not necessarily result in the customer placing purchase orders with the qualified supplier. Secondly, we also participate in tenders where winning a tender will result in the customer placing purchase orders with the winning bidder (“**assured tenders**”). Thirdly, we sell our products by direct sales to customers.

The majority of our EFT-POS products sales to UMS, state-grade banks in the PRC and other major banks are concluded through qualified supplier selection processes. Our sales to other customers are generally by direct orders and by assured tenders. During the Track Record Period, we participated and were successful in qualified supplier selection processes held by our major customers including UMS, Bank of China, Agricultural Bank of China, Bank of Communications and China Mobile. We were also selected as a qualified supplier for mobile phone payment terminals by provincial offices of China Mobile in 2009 and 2010.

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The qualified supplier selection processes of our major customers vary in terms of timing and procedure and some customers have utilized different approaches, such as a tender for one year followed by competitive negotiation for the subsequent year, from time to time. In terms of process, tenders and competitive negotiations in qualified supplier selection processes are largely similar and we consider a competitive negotiation analogous to a tender. Such a tender or a competitive negotiation generally starts with a customer sending us an invitation to participate in the tender or competitive negotiation. Generally competitive negotiations are by invitation only to existing qualified suppliers while tenders may be open to any interested supplier. These customers generally invite a few EFT-POS enterprises in China to submit their bids or participate in the competitive negotiation. Upon receipt of an invitation, we prepare submission documents in accordance with the requirements and specifications set out in the invitation. In a competitive negotiation, suppliers will generally also be required to present their submission, attend to questions raised by the adjudication panel of the customer and negotiate price and other terms of supply with the customer. The results are usually announced within a set time after the meeting with the adjudication panel or closure of bids. We believe our customers assess and select qualified suppliers based on an assessment of the suppliers' overall performance against their selection criteria. We believe that qualified suppliers are selected based on overall assessment of suppliers' technical specifications, price, research and development capabilities, production and technological capabilities and quality of products and after-sales services.

An EFT-POS enterprise who successfully becomes one of the two to three qualified suppliers of a specified EFT-POS product, the subject of the qualified supplier selection process, will be eligible to supply its products to such customer and its branch offices in different provinces. Generally, a qualified supplier selected from a tender will enter into a framework agreement with the customer which will specify the types of EFT-POS products for which the supplier is a qualified supplier and other terms of the supply. The term of a framework agreement generally reflects the validity period of the relevant tender and the framework agreements we have entered into are generally valid for one year or two years. These framework agreements generally do not specify the quantity of EFT-POS products that the customer will purchase from the supplier and the actual quantity of EFT-POS products purchased is generally determined on an order-by-order basis. However, if a supplier is selected as a qualified supplier through the competitive negotiation process, the agreement with the customer will generally specify the quantity of EFT-POS products to be supplied to that customer for the relevant period.

Our customers issue invitations to participate in qualified supplier selection processes periodically depending on their internal requirements, which is often on a yearly basis but may be less frequent. As advised by King & Wood, our legal advisers as to PRC law, the tender part of the qualified supplier selection process and assured tenders are subject to the Bidding Law of the PRC, which governs bidding activities within the Chinese territory. For further details, please refer to the section headed "PRC Regulatory Overview". However, competitive negotiations are not subject to the Bidding Law of the PRC. Once a supplier becomes a qualified supplier for specified EFT-POS products, that supplier will normally remain a qualified supplier for those EFT-POS products until the next round of qualified supplier selection process.

Overseas market

Our EFT-POS products have been sold to more than 50 overseas countries and regions including the US, Singapore, Taiwan, Japan, South Korea, New Zealand, France, Finland, Saudi Arabia, South Africa and Russia. The sales of our EFT-POS products in the overseas markets are generally through distributors (who are also our customers), with a small proportion being direct sales.

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Our Asia-Pacific sales team in Hong Kong is responsible for direct sales of EFT-POS products in Hong Kong and distribution of EFT-POS products through distributors in Asian countries and regions. Our international sales teams based in Hong Kong as well as Pax Technology (USA), and supported by our sales and marketing personnel in China, are responsible for the sales and marketing of our EFT-POS products in North America, South America, Europe, the Middle East and Africa. We established Pax Technology (USA) in March 2008 with the aim to further expand the sales of our EFT-POS products in the North American markets. As at the Latest Practicable Date, we had 6 and 11 members of our sales and marketing team in Hong Kong and in the US, respectively. Our sales and marketing team in China is also responsible for sales of EFT-POS products to Russia through our distributors in Russia.

As at the Latest Practicable Date, we had a total of 23 overseas distributors which included payment service solutions providers, merchant service providers, credit card payment system solutions providers for banks and electronic voucher distributors in the relevant markets.

The table below sets forth the number of overseas distributors of the Group during the Track Record Period:

	2007	2008	2009	Six months ended 30 June 2010
Number of overseas distributors	12	17	23	16

We believe we can enhance our local experience, market knowledge and connections through our international distributors. We believe that by leveraging our international distributors' sales networks in the Asia Pacific, Europe, the Middle East and Africa, our EFT-POS products are able to achieve continuous growth in sales and product penetration to a wider geographical region.

We regulate our relationships, rights and obligations with our distributors by contract, and do not otherwise have control over our distributors nor access to information on or records of our distributors. During the Track Record Period, we have entered into formal written distribution agreements with some of our overseas distributors. During the Track Record Period, we enter into formal written agreements normally with those overseas distributors with which we intend to develop strategic alliances for the purpose of expanding our business into the respective overseas markets. Irrespective of whether or not formal written agreements are entered into, terms with our overseas distributors vary depending on the size and scale of operation of the distributors and our sales and distribution strategies in the relevant sales territory. We do not give any preferential terms to the overseas distributors with whom we have entered into formal written agreements over those with whom we have not. As at the Latest Practicable Date, we have had subsisting seven such formal written distribution agreements. Please refer to the section headed "Risk Factors — Risks relating to our business — We did not enter into formal written agreements with all our distributors and not all formal written agreements with our distributors have minimum purchase order requirement" for further details.

Terms of our formal written distribution agreements vary depending on the size and scale of operation of the distributors and our sales and distribution strategies in the relevant sales territory. Generally under the terms of our formal written distribution agreements, our distributors are allowed to hold themselves out as distributors of our EFT-POS products and they are to develop the largest possible market for our EFT-POS products in the relevant territories by publishing advertisements and conducting sales and promotional activities. Our distributors are responsible for the development of application software for end-users of our EFT-POS products while we are responsible for providing hardware and software technical training and support as well as spare parts of our products to our distributors. We also provide marketing and publicity materials for some of our distributors. We require some of our distributors to provide us with sales forecasts on a quarterly or annual basis. We

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do not have any obsolete stock arrangements with our distributors. Distributors do not have a right to return any goods under our distribution agreements (including excessive stocks purchased) to us other than for quality reasons. Our formal written distribution agreements generally have contract terms that range from one to five years and they are terminable by either party by giving two to three months prior notice to the other party or at any time by mutual consent of the parties. Some of our formal written distribution agreements are automatically renewable unless terminated by the parties. Our distributors are generally required to comply with non-compete undertakings under the terms of their distribution agreements, pursuant to which they are prohibited from selling our products, seeking purchasers and establishing any distribution depots for our products outside their sales territories. During the terms of their distribution agreements and up to two years after the termination, the distributors are not allowed to engage in any research, development or production of any EFT-POS terminals that may constitute competition with us.

We generally grant to our distributors (with or without entering into formal written agreements with us) a non-exclusive right to distribute our EFT-POS products. For distributors (with whom we have entered into formal written agreements) which we consider as having ample industry experience, good sales network and sales track record, we may grant them with an exclusive right to distribute a specified list of our EFT-POS products and these distributors agree to minimum purchase orders in their distribution agreements. During the Track Record Period, we have granted three of our distributors exclusive rights to sell our designated EFT-POS products in specified sales territories, namely Singapore, Vietnam, Burma, Cambodia, Laos, Thailand, Malaysia, Iran and Egypt. Some of our other distributors also agree to minimum purchase orders in their distribution agreements. The amount of minimum purchase orders varies depending on the size and scale of operation of the distributors, our sales and distribution strategies in the relevant sales territory and the length of the distribution agreements.

Some of our distributors are entitled to appoint sub-distributors or sub-agents to distribute our products. However, we do not have any control over nor access to information on any sub-distributors or sub-agents so appointed. Whether or not these distributors do appoint any sub-distributors or sub-agents does not affect their contractual relationship with or obligations towards us. Accordingly, we do not have any direct contractual relationship with or liability towards any sub-distributors or sub-agents. As at the Latest Practicable Date, none of the Directors has any interest in EFT-POS terminal solutions business other than directorship or interest in the Company, and none of the substantial shareholders has any interest in business engaging in sale or distribution of EFT-POS products other than interest in the Company.

The terms of our formal written distribution agreements do not specifically provide for the consequence for failure of the distributors to meet minimum orders. The agreements provide that if a distributor is in breach of any terms of the agreement, we will have the right to terminate the agreement, among other remedies at law. Normally, we will not terminate the agreement immediately after a breach. We will take into account a number of factors including the following when considering whether or not to terminate the agreement with a defaulting distributor:

- (1) years of cooperation with the distributor and the nature and seriousness of the breach;
- (2) historical sales performance of the distributor;
- (3) where applicable, reasons for the distributor's failure to meet the minimum purchase;
- (4) sales and business plans of the distributor for the coming years;
- (5) size, capability, experience and potential of the distributor;
- (6) market share and reputation of the distributor in the relevant territory;

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- (7) the scale of business and service that it is operating in the relevant sales territory for our Group;
- (8) economic condition in the relevant sales territory and worldwide; and
- (9) whether alternative distributors can be located in the relevant territory.

We also enter into mutual non-disclosure agreements with some of our distributors and with some of our potential distributors when we start to negotiate distribution terms with them. With an aim to protect proprietary, secret and confidential information (the “**Confidential Information**”) of our Group and the distributors which may have to be disclosed to each other during the negotiation process or during the term of the distribution arrangement, we and the distributors (with whom we have entered into mutual non-disclosure agreements) agree, among other things, to disclose the Confidential Information to our officers, employees and professional advisers only on a need-to-know basis and to return all such Confidential Information to the disclosing party upon request of such party. The mutual non-disclosure agreement is terminable by any party by giving 30 days notice in writing to the other party. The confidentiality undertakings continue for a period of one year after the date of termination of the agreement, however, in respect of Confidential Information which consists of source code, product schematics or related documents, the confidentiality undertaking of the parties under the agreements continue indefinitely.

Sales contributed by our distributors are recognized by our Group when two conditions have been met, namely, sales contracts are entered into and our products are delivered.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, sales revenue contributed by overseas sales (comprising direct sales and sales to our distributors) was HK\$51.8 million, HK\$70.1 million, HK\$87.5 million and HK\$54.4 million, respectively which accounted for 16.0%, 14.2%, 17.8% and 20.3%, respectively of the total sales revenue for those periods.

During the Track Record Period, none of the Directors or their associates or the Shareholders, who, to the best knowledge of the Directors, owns more than 5% of the Company’s issued capital, has any interest in any of our top five EFT-POS product distributors. As at the Latest Practicable Date, all our distributors were Independent Third Parties.

Pricing and payment terms

Our pricing policy for all our customers takes into account a number of factors, including the prevailing market price for the relevant product, product model, product specifications, size of the order, reputation of the customer, our relationship with the customer and market competition. Pricing and product types are determined under the master sales agreements and distribution agreements with our customers. We do not control the resale price of our EFT-POS products in the relevant countries by our overseas distributors. We offer different payment terms to our customers depending on the size of their order and their payment histories. We generally require our customers in PRC to pay approximately 95%-100% of the total contract sum within 3 months upon the conclusion of the sales contracts. We generally require our overseas customers to prepay 70%-100% of the purchase amount by telegraphic transfer to us or to deliver to us a letter of credit before shipment of our products. For overseas customers with longer relationships with us, we generally require them to pay at least 50% of the purchase amount when their orders are placed and the remainder of the purchase amount to be settled within a period of up to 6 months upon receipt of the goods. For orders of customized EFT-POS products, we usually require our customers to pay the purchase amount in full before we commence our production. In addition, a retention period of three to five years for approximately 2% to 5% of the total contract sum is given to a number of our customers in PRC including UMS. During the Track Record Period, the percentage of products with a retention period of four to five years accounted for less than 35% of our total sales. Our domestic sales are denominated in Renminbi while our overseas sales are mainly denominated in HK\$, US\$ and Euro.

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During the Track Record Period, we had not experienced any material payment defaults from our customers. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we recorded allowances for bad and doubtful debts in the amounts of HK\$0.7 million, HK\$0.5 million, HK\$0.4 million and HK\$0.4 million, respectively. We make allowances for bad and doubtful debts based on an assessment of the recoverability of bills and trade receivables and other loan receivables. Allowances are applied to bills and trade receivables and other loan receivables where events or changes in circumstances indicate that the balances may not be collectible.

Branding and marketing

Our EFT-POS products are marketed under the brand name of “PAX”. With an aim to enhance awareness to the “PAX” brand name, we advertised our EFT-POS products in China Credit Card magazine (中國信用卡雜誌) and Guangdong China UnionPay Platinum Credit Card magazine (廣州(銀聯白金)雜誌) from time to time during the Track Record Period. We also participate in international exhibitions and industry conferences to increase the market exposure of our “PAX” brand name. International exhibitions and conferences we participated in during the Track Record Period include CARTES & IDentification in Paris and the Electronic Transactions Association Annual Meeting and Expo in Las Vegas, US.

AFTER-SALES SERVICES, WARRANTY AND MAINTENANCE SERVICES

We aim to establish a service system which provides fast response to our customers and strive to ensure that both our PRC and international customers will receive hardware and software technical support as well as solutions and advisory services. Our after-sales team consisted of 85 members as at the Latest Practicable Date.

In the PRC, our warranty services are provided directly by our China sales team and the related costs are borne by the Group. If repairs to hardware are required or a faulty product needs to be replaced, our customers would normally send the products to our service centres located in various cities for repair or replacement. As at the Latest Practicable Date, we provided after-sales and warranty services to our customers in 33 cities in China and our after-sales services department staff provide product follow-ups, online support services, on-site technical support and a customer service hotline to our customers in China. We generally provide warranty service of up to five years to our customers in China including both tender and non-tender customers. We estimate the related provision for warranty based on the historical warranty claim information, the expected defect ratios of the products and the costs to be incurred during the warranty period. In Hong Kong and other overseas countries where we sell our products to our direct sales customers, we generally provide warranty service of 12 months to our customers and which may be up to two years to selected customers. In all other countries where our products are distributed through our distributors (with or without entering into formal written agreements with us), after-sales and warranty services for our products are provided through those distributors or their appointed local service providers. In respect of the warranty service provided through our distributors or their appointed local service providers, we are responsible for the cost of the warranty service provided during the warranty period (which is generally 12 months to our customers and which may be up to two years to selected customers). Upon expiry of the warranty period, our distributors are responsible for the cost of any warranty service incurred. The cost of the after-sales service provided through our distributors or their appointed local service providers is borne by our distributors. Based on the historical warranty claim information, the expected defect ratios of the products and the costs to be incurred during the warranty period, our Group made provision for incurred warranty expense of HK\$0.2 million, HK\$0.3 million, HK\$0.7 million and HK\$0.1 million during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. We provide product and technology training to our distributors and their employees. We provide buffer inventory which generally represents approximately 1% to 2% of the products purchased by a distributor (with or without entering into formal written agreements with us) in each order which can be used by the distributors (with or

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without entering into formal written agreements with us) as replacement items to their customers when required. As part of our warranty services to our distributors and other customers, we normally maintain spare parts and components for products which we have discontinued to produce for a period of three to five years.

During the Track Record Period, our Group also provided product maintenance services to our customers in Hong Kong with whom we have entered into separate maintenance service contracts. Typical maintenance services are installation service, on-site training and hotline support service. Such contract-based product maintenance services are provided by two subcontractors situated in Hong Kong, who are Independent Third Parties. For the three years ended 31 December 2009 and the six months ended 30 June 2010, our revenue generated from the provision of such maintenance services was approximately HK\$7.4 million, HK\$9.6 million, HK\$13.6 million and HK\$6.4 million respectively, which accounted for 2.3%, 2.0%, 2.8% and 2.4% of our total revenue respectively for those periods. The aggregate fees payable by our Group to our two sub-contractors for the product maintenance services rendered in Hong Kong was HK\$6.1 million, HK\$7.4 million and HK\$8.0 million for the years ended 31 December 2007, 2008 and 2009 and HK\$4.3 million for the six months ended 30 June 2010 respectively. We generally match our fee arrangements with our sub-contractors to the terms we receive payment under the maintenance services agreements between us and our customers. Generally, maintenance fees are charged (by us to our customers, or by our sub-contractors to us) on a monthly basis either as a fixed fee or by reference to the number of terminals installed serviced and the frequency of attendance. In the first six months ended 30 June 2010, we have also generated revenue from our maintenance services provided in China. We do not regard our product maintenance services as the main source of income for our Group nor do we anticipate the provision of such services to become our key business in the future.

QUALITY ASSURANCE

We place strong emphasis on the quality and reliability of our products. We establish quality assurance standards and evaluate such standards on a continuous basis with reference to national and international standards and customer requirements. We have established various quality control checkpoints at different stages of our procurement and production processes to closely monitor the quality of our raw materials and products and to ensure that our products meet the prescribed specifications and quality standards. The major quality control procedures we have adopted for our products are as follows:

- *Pre-production quality inspection:* When we develop new product prototypes, our product prototypes are subject to a range of product reliability tests including tests on temperature, humidity, durability before being put into production.
- *Raw materials and components quality inspection:* We perform routine inspections and sample testing on raw materials before they are used in the production process. Any raw materials and components that do not meet our quality standards and requirements are returned to the supplier for replacement or refund.
- *Production process quality inspection:* Our products are subject to intermediate quality control during the production process. Workers at the assembly lines at the PKS Chaotian Factory are trained to perform visual inspection as well as automated inspection and testing. Our quality assurance personnel stationed at the PKS Chaotian Factory are also responsible for supervising the production and quality inspection process of our products. We conduct product testing, trial and onsite inspection by way of routine tests, full tests and sample tests at every stage of the production process.
- *Finished products quality inspection:* We conduct inspection and sample testing on our finished products. As part of the testing process, our products go through various tests including outer appearance inspection, aging test and product functions tests.

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We manage all our business and operating processes to ISO 9001:2008 Quality Management Systems standard in the design and sales of electronic payment systems including POS terminals, smart card readers and PIN entry devices. We believe this shows that we have the management and operating processes to the standards required by ISO. We believe the certification processes help to ensure customer confidence and satisfaction through consistent product quality levels. For details of the major awards, certificates and recognition we have obtained, please refer to the section headed “Business — Major awards and recognitions”. For details of the certifications and approvals we have obtained from certain PRC and international industry related bodies, please refer to the section headed “Business — Industry Standards”.

During the Track Record Period, we did not experience any recall of products from our customers for quality reasons and have not made any provisions for product recall.

MAJOR AWARDS AND RECOGNITIONS

Over the years, our Group and our products have received various awards, certificates and recognitions for our market position and product quality. The following table sets forth the major awards and certificates we have obtained:

Year of issue	Award/recognition	Issuing Organisation	Expiry date/validity period
August 2003	Software Enterprise Certificate (軟件企業認定證書)	Shenzhen Informatization Office (深圳市信息化辦公室)	N/A
December 2003	High-tech Enterprise Certificate (高新技術企業認定證書)	Shenzhen Bureau of Science and Technology (深圳市科學技術局)	N/A
November 2004	ISO 9001:2000 Certificate	SGS United Kingdom Ltd. Systems & Services Certification	November 2010
December 2008	2008 Top 500 Industrial Enterprise in Shenzhen (2008年度深圳市工業500強企業)	Shenzhen Bureau of Trade and Industry (深圳市貿易工業局) Shenzhen Bureau of Statistics (深圳市統計局)	N/A
June 2009	High-tech Enterprise Certificate (高新技術企業證書)	Shenzhen Bureau of Science Technology and Information (深圳市科技和信息局), Shenzhen Finance Bureau (深圳市財政局), Shenzhen Municipal Office of State Administration of Taxation (深圳市國家稅務局), Administrator of Local Taxation of Shenzhen Municipality (深圳市地方稅務局)	3 years
January 2010	2009 Top 100 Software Enterprise in Shenzhen (2009年度深圳市百強軟件企業)	Shenzhen Association of Software Industry (深圳市軟件行業協會)	N/A
November 2010	ISO 9001:2008 Certificate (which replaces our ISO 9001: 2000 Certificate)	SGS United Kingdom Ltd. Systems & Services Certification	November 2013

Note: N/A means not applicable.

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A company is accredited as a High-tech Enterprise in accordance with the Guidelines for the Accreditation of High-tech Enterprises (高技術企業認定管理工作指引). Such a High-tech Enterprise enjoys a preferential tax rate of 15%, as well as other preferential treatment pursuant to policies of the State and local government.

PROCUREMENT AND SUPPLIERS

Our procurement and inventory control department is responsible for selecting suppliers, sourcing parts and components, and determining the quantity of each raw material required for manufacturing our products. As at the Latest Practicable Date, our procurement and inventory control department comprised 13 full-time staff. We do not enter into any long-term supply agreements for the supply of materials and components required for the production of our products. However, we have entered into quality assurance agreements with and obtained written undertakings (in respect of no use of hazardous substances) from most of our suppliers with a view to ensuring the quality of the relevant raw materials and components sourced from such suppliers meet our requirements and the materials used in the production of the parts and components we purchase do not contain hazardous substances.

The key components and parts for the production of our product hardware include CPU, printer module, AC/DC adaptor, communication module, PCBs and LCD module. We conduct quarterly reviews with our suppliers and we generally select our suppliers and negotiate prices and review terms of the supplies with them on an annual basis.

Parts and components purchased by us are usually produced in the PRC or imported from overseas through distribution agents in the PRC. We have not experienced any material shortages in materials and components supply during the Track Record Period. There are a number of suppliers that are capable of supplying us with components and parts of similar quality that are used in the manufacturing of our products. Accordingly, our Directors do not foresee that we will encounter any difficulties in sourcing raw materials from our existing suppliers or finding alternative suppliers if required. Our domestic purchases are denominated in Renminbi and are mainly settled by way of telegraphic transfer. Our overseas purchases are generally denominated in US\$ and settled by telegraphic transfer. We generally purchase supplies on credit terms of up to 180 days.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the cost of materials amounted to approximately HK\$195.1 million, HK\$279.8 million, HK\$276.3 million and HK\$143.4 million, respectively, accounting for approximately 92.6%, 92.4%, 92.1% and 90.4%, respectively, of our total cost of sales for the relevant periods.

For the years ended 31 December, 2007, 2008 and 2009 and the six months ended 30 June 2010, our purchases of supplies from our five largest suppliers constituted approximately 48.1%, 34.3%, 51.8% and 18.7%, respectively, of our total purchases for the relevant periods and our purchases from our single largest supplier constituted approximately 20.1%, 19.8%, 20.5% and 6.9%, respectively, of our total purchases for the relevant periods.

Our Group's policy is to procure raw materials based on production requirements in order to minimize the risks associated with surplus inventory. We generally purchase materials and components for the production of our products after assessing our demand for production with regard to specific customers' orders, the amount of minimum order guaranteed by our distributors in accordance with the terms of the distribution agreements, historical sales results and the annual sales forecasts provided by our distributors as well as monthly sales forecast prepared by our sales team.

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During the Track Record Period, none of the Directors or their associates or the Shareholders, who, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, has any interest in any of our five largest suppliers.

Our procurement and inventory control department is independent from that of the Hi-Sun Group, and accordingly, we have independent access to our materials and components suppliers.

INVENTORY AND LOGISTICS

Inventory

We maintain strict control over our inventory. Our procurement and inventory control department is responsible for monitoring both the procurement of raw materials and inventory management of our warehouses. We adopt ERP to control the logistics as well as the warehousing of our inventory. This system enables our staff to monitor the status of sales and levels of our inventory. Our inventory management system enables us to maintain a relatively low but sufficient level of inventory and finished goods at our warehouses, which the Directors believe would save the costs in storage and inventory management. On average, our finished products are kept in our warehouses for 30 days or less before they are delivered to our customers. The details of our products are recorded in our internal inventory management system.

Our inventory consists of raw materials and components for manufacturing, spare parts, semi-finished products and finished products. Normally, inventory of our EFT-POS products are stored in our warehouses in Panyu, Beijing, Shanghai, Hangzhou, Chongqing and Xi'an in the PRC and Hong Kong. However, there are also finished EFT-POS products that may be stored at our customers' premises and we consider them as inventory. It is because even though such products have been delivered to our customers, the sales are yet to be recognized. This normally occurs when inventories were delivered upon receipt of purchase order from customers who have previously entered into framework agreements with the Group and the inventories were still under quality check by these customers (which is generally completed within one month) and/or the relevant sales contracts were yet to be available to meet the revenue recognition criteria. The goods are not insured by the Group. As advised by King & Wood, our PRC legal advisers, once goods are delivered and accepted by customers, any loss incurred in relation to such goods at the customers' premises are borne by the customers. Prior to that, although the risk and ownership of goods (including those which are subject to acceptance pending quality check) generally remain with us, our PRC legal advisers have advised us that our customers have the legal obligation towards us to ensure proper and safe custody of goods delivered to them. We can seek compensation for any loss and damage to our goods if our customers fail to comply with such obligation. In order to minimize any business risk, delivery of finished EFT-POS products under these purchase orders have to be approved by the executive vice president of our sales and marketing department and acknowledgement of receipt is required from the customers. In addition, we have maintained a well-structured ERP system to monitor the amount of these goods. Our sales and marketing department also closely monitors and progress the signing of the relevant sales contracts. Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured, which is in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the value of inventories stored at our customers' premises approximated HK\$20,070,000, HK\$41,050,000, HK\$32,920,000 and HK\$30,880,000, respectively accounting for approximately 36%, 40%, 30% and 25%, respectively, of the value of our inventories during those periods.

The production of EFT-POS products is principally scheduled with reference to orders we have received from our customers, monthly sales forecasts prepared by our sales team and sales forecasts provided by our distributors which are reviewed by us on a quarterly basis. Nevertheless, we have a

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reasonable level of buffer inventory which are stored in our warehouses to meet urgent customer orders and for product replacement purposes. As part of our product warranty service to our customers, we also maintain spare parts and components for products which we have discontinued to produce for three to five years.

Our quality assurance team inspects inventory quality, keeps daily inventory records and carries out a full inventory count every month. We generally conduct monthly inspections of the condition of our inventory and make provisions for inventory that appears to be obsolete or damaged. We have not made any provisions for obsolete or damaged inventories during the Track Record Period.

Logistics

We are generally responsible for the delivery of our EFT-POS products to our customers in the PRC and the price we quote includes the cost of transporting our products from our warehouse to our customers' sites or designated delivery points. We deliver our products to our customers in the PRC by train, trucks for short distance deliveries or by ship or plane for urgent deliveries. We have designated transportation providers for road, rail and air, and we review these transportation providers on an annual basis based on the quality of their service and price. We deliver our products to our overseas customers through exports from ports in the PRC or Hong Kong on FOB terms. During the Track Record Period, we did not experience any major incident or delay in product delivery due to transportation which we were responsible for.

COMPETITION

The EFT-POS industry is subject to an increasing rate of technological change and rapidly evolving customer requirements. According to Analysys International, in 2009, the sales volume of the top three largest domestic EFT-POS brands in the PRC (namely, the brands of PAX Technology, Fujian Landi Commercial Equipment Co., Ltd. (福建聯迪商用設備有限公司) and Shenzhen Xinguodu Technology Co., Ltd. (深圳市新國都技術股份有限公司)) represented over 67% of the total EFT-POS terminal sales in China. The top five largest EFT-POS brands of the enterprises in the PRC accounted for over 85% of the total EFT-POS terminal sales in 2009. Amongst those enterprises, Ingenico S.A., the holding company of Fujian Landi Commercial Equipment Co., Ltd. is listed on the Paris Stock Exchange, VeriFone Systems, Inc. (formerly known as VeriFone Holdings Inc.), the holding company of VeriFone Electronics (Beijing) Co, Ltd. (惠爾豐電子(北京)有限公司) is listed on the New York Stock Exchange while Shenzhen Xinguodu Technology Co., Ltd. and Fujian Newland Computer Co., Ltd. (福建新大陸電腦股份有限公司) are listed on the Shenzhen Stock Exchange. Due to the capital-intensive and technology-intensive nature of the EFT-POS industry, PRC EFT-POS enterprises which were less competitive in terms of financial resources and technological expertise have been gradually eliminated in the market.

We believe our competitiveness in the EFT-POS market in China is attributed to a number of factors, including our market position, research and development ability, high quality products, after-sales services and technical support to our customers, management expertise and in-depth knowledge of the industry. Based on our past experience and our understanding of the industry, we believe that the principal barriers to entry in our industry include technical know-how, ability to meet security standards and obtain certifications issued by credit and debit cards associations such as EMVCo and PCI, business management and operational management know-how, capital investment and the ability to source quality and reliable supply of raw materials and components.


Going forward, the Directors believe that our solid research and development capabilities will allow us to develop high quality, technologically advanced and innovative products which will allow us to differentiate ourselves from our competitors and to compete more effectively with our

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competitors. The Directors are also of the view that given the competitive strengths of our Group, details of which are set forth under the section headed “Business — Our Competitive Strengths”, we are well-positioned to progress to our ultimate goal of becoming one of the leading players in the EFT-POS market in the world.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, Pax Technology (Shenzhen) held 22 patents including two patents for inventions rights (發明專利), nine patents for practical new model (實用新型專利) and 11 patents for layout (外觀設計專利) and have 12 patents applications filed with patent office in the PRC. As at the Latest Practicable Date, Pax Technology (Shenzhen) also held 10 copyrights of its computer software (計算機軟件著作權).

The “” mark which we apply on all our EFT-POS products is registered and owned by Hi Sun Limited. Details of our trademarks, patents, copyrights and other intellectual property rights are set out in Appendix VI — Statutory and General Information — 4. Intellectual Property Rights of the Group”.

REGULATORY COMPLIANCE

The heads of different departments of the Group are and will primarily be responsible for ensuring on-going compliance, at the operational level, with the relevant PRC laws and regulations governing our business and products as set out in the section headed “PRC Regulatory Overview”. For example, our PRC sales team and international sales team are responsible for compliance with laws and regulations regarding products sales in the PRC and overseas respectively, our R&D team is responsible for compliance with laws and regulations regarding our products, our finance department oversees accounting rules and regulations and tax laws in the PRC, our corporate office (under the supervision of Mr. Li Wenjin, an executive Director, our company secretary and our group financial controller together) oversees issues about Listing Rules and accounting and tax laws in Hong Kong.

To ensure on-going compliance and review our compliance controls, our Chairman, CEO and executive Directors will meet with the heads of each business unit of the Group, namely the executive vice president of Pax Technology (Shenzhen) (responsible for PRC sales), the vice president and chief financial officer of Pax Technology (Shenzhen) and the Group Financial Controller of the Company (responsible for procurement and finance), Vice President of Pax Technology (Shenzhen) (responsible for R&D), Vice president of Pax Technology (responsible for sales in Asia Pacific) and President of Pax Technology (USA) (responsible for sales in Europe, the Middle East, Africa) on a regular basis to discuss and consider matters including the following:-

- (a) significant changes or anticipated changes to the legal and regulatory regime relevant to our business and operations, and the appropriate responses to such changes;
- (b) material non-compliance and the appropriate remedial measures;
- (c) review of existing legal and regulatory compliance controls; and
- (d) recommendations to our Board on the findings of the working group, which are to be made through our CEO.

In addition, we will have access to external professionals, such as our compliance adviser, legal counsel, auditors and other advisers to seek advice on any issues about laws and regulations in the PRC, Hong Kong, the US. We can also benefit from the experience and expertise of those of our independent non-executive directors who have legal background.

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Our operating subsidiaries conduct business operations in the PRC, Hong Kong and the US. King & Wood, our legal adviser as to PRC law, has confirmed that, our PRC operating subsidiary possesses all the necessary licenses, permits and certificates in respect of the business activities currently conducted by them and such activities are in compliance with all applicable PRC laws and regulations in all material respects. We have been advised by our Hong Kong counsel for this purpose that based on our confirmation that (i) only the Hong Kong incorporated subsidiary has business activities in Hong Kong; and (ii) Pax Technology is engaged in the sale of EFT-POS products and the provision of related services (as described in this prospectus), no special license and permit is required as a pre-requisite for it to conduct such business other than those which are generally applicable to Hong Kong companies generally, including those which engage in trading businesses.

We have been advised by our US counsel for this purpose that based on our confirmation that the only Group member having business activities in the US is Pax Technology (USA) and Pax Technology (USA) is engaged in the sale of EFT-POS products and the provision of related services (as described in this prospectus), no special license and permit is required as a pre-requisite for Pax Technology (USA) to conduct such business other than those which are generally applicable to US companies, including those which engage in sales businesses.

Our overseas customers are responsible for ensuring compliance with overseas regulations and quality control standards and we design and manufacture products in accordance with their specifications. We have not received any material complaints from overseas customers in respect of our products' failure to comply with their specifications or standards up to the Latest Practicable Date. To the best knowledge of our Directors, we have complied with all the applicable laws and regulations of our overseas market during the Track Record Period and up to the Latest Practicable Date.

Save for the compliance issues disclosed under the sections "Business — Employees" and "Business — Buildings", we have complied with all the applicable laws and regulations in China, Hong Kong and the US in all material respects during the Track Record Period and thereafter.

INSURANCE

All our operating subsidiaries maintain insurances, such as pension insurance, medical insurance (including supplemental medical insurance and work-related casualty insurance) and unemployment insurance in accordance with applicable laws and regulations in the PRC, Hong Kong and the US.

We currently maintain insurance policies in respect of damage to real estate property owned and leased by us and employer liability in respect personal injury of employees. During the Track Record Period, we did not experience any significant loss or damage to our facilities. The two independent subcontractors we engaged for providing maintenance services to our customers in Hong Kong have also taken out insurance policies for potential loss or damage to our products stored at our customers' premises.

We do not currently maintain any insurance policies in respect of damage to our equipment. The equipment that is used by the Group mainly comprises computers and servers which are of relatively low financial value and the rate of replacement for these equipment is high, and accordingly we do not maintain insurance policies for our equipment.

We do not currently maintain any product liability insurance. All our EFT-POS products are assembled and manufactured by PKS, although we control the product design, raw materials procurement and quality inspection of our products with an aim to minimize the risk of product default. However, we may be subject to product liability claims, suits and complaints incidental to our business in the PRC and other regions around the world where our products are sold or distributed. Please refer to the section headed "Risk Factors — Risks relating to our industry — We have no insurance coverage for product liability claims" for details. Our Directors confirmed that our Group has not experienced any material claim on our products during the Track Record Period.

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Our Directors believe that the insurance coverage taken out by us is typical and in line with industry practice for similar operations and is adequate for our Group's operations.

EMPLOYEES

As at the Latest Practicable Date, we had 434 full-time employees. The following table shows a breakdown of our employees by function as at the Latest Practicable Date:

Function	Number
Management	10
Administration and human resources	13
Accounting	11
Production, procurement and inventory control	17
Sales and after-sales services and marketing	145
Research and development	228
Quality assurance	10
Total:	<u>434</u>

The following table shows a breakdown of our employees by geographical location as at the Latest Practicable Date:

Location	Number
PRC	414
Overseas (<i>Note</i>)	<u>20</u>
Total	<u>434</u>

Note: These overseas employees are among our management, accounting, sales and after-sales and marketing functionality.

All of our employees in the PRC are unionized. We believe we have good working relationships with our employees. We believe that our management policies, working environment, employee development opportunities and benefits extended to employees have contributed to building good employee relations and employee retention. We organize recreational activities for our employees and we have in the past presented cash, prizes or gifts to employees on special occasions. We equip our employees with the skills and knowledge relevant to their work by providing internal and external training programs and opportunities. We provide training to our staff to enhance their technical and product knowledge as well as their knowledge of industry quality standards.

The remuneration packages of our employees include salary, bonuses and allowances. In addition, our sales employees are remunerated with sales commissions and performance incentives. In accordance with the relevant labour and social welfare laws and regulations, we are required to pay in respect of each of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, maternity insurance and injury insurance.

We maintain the mandatory pension contributory plan, medical and work-related insurance schemes for our workers in the PRC. We have made timely payment of our social insurance contributions for our employees in the PRC. The national legislation regulating housing fund is the "Housing Fund Management Regulation" (住房公積金管理條例) promulgated by the PRC State Council. However, Shenzhen, as a Special Economic Zone, does not implement the national legislation. The regulation implemented in Shenzhen is the Shenzhen Social Insurance Regulations

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(Shenzhen Government 1992 No. 128) (the “**Social Insurance Regulations**”). We have not made housing provident fund contributions required by the Social Insurance Regulations to the Shenzhen Municipal Social Insurance Fund Management Bureau (深圳市社會保險基金管理局) (the “**Bureau**”) for our employees with registered residence in Shenzhen in reliance on the guidance published on the Bureau’s official website. Based on FAQ No. 61 published on the official website of the Bureau, we understand that an employer is only obliged to make housing provident fund contributions for an employee if the employee is a permanent employee or contract employee with registered residence in Shenzhen who has not purchased any property and the employer has not provided any housing allowance or accommodation. We are not obliged to make housing provident fund contributions for an employee who does not have registered residence in Shenzhen. We have been providing housing allowance to all employees of Pax Technology (Shenzhen) (including all employees with registered residence in Shenzhen). As at 30 June 2010, there were a total of 99 employees with registered residence in Shenzhen, 47 of whom have purchased properties for their own accommodation. We have also been providing accommodation to certain employees who have not purchased their own properties. Therefore, based on the FAQ No. 61, we have not made any housing provident fund payments for any of our employees who are registered residents in Shenzhen, and we have not made any provision for our cumulative exposure of approximately RMB1.10 million for unpaid housing provident fund contributions since the Social Insurance Regulations became effective. We have been advised by King & Wood, our legal advisers as to PRC law that the relevant authority has the discretion to determine whether or not to enforce payment towards such housing provident fund and that the failure to make such contribution could attract a fine ranging from RMB10,000 to RMB50,000 in total. Hi Sun has undertaken to indemnify us from and against all costs, losses and expenses that may arise from our failure to make such contributions. However, according to our interview with the Bureau on 27 September 2010, due to the local practice of Shenzhen, our failure to make housing provident fund payment will not subject us to any administrative penalty or fines, and since the housing provident fund management centre had not been set up according to the Reform Proposals of Shenzhen on Housing Provident Fund System (深圳市住房公積金制度改革方案) (“**Reform Proposal**”) as released on 18 June 2009 which would have entailed supplementary payment of housing provident fund by us, the Bureau would not accept any supplementary payment of the housing provident fund during the Track Record Period from us. Since there are uncertainties on how the relevant social insurance management bureau will interpret or enforce these regulations, we have accordingly made in our financial statements as at 30 June 2010 full provision in the amount of RMB121,000 for the potential liability to pay housing provident fund contributions for the period from the release of the Reform Proposals to 30 June 2010. The Company intends to fully comply with all applicable social insurance regulations that may be promulgated by the Shenzhen Government from time to time.

We contribute to a mandatory provident scheme and have taken out employee compensation insurance for our Hong Kong employees, as required under Hong Kong laws. In respect of our US employees, we have made mandatory social security contributions, Medicare and worker’s compensation contributions as required under applicable laws in the US.

The Directors confirm that save as disclosed above we have complied with applicable employment and social security laws and regulations in the PRC, Hong Kong and US in all material respects during the Track Record Period.

During the Track Record Period, we have not experienced any significant problems with our employees or disruptions to our productions due to labour disputes, nor have we experienced any significant difficulties in recruitment and retention of experienced staff.

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BUILDINGS

Owned properties

We own in Shenzhen two units (being property no. 1 in the Valuation Report) of 1,584.55 square metre gross floor area in aggregate that we use as offices. Our PRC counsel has advised us that since the property is a non-market commodity property, approval is required to be obtained from the Office of Leading Group of Shenzhen High-Tech Industrial Park (深圳高新區) before the property can be mortgaged, leased or transferred.

Leased properties

In the PRC:

We lease in Shenzhen a unit (being property no. 4 in the Valuation Report) in the same building of our owned unit of 784 square metre gross floor area which we also use as an office. Our PRC counsel has advised us that the tenancy agreement requires the approval of the Office of Leading Group of Shenzhen High-Tech Industrial Park. As such approval has not been obtained, our PRC counsel has advised that there is a risk that the tenancy will be declared null and void. At our request, our landlord has applied for the relevant approval and has declared in writing that it will bear all the risks arising from or caused by these irregularities during the period before the approval is obtained. We have communicated with our landlord regarding the process of the application for the relevant approval.

We also lease another unit for use as office with a gross floor area of 651.76 square metres in Shenzhen (being property no. 13 in the Valuation Report). However, the user clause in the tenancy agreement stipulates that the property is for factory purpose. We have been advised by our PRC counsel that the landlord is entitled to sue us for breach of contract and terminate the tenancy agreement. Further, we were advised by our PRC counsel that the landlord has not obtained a title certificate for this property, as a result of which the landlord may not have the legal right to lease to us the property and there is a risk we may be evicted by an owner or any third party making claims of ownership of the property. In any of such circumstances, we will be entitled to sue the landlord for any economic losses caused by the landlord's failure to obtain the title certificate. We have requested our landlord to apply for the title certificate for this property, and to agree to renew or modify the tenancy agreement to eliminate the inconsistency between the actual use and the stipulated use of the property.

We lease nine units located in Beijing, Shanghai, Guangzhou, Xi'an, Chengdu and Shenyang (being properties no. 6, 7, 8, 9, 10 and 11 in the Valuation Report) of 1,274.71 square metre gross floor area in aggregate for use as representative offices of Pax Technology (Shenzhen). However, the Chengdu Property (being property no. 10 in the Valuation Report) and the Shenyang Property (being property no. 11 in the Valuation Report) are designated for residential use and the Guangzhou Property (being property no. 8 in the Valuation Report) is designated for factory use. We have been advised by our PRC counsel that in respect of the Chengdu Property and the Shenyang Property, the landlords' consent to change the user of the Chengdu Property and the Shenyang Property is required; otherwise, the landlords will be entitled to evict us from the properties. As to the Guangzhou Property, we may be requested to change the user of the property or to move out from the property. Regarding the inconsistency between the actual use and the stipulated use of the Chengdu Property and the Shenyang Property, we are in discussion with our landlords to change our actual use of such properties into dormitories for our staff, so as to eliminate the inconsistency.

We lease one warehouse (of 3,168 square metre gross floor area) in Guangzhou (being part of property no. 5 in the Valuation Report) and storage space (of 75 square metre gross floor area) in Shanghai (being property no. 12 in the Valuation Report).

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We also lease as dormitory for our staff 13 residential units (of 546 square metre gross floor area in aggregate) (being part of property no. 5 in the Valuation Report) which is located in the vicinity of our contract manufacturer of our EFT-POS products, the PKS Chaotian Factory and our Guangzhou warehouse as mentioned above.

Other than the tenancy agreement in respect of the Guangzhou representative office and dormitory, registration of all the other tenancies in the PRC with relevant housing authorities as mentioned above has not yet been completed. Our PRC counsel has advised us that in the absence of registration, the parties to the relevant tenancy agreements may be liable to a fine but the validity of the tenancy agreements would not be affected. According to the Measures of Administration of the Leasing of Urban Premises (城市房屋租賃管理辦法), any lessor or lessee that fails to complete the lease registration shall be imposed a fine by the relevant authorities. Such registration can only be effected by the lessor and lessee together. However, no law or regulation has specified the amount or any method of calculating the amount of such fine. As a result, we are currently unable to quantify the fine which may be imposed by the relevant authorities. We do not consider the non-registration will have any material impact on our financial position. We have communicated with the relevant landlords regarding the absence of the registration with relevant authorities, and we have requested such landlords to cooperate with us in completing such registrations.

We do not consider these leased properties in the PRC to be crucial to our operations and we can easily relocate our representative offices to alternative locations should the need arise. In addition, Hi Sun has executed a deed of indemnity in favour of our Company against losses and liabilities arising from non-compliance issues disclosed above in respect of these leased properties. Further details of the indemnity are set out in Appendix VI — Statutory and General Information — 7.1 Estate Duty, Tax and Other Indemnities.

Outside the PRC:

We lease five units (of 2,260 square feet) in Hong Kong (being property no. 3 in the Valuation Report) as our corporate headquarters.

We lease one warehouse (of 400 square feet) in Hong Kong (being property no. 2 in the Valuation Report).

We also lease one unit (of 3,588 square feet rentable floor area) in New York, the USA (being property no. 14 in the Valuation Report) as our sales office and 18 undesignated parking spaces in the same building for car park purpose.

LEGAL PROCEEDINGS

We may from time to time be involved in contract disputes or legal proceedings arising from the ordinary course of our business. As of the Latest Practicable Date, we have not been a party to any material litigation, arbitration or claim. So far as we are aware, as of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings are threatened.

RELATIONSHIP WITH HI SUN

1. INFORMATION ON HI SUN

Hi Sun is principally engaged in (i) the development and sale of EFT-POS terminal solutions and provision of related services through our Group and (ii) the provision of financial solutions, payment solutions, telecommunication solutions and operation value-added services, and electronic power meters and solutions through the Hi Sun Group. Further information on the businesses of Hi Sun Group and our Group is set out below.

Immediately after completion of the Global Offering and the Capitalisation Issue and assuming the Over-allotment Option is not exercised, Hi Sun will own 44.4% of our enlarged issued share capital and will continue to be the controlling shareholder of our Company.

Hi Sun has indicated that it intends to hold its interest in our Group as a long term investment. Hi Sun is not permitted under the Listing Rules, and has undertaken to the Underwriters not to, dispose of its shareholding in our Company for a period of six months from the date on which dealings in the Shares of our Company commenced on the Stock Exchange. In addition, during the subsequent six month period, Hi Sun must not dispose of those shares, if immediately following that disposal, Hi Sun will cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

2. DELINEATION OF BUSINESS ACTIVITIES

Products/services and markets

Our Group is an EFT-POS terminal solutions provider. We sell our products to customers not only in the PRC and Hong Kong but other parts of the world as described further in the section headed “Business”.

Hi Sun Group is a provider of financial solutions, payment solutions, telecommunication solutions and operation value-added services, and electronic power meters and solution. The financial solutions, services and related products it offers are principally the development and maintenance of integrated banking systems solutions (which form part of the data management payment processing infrastructure of financial institutions) and related services and products. Such solutions are a fully scalable, modular core banking solution which automates every aspect of a financial institution’s back, middle and front office operations in one fully integrated solution. They are an integrated solution that automates all aspects of core banking operations across entities, languages and currencies, and an enterprise-wide solution that handles large transaction volumes on a 24x7 basis. They also support a variety of products including savings accounts, checking accounts, overdraft accounts, term deposit accounts and a variety of lending products with a full commitment of transactional services such as remittances, foreign exchange, etc, which are accessible through multiple channels, from branch to call center to e-banking. Similarly, Hi Sun Group provides payment gateway solutions to China Mobile, which takes up the roles which are similar to the card issuer, the merchant acquirer and payment processor at the same time. Hi Sun Group’s telecommunications solutions and operation value-added services are principally the development and provision of interactive voice recognition (IVR), IVR-related and Monternet Deep Operation (MDO) platforms and related services. IVR is a technology that automates interactions with cell phone users. Hi Sun Group also develops, manufactures and sells electronic power meters. Geographically, the Hi Sun Group provides its services to customers mainly in the PRC and in Hong Kong, with a small amount of sales overseas of electronic power meters.

RELATIONSHIP WITH HI SUN

Our EFT-POS terminals are not bespoke to Hi Sun Group's back-end IT platforms or vice versa. On the contrary, our EFT-POS terminals must also be able to connect with all systems as prescribed by the customers' product specifications and Hi Sun Group's systems should not preclude their ability to link up with back-end IT platforms provided by third parties.

Both our Group and Hi Sun Group have PRC financial institutions and a telecommunication and value added services provider, China Mobile, as their customers but the products or services provided by our Group and Hi Sun Group to such common customers, and the decision makers at our customer entities, are totally different. For example, we mainly deal with the procurement departments of the relevant financial institutions for the supply of EFT-POS terminals, whereas the Hi Sun Group transacts with the banking systems departments of the relevant financial institutions for the development of their banking solutions. Invitations to tenders (including competitive negotiations) and the process are, so far as we are aware run by those departments separately. In the case of China Mobile, procurement of our mobile payment EFT-POS terminals are determined through tenders by its provincial offices whereas procurement for the IVR, IVR-related and MDO platforms and related services, and payment gateway solutions of Hi Sun Group, are typically determined through tenders by its head office (or designated provincial office responsible for China Mobile group's payment gateway development). During the Track Record Period, each of our Group and the Hi Sun Group negotiated and concluded its own sales contracts and delivered products and services to its customers directly and independently in response to separate invitations for tenders issued by the relevant customers.

The amount of sales to the common customers of our Group and Hi Sun Group and percentage such sales represent of the combined turnover of our Group and the consolidated turnover of Hi Sun Group, respectively, during the Track Record Period, was as follows:

	Year ended 31 December						Six months ended 30 June	
	2007		2008		2009		2010	
	Our Group	Hi Sun Group	Our Group	Hi Sun Group	Our Group	Hi Sun Group	Our Group	Hi Sun Group
Sales to common customers (HK\$'000)	25,583	96,665	130,612	234,931	152,750	661,862	52,735	343,670
Total sales (HK\$'000)	323,143	779,605	493,589	1,213,468	492,942	1,278,518	267,698	676,278
Percentage of consolidated turnover (%)	8	12	26	19	31	52	20	51
No. of common customers		6		6		4		5

Deed of Non-competition and conflicts of interests

Hi Sun has, pursuant to the deed of non-competition dated 1 December 2010 between our Company and Hi Sun, undertaken to our Company that, among other things, at any time during which the Shares are listed on the Stock Exchange or any stock exchange recognized under the SFO and for so long as it remains the controlling shareholder of our Company, Hi Sun will not, and will procure that its subsidiaries (other than our Group) will not directly or indirectly engage or otherwise be interested in the design, manufacture and/or sale of EFT-POS products and the provision of related services in the PRC, Hong Kong or any part of the world in which any member of the Group may from time to time operate. The undertaking does not apply to Hi Sun's interests in the Shares (including the exercise of any right as a Shareholder) and any interests held by Hi Sun and its associates in up to 5% of any class of listed securities of a company that engages in the business of the Group.

RELATIONSHIP WITH HI SUN

Hi Sun has undertaken to us that, if any time that we or our independent non-executive Directors have reasonable cause to believe that Hi Sun may be in breach of the non-compete undertaking, against our undertaking to keep the information received confidential except for disclosures of such information as may be necessary to comply with our legal or regulatory obligations, or such information that is already in the public domain other than as a result of our breach of the confidentiality undertaking or for the purposes of enforcement of the non-compete undertaking, Hi Sun will at our or our independent non-executive Directors' request provide all such information that it possesses and may be lawfully disclosed pertaining to such request so as to enable us or our independent non-executive Directors to make an informed assessment as to whether or not there has in fact been a breach of the non-compete undertaking. Hi Sun has also undertaken to us that it will give us an annual declaration that it has complied with the non-compete undertaking given above. Our independent non-executive Directors will review, on an annual basis, whether Hi Sun has complied with the non-compete undertaking. We will in our annual report disclose the report by our independent non-executive Directors of their annual review and whether or not Hi Sun has delivered at the end of the financial year to which that annual report relates an annual declaration pursuant to its undertaking described above, and if it has failed to do so, the steps that are taken to enforce the terms of that undertaking.

None of Hi Sun nor our Directors have any interest in any competing business that is discloseable under Rule 8.10(1) and Rule 8.10(2), respectively, of the Listing Rules. In respect of any other conflicts of interest that may arise between our Group and Hi Sun Group, common directors between the two groups or any director with an interest in the relevant transaction(s) will be required to abstain from voting on the relevant Board resolutions.

3. INDEPENDENCE FROM THE HI SUN GROUP

Management independence

Our Board consists of 6 members, comprising 3 executive Directors and 3 independent non-executive Directors. With the exception of Mr. Li Wenjin who is a director of Hi Sun and certain of its subsidiaries, none of the members of the Board are directors of the Hi Sun Group and none of the senior management of Hi Sun hold any position in our Group. Mr. Li Wenjin will continue to receive emoluments from Hi Sun Group and the Group after the Listing for the service he will provide to Hi Sun Group and the Group.

The Directors believe that our Group is able to operate independently of the Hi Sun Group notwithstanding Mr. Li Wenjin's offices in the Hi Sun Group for the following reasons:

- Our Group companies are all of the subsidiaries of Hi Sun which engage in the development and sale of EFT-POS terminal solutions business. As explained in more details in paragraph 2 headed "Delineation of Business Activities" above, such business activities of our Group are completely different from those of the Hi Sun Group. The Directors (with the exception of Mr. Jiang Hongchun) and all of our senior management team (other than our Group financial controller who joined our Group in January 2010) have been working for our Group during most of the Track Record Period and are expected to continue to work together to manage our business. Mr. Jiang Hongchun has been transferred to our Group from the Hi Sun Group to help Mr. Nie Guoming manage the continued growth of our Group's business.
- As one of the executive Directors, Mr. Li Wenjin is and will continue to be closely involved in the management decisions of our Group, with specific responsibilities for investment activities and transactions of our Group. Mr. Li Wenjin is responsible for (i) management of risk assessment, including the assessment of industry, operational and financial risks of our business, (ii) overseeing investment activities and transactions, (iii) approving annual planning and budgeting policy, treasury and funds management; (iv) overseeing operations

RELATIONSHIP WITH HI SUN

of Pax Technology in Hong Kong (including administration, staffing and internal control); (v) overseeing the Company's Listing Rules compliance after Listing; (vi) being a member of our nomination and remuneration committees, one of our authorised representatives and overseeing our Listing Rules compliance, whereas his role in Hi Sun Group would be less active as described below. Our daily operation will principally be overseen and managed by Mr. Nie Guoming (our Chairman) and Mr. Jiang Hongchun (our Chief executive officer), neither of whom hold any material position in the Hi Sun Group

- Mr. Li Wenjin expects to spend approximately 70% of his time in our Group after the Listing and the remainder of his time will be spent with the Hi Sun Group. After the Listing, Mr. Li Wenjin would not be involved in the daily operations and related management decisions of Hi Sun. His responsibilities with Hi Sun Group would be limited to (i) the monitoring of Hi Sun Group's treasury and funds management; and (ii) his membership with Hi Sun's nomination and remuneration committees, his role as one of Hi Sun's authorized representative, and overseeing Hi Sun's Listing Rules compliance. Prior to our Listing, Mr. Li Wenjin has been responsible for overseeing risk and treasury management of Hi Sun and its subsidiaries as a whole (including our Group) and only to this extent, his role will continue in both Hi Sun and our Company after the Listing. As Hi Sun has not received any sanction for a breach of the Listing Rules in any period during which Mr. Li Wenjin has been its director and nor has Hi Sun suffered any material risk incidences, it was considered appropriate for him to continue with such a role after Listing.
- If any conflict of interest arises, such as connected transactions, with the Hi Sun Group or vice versa, Mr. Li Wenjin (for so long as he is both also a Hi Sun director and a Director) and any Director with an interest in the relevant transaction(s) (including by virtue of his directorship in the other listed issuer) will be required to abstain from voting on the relevant resolution(s) in the relevant meeting of board of directors of Hi Sun or (as the case may be) the Board. Our remaining Directors who do not hold office with Hi Sun, including Mr. Nie Guoming (our Chairman) and Mr. Jiang Hongchun (our Chief Executive Officer) who are responsible for the daily operation of our Group, could still properly attend, be counted in the meeting quorum, and vote on any matter that involves the interests of Hi Sun without impeding the operations of our Group.

Operational independence

Our Group has since its inception (and save for Mr. Li Wenjin who is also a director of Hi Sun and certain of its subsidiaries) hired its own separate management and operating staff. Mr. Xu Wensheng and Mr. Xu Changjun, both executive directors of Hi Sun were also directors of a company in our Group during the Track Record Period and thereafter in a non-executive role respectively. Mr. Xu Wensheng and Mr. Xu Changjun have resigned from all their offices in our Group on 19 April 2010. All key business activities, including (a) research and development, (b) customers resources, (c) sales and marketing, (d) production, (e) production procurement, (f) intellectual property rights and (g) operating premises are handled separately from the Hi Sun Group and details of which are set out below:

(a) Research and development

Our Group has a stand-alone research and development team which it independently recruits and manages, separate from that of the Hi Sun Group. As our products are EFT-POS terminals, our Group's research and development team comprises predominantly electrical, electronics and structural engineers and technicians. Hi Sun Group's research and development team comprises mainly of software engineers and platform technology and telecommunication system specialists for its financial solutions, payment solutions, telecommunications solutions and operation value-added services business, and electrical, electronics and structural engineers and technicians for its electronic power meters business.

RELATIONSHIP WITH HI SUN

Research and development investments of our Group accounted for 69.8%, 58.6%, 32.3% and 29.2% respectively of the total research and development costs reported by Hi Sun in its audited consolidated financial statements for the years ended 31 December 2007, 2008 and 2009 and the unaudited condensed interim financial information for the six months ended 30 June 2010.

(b) Customers resources

Our EFT-POS terminal solutions business services primarily acquirers (such as payment processors and financial institutions) and merchant service providers, and is developing mobile phone payment terminals for China Mobile.

Customers of Hi Sun Group's services include financial institutions, China Mobile and power supply entities in the PRC.

Although both our Group and Hi Sun Group have financial institutions and China Mobile as their customers, as explained in the section headed "Relationship with Hi Sun — Delineation of Business Activities — Products/services and markets", the products and the services provided to financial institutions and China Mobile by Hi Sun Group are totally different and our Group and the Hi Sun Group service distinctly different needs of those customers. The provision of products/ services by us and by Hi Sun Group to such customers are subject to separate tender (including competitive negotiations) process, and different divisions or units in the customer entities are responsible for the products of our Group or that of the Hi Sun Group. The tenders (including competitive negotiations) are, so far as we are aware, assessed independently by the relevant customers. We have never been required to submit and have never offered as a package or in a single tender (including competitive negotiations) the provision of EFT-POS products and the services or solutions of Hi Sun Group.

(c) Sales and marketing

Since products or services offered by our Group and that of Hi Sun Group service distinctly different needs of customers and contracts are secured through independent processes, each group independently employs and manages their respective sales and marketing teams.

(d) Production

Our Group does not have our own manufacturing facilities and engages PKS to provide assembly and processing services for all of our EFT-POS terminals.

The only manufacturing activity of Hi Sun Group is for its electronic power meters business. In this connection, Hi Sun Group's electronic power meters business owns and operates its own manufacturing facilities for electronic power meters in Hangzhou independently of our EFT-POS terminal solutions business.



(e) Procurement and suppliers

We purchase raw materials, parts and components through our independent procurement teams, based on our production requirements. We choose and establish relationships with our suppliers independent from Hi Sun Group.

RELATIONSHIP WITH HI SUN



(f) Intellectual property rights

Our Group does not rely on Hi Sun Group for its intellectual property rights. All intellectual property rights that are or may be material to our Group are developed and where appropriate, registered by our Group.







We license at a nominal consideration of HK\$1.00 our corporate logo and our trademarks “” from the substantial shareholder of Hi Sun, Hi Sun Limited, through two trademark licence agreements dated 1 December 2010, one for PRC trademarks and the other for non-PRC trademarks. We have been using those trademarks as its corporate logo and the “” trademark on all the EFT-POS terminals and the related application software of the EFT-POS terminal solutions business since the inception of its business in 2000. Our Directors do not consider there to be any material operational or financial impact to the Group had Hi Sun Limited chosen not to grant us the trademark licenses, as the trademark itself does not affect our ability to meet the requirements for the various general and specific industry technology certifications for our products we currently enjoy or our research and development capabilities which form one of our core competitive strengths. Further information regarding such certification and strengths are set out in the section headed “Business — Industry Standards” and “Business — Our Competitive Strengths”. Although Hi Sun is a substantial shareholder of our Company (and therefore a connected person of our Company), Hi Sun Limited is not a holding company of Hi Sun and therefore is not an “associate” of Hi Sun as defined under the Listing Rules. Therefore, the licensing arrangement will not constitute a connected transaction of our Company upon our Listing.

The licences from Hi Sun Limited allow us to use exclusively the mark (i) as the corporate logo of our Company or any of our subsidiaries and (ii) on and in respect of the goods and services for which the mark are registered, including our EFT-POS terminal solutions business, in any territory in the world. The term of our licence to use is co-terminus with the validity period of the existing (and subsequent renewed) registration of each mark and our Company may sub-license the trademarks with seven (7) business days prior written notice to Hi Sun Limited to third parties including its subsidiaries for purposes of carrying on our Company’s EFT-POS terminal solutions business. As disclosed in greater detail in Appendix VI — Statutory and General Information — 4. Intellectual Property of the Group, the trademark is currently registered in Hong Kong, PRC, USA and Korea with the relevant registration expiring in the period between September 2012 to April 2020, depending on the territory of registration. The term of registration of trademarks in these jurisdictions is normally 10 years from the date of initial registration or renewal of such registration.

Hi Sun Limited is entitled to terminate the licence agreements forthwith by written notice to our Company in the event of: (i) our Company committing a breach of the licence agreements which are incapable of remedy; or (ii) our Company committing a breach of any terms and conditions of the licence agreements (if such breach is capable of remedy, failing to remedy the same within a period of thirty (30) days); or (iii) our Company goes into voluntary liquidation or is wound-up or becomes bankrupt or makes any arrangement for the benefit of its creditors or has a receiver or manager or other persons with like powers appointed in respect of all or any of its assets, property or undertaking.


Hi Sun Limited has reserved the right under the trademark licence agreements to license to PAX Data Limited and New Concept Services Limited (both wholly-owned subsidiaries of Hi Sun) and their respective subsidiaries (collectively, the “Permitted Users”) to use the word “PAX” or “百富” (i) in the case of PAX Data Limited and its subsidiaries, in their legal names (in English and Chinese) and for their data processing business, services or products, and (ii) in the case of New Concept Services Limited and its subsidiaries, in their legal names (in English and Chinese) and for their electronic power meters business, services or products. However, in both cases they are not allowed to use the word “PAX” or “百富” in association with (a) any words that render their names confusingly similar to the names used by our Company or our EFT-POS terminal solutions business, or (b) any mark that is confusingly similar to the “” trademark, or (c) the “” device. Hi Sun Limited has confirmed


RELATIONSHIP WITH HI SUN

that the use and exploitation of the “” trademarks in compliance with the trademark licence agreements shall not infringe the “” device also registered in the name and owned by Hi Sun Limited and Hi Sun Limited shall not assign or transfer the ownership of the “” device without the assignee or transferee acknowledging the same in writing to our Company. Hi Sun Limited is not permitted to authorise or license the use of the word “PAX” or “百富”, and “” trademarks to any other third party or for any other uses. So far as we are aware, the “” is used or proposed to be used only by us and the Permitted Users, whilst the “” is used or proposed to be used by members of the Hi Sun Group. Hi Sun Limited is required to disclose to us details of all licensing arrangements relating to the word “PAX” or “百富” between Hi Sun Limited and the Permitted Users.

In order to protect our interests, Hi Sun Limited has undertaken to our Company under the trademark licence agreements to, and to procure the Permitted Users to, among others (i) manufacture, distribute, market and sell products and/or services under the word “PAX” or “百富” with all due skill, care and diligence and in compliance with relevant standards; (ii) ensure that products and services shall be of merchantable quality, and not of a lower standard and quality before the trademark licences were granted to our Company; (iii) use all reasonable endeavours to ensure that those products and/or services comply with all applicable laws, and (iv) not use the word “PAX” or “百富” in any way which would tend to allow them to become generic, lose their distinctiveness, mislead the public, or materially detrimental to or inconsistent with the goodwill and reputation associated with the word and the mark.

In addition, Hi Sun Limited is required under the trademark licence agreements immediately to notify our Company of, and rectify at its sole expense, breaches by any Permitted User that are contrary to the licence agreements between Hi Sun Limited and our Company. If Hi Sun Limited fails to rectify the breach, our Company has the right to pursue, at Hi Sun Limited’s expense, all available remedies to protect its rights under the licence agreements.

We have, as set out in Appendix VI — Statutory and General Information — 4. Intellectual Property of the Group, assigned certain applications for trademark registration made in the U.S. to Hi Sun Limited because those applications should properly have been made by Hi Sun Limited as the owner of the marks instead of us as licensee of those marks. We have not ceased use of those marks at any time as Hi Sun Limited has consented to our use of them on our EFT-POS terminal solutions business at all material times. Hi Sun Limited itself does not use the “” trademarks.

We may develop other self-owned trademarks and services marks as we may consider necessary or desirable. Hi Sun Limited is not at present prepared to sell to us the “” and associated trademarks, and we do not at present intend to acquire the trademarks from Hi Sun Limited. The Hi Sun Group licenses its corporate logo and trademarks (which are different from ours) also from Hi Sun Limited.

Further details of the intellectual property rights of our Group are set out in Appendix VI — Statutory and General Information — 4. Intellectual Property of the Group.

(g) Operating premises

None of the operating premises of our Group are owned by the Hi Sun Group, except for the small office unit occupied by the Beijing representative office of Pax Technology (Shenzhen) which is rented on normal commercial terms or even on more favourable terms from the perspective of our Group. Further details of the terms of the office premises lease agreement of the Beijing representative office (the “Tenancy Agreement”) are set out under the section headed “Relationship with Hi Sun — Connected Transaction”.

RELATIONSHIP WITH HI SUN

Administrative independence

Back-office support (including accounting and financial management, invoicing, payments and collection, company secretarial, human resources, and information technology support) for our Group and the Hi Sun Group will be provided by segregated teams and therefore our Group will on Listing be administratively independent from the Hi Sun Group.

Financial independence

Our Group is financially independent from the Hi Sun Group. During the Track Record Period and thereafter, the ongoing operations of our Group have not been or are not dependent on, whether by direct funding or guarantees or otherwise, continued financial assistance from the Hi Sun Group. To the extent our Group requires financing in the future, we have independent access to third party financing both in the form of independent trade finance lines and in equity or equity linked financing (for example, in the form of preference shares as is evidenced in our ability to raise funds from Digital Investment and Dream River during the Track Record Period).

4. CONNECTED TRANSACTION

Our Group has occupied office premises under a tenancy agreement in Beijing that is owned by the Hi Sun Group since 1 January 2007. For each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2010, the aggregate annual rental payment made to Beijing Hi Sunray Information Technology Limited (“Beijing Hi Sunray”) for the same premises under the Tenancy Agreement was RMB240,318, RMB237,744, RMB291,096 and RMB211,968 respectively.

Our Group intends to continue to rent such office premises on the terms of the tenancy agreements described below after the Listing. For so long as Hi Sun is a substantial shareholder of our Company and therefore a connected person of our Company under Chapter 14A of the Listing Rules, transactions between our Group and the Hi Sun Group will after the Listing constitute connected transactions of our Company under the Listing Rules.

Pursuant to the tenancy agreement dated 11 February 2010 between Beijing Hi Sunray and the Beijing representative office of Pax Technology (Shenzhen) (the “Beijing Representative Office”), the Beijing Representative Office agreed to lease from Beijing Hi Sunray the office premises located in Beijing, the PRC. The term of the tenancy agreement is one year commencing from 1 January 2010 at an annual rental of RMB423,936 (exclusive of management fee), payable quarterly in advance in the last week of the previous quarter and Beijing Hi Sunray is responsible for the management fees. The Beijing Representative Office is entitled to terminate the tenancy agreement at any time during the term of the tenancy agreement by serving Beijing Hi Sunray a 30-day written notice. The Beijing Representative Office is entitled to renew the tenancy agreement by serving a one-month notice. On 15 November 2010, Beijing Hi Sunray and Beijing Representative Office entered into a further tenancy agreement for the one year period from 1 January 2011 at the annual rental of RMB423,936 (exclusive of management fee) but otherwise on the same terms as the tenancy agreement for the current term.

Asset Appraisal, an independent property valuer, has reviewed the tenancy agreements for the current year and the next year and confirmed that the terms and conditions of both tenancy agreements are on normal commercial terms and the terms are fair and reasonable, the rental and other terms available to the Beijing Representative Office are no less favourable than that offered by an Independent Third Party at the time of entering of each of those agreement.

RELATIONSHIP WITH HI SUN

The Directors (including the independent non-executive Directors) are of the view that the tenancy agreements have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole, and the annual rentals are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the information set out above, the Sponsor is of the view that the tenancy agreements have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole, and the annual rentals are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the agreed annual rental of each of the tenancy agreements, as each of the applicable percentage ratios (other than the profit ratio) of the transactions contemplated under the tenancy agreements are on an annual basis less than 0.1%, the tenancy agreements will constitute de minimis continuing connected transactions which is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

The Board consists of six members, three of whom are independent non-executive Directors. The power and duties of the Board include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our Group's business plans and investment plans, formulating our Group's annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by the Bye-Laws. All the executive Directors have entered into service contracts with our Group.

The following table sets forth information regarding the current Directors.

Name	Age	Position
Nie Guoming (聶國明)	48	Chairman and executive Director
Jiang Hongchun (蔣洪春)	39	Chief Executive Officer and executive Director
Li Wenjin (李文晉)	47	Executive Director
Yip Wai Ming (葉偉明)	45	Independent non-executive Director
Wu Min (吳敏)	39	Independent non-executive Director
Man Kwok Kuen, Charles (文國權) .	52	Independent non-executive Director

Executive Directors

NIE Guoming (聶國明), aged 48, is the Chairman and an executive Director of our Group. He is responsible for the overall management and strategic development of the Group. Mr. Nie has over 15 years of experience in the card payment industry. He joined Pax Technology since founding of the company in 20 March 2000. He was the vice president of Pax Technology from 20 March 2000 to 1 January 2001. He has been the President of Pax Technology from 2 January 2001 to 14 June 2010. He was appointed as the Chairman of Pax Technology since 14 June 2010. Mr. Nie previously worked as an engineer in the Information Technology Department of the Headquarters of China Merchants Bank in the PRC from 1996 to 1999. Mr. Nie graduated from Tsinghua University in 1984 with a bachelor degree in Radio Electronics and obtained a master degree in Radio Electronics Engineering from Southeast University in 1991. In the three years preceding the Latest Practicable Date, Mr. Nie did not hold any directorship in other listed public companies. He was appointed as the Chairman and an executive Director of our Group on 1 December 2010.

JIANG Hongchun (蔣洪春), aged 39, is the Chief Executive Officer and an executive Director of our Group. He is responsible for the overall management of our operations. Mr. Jiang was the vice president and the chief executive officer of Hangzhou Pax Electric Technology Limited from 7 March 2007 to 31 January 2008 and from 1 February 2008 to 14 June 2010, respectively. He was appointed as the Chief Executive Officer and President of Pax Technology since 14 June 2010. He has over 15 years of experience in payment industry and meter solutions industry. Mr. Jiang joined Schlumberger Technologies (Asia) Limited as a technical support engineer in the Smart Cards & Terminal Division in August 1993, and was promoted to senior engineer and product manager for banking retail terminal in December 1994 and January 1996, respectively. He was a vice president of Beijing Future Information Technology Co., Ltd., from 1 September 2001 to 28 February 2007, where he was responsible for sales and marketing of point-of-sale, automatic teller machines and bank card processing solutions. Mr. Jiang is currently a committee member of the Chinese National Standardization Technical Committee for Electrical Measuring Instruments (全國電工儀器儀錶標準化

DIRECTORS, SENIOR MANAGEMENT AND STAFF

技術委員會)。Mr. Jiang graduated from Shanghai Jiao Tong University (上海交通大學) in 1992 with a bachelor's degree in automatic control. In the three years preceding the Latest Practicable Date, Mr. Jiang did not hold any directorship in other listed public companies. He was appointed as the Chief Executive Officer and an executive Director of our Group on 24 February 2010.

LI Wenjin (李文晉), aged 47, is an executive Director of our Group. He is responsible for risk management and treasury management. He is also responsible for overseeing operations of Pax Technology of which he has been a director since 5 April 2000. Mr. Li has over 16 years of experience in investment and administrative affairs. Mr. Li was the director of Hi Sun Information Technology Services Limited (“HSITSL”) from 1 August 1997 to 3 May 2005. HSITSL was a Hong Kong company, which was a representative and purchasing office engaging in general trading, and engaging in provision of consultancy services. HSITSL provided consultancy services to Pax Technology from 2002 to 2003. HSITSL was dissolved in 2005 pursuant to an application by HSITSL to the Registrar of Company for de-registration. It had not been a member of Hi Sun Group and our Group. Mr. Li is also the managing director of Hi Sun Limited since 16 August 1999 and an executive director of Hi Sun since 7 June 2001. He will continue to be an executive director of both Hi Sun Limited and Hi Sun and certain of their subsidiaries after Listing. Prior to joining Hi Sun Limited in 1999, he worked for several companies in the PRC and Hong Kong, including Beijing Order Computer Company, a system integration company, from 1994 to 1995 where he was responsible for investment and administrative affairs. Mr. Li obtained a master's degree in law from the Peking University in 1989. Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Li did not hold any directorship in other listed public companies. He was appointed as an executive Director of our Group on 24 February 2010.

Independent non-executive Directors

YIP Wai Ming (葉偉明), aged 45, was appointed an independent non-executive Director of our Company on 1 December 2010. Mr. Yip is currently an independent non-executive director of BBMG Corporation (北京金隅股份有限公司) and Ju Teng International Holdings Limited (巨騰國際控股有限公司), and was the deputy general manager of Yuzhou Properties Company Limited (禹洲地產股份有限公司) from February 2010 to September 2010, all of which are companies listed on the Stock Exchange. Mr. Yip has previously served as the chief financial officer of Haier Electronics Group Co., Ltd. (海爾電器集團有限公司) from 2004 to 2009, as a vice president for Hi Sun from 2001 to 2003 and as the chief financial officer of Fulbond Holdings Limited (福邦控股有限公司) from 1999 to 2001, all of which are companies listed on the Stock Exchange. Mr. Yip was an associate director in the merchant banking department of ING Bank N.V. from 1996 to 1998. Before that, he worked for Ernst & Young from 1987, and was a senior manager at the time of his departure in 1996. Mr. Yip graduated from The University of Hong Kong with a bachelor degree in social sciences in 1987. He also holds a bachelor degree in laws from the University of London. Mr. Yip is a fellow of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants. It is not uncommon, and indeed frequently the case, that independent non-executive directors are serving on the board of several companies and having other business interests. In view of his role as an independent non-executive Director, Mr. Yip Wai Ming does not need to be involved in the day to day operations of our Group. In addition, Mr. Yip is confident that his experience as an accountant and chief financial officer of listed companies will enable him to be efficient when involved in our Group's business as an independent non-executive Director. Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Yip did not hold any directorship in other listed public companies.

WU Min (吳敏), aged 39, was appointed an independent non-executive Director of our Company on 1 December 2010. Dr. Wu is currently an assistant professor in accounting at School of Business, The University of Hong Kong and previously was an assistant professor at The Hong Kong University of Science & Technology from 2002 to 2008. Dr. Wu has been teaching International Accounting Standards, US Generally Accepted Accounting Principles and Chinese Accounting Standards. Her

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academic research achievements in identifying US accounting restatements and frauds were reported by various media, including the Wall Street Journal, New York Times, Business Week, Fortune, CNN, etc. Dr. Wu used to cooperate with major accounting firms and the Public Company Accounting Oversight Board (US) in research in the areas of accounting manipulation and frauds by US listed companies. She also provides professional interpretation and analysis services for investment funds on accounting standards and on listed companies' financial statements. Dr. Wu graduated from Peking University with a bachelor degree in Economics in 1994. Dr. Wu obtained a master degree in Economics from Tufts University in 1996 and a Ph.D. in Accounting from Stern School of Business, New York University in 2003. In the three years preceding the Latest Practicable Date, Dr. Wu did not hold any directorship in other listed public companies.

MAN Kwok Kuen, Charles (文國權), aged 52, was appointed an independent non-executive Director of our Company on 1 December 2010. Mr. Man graduated from The University of Hong Kong with a bachelor degree in laws in 1981. Mr. Man was admitted as a solicitor in Hong Kong in 1984 and has practised as a solicitor at Joseph S. C. Chan & Co. (formerly known as Chan and Lo) in Hong Kong since then. He is currently a partner of Joseph S.C. Chan & Co. In the three years preceding the Latest Practicable Date, Mr. Man did not hold any directorship in other listed public companies.

SENIOR MANAGEMENT

LU Jie (蘆杰), aged 45, is the executive vice president of Pax Technology (Shenzhen). He joined the Group in August 2001 and is responsible for managing all the business development, sales and marketing functions of the Group in China. Mr. Lu has over 12 years of experience in sales and marketing in the electronic payment industry and served a number of management positions and executive role at a system integration company Beijing Order Computer Company from 1998 to 2001 including general manager of insurance department, general manager of marketing department and vice president of the company. He had also worked as an engineer of the Ministry of Geology and Mineral Resources of the PRC and the Chinese Academy of Geological Sciences from 1986 to 1994 and from 1994 to 1995, respectively. Mr. Lu holds a bachelor of science degree from Chengdu Geology Institute. Mr. Lu completed a master of business administration programme at the Cheung Kong Graduate School of Business in 2010. In the three years preceding the Latest Practicable Date, Mr. Lu did not hold any directorship in other listed public companies.

LUO Shaowen (羅韶文), aged 41, is the vice president and chief financial officer of Pax Technology (Shenzhen). He is responsible for the procurement and supplies activities, and oversees the finance of the operations in Shenzhen. Mr. Luo graduated from Wuhan University with a bachelor's degree in economic management. Mr. Luo has over 15 years of experience in the card payment industry and over 11 years of experience in financial administration and supply chain management. He joined Pax Technology (Shenzhen) in December 2004 as Chief Financial Officer. Prior to joining our Group, Mr. Luo served various management positions including general manager of the Zhuhai Branch of the Beijing Order Computer Company. In the three years preceding the Latest Practicable Date, Mr. Luo did not hold any directorship in other listed public companies.

KWOK Ni Ha (郭妮霞), aged 27, is the Group financial controller of the Company. She is responsible for overseeing the business development and the finance of the Group. She joined our Group as the Group financial controller in October 2010. Ms. Kwok was a manager for business development and transactions of Hi Sun Group from January 2010 to September 2010. She graduated from The Chinese University of Hong Kong with a bachelor degree in business administration in 2005 and completed a master degree in professional accounting in The Hong Kong Polytechnic University in 2009. She is a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, she was an assistant manager of an international public accountancy firm. In the three years preceding the Latest Practicable Date, Ms. Kwok did not hold any directorship in other listed public companies.

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COMPANY SECRETARY

CHAN Yiu Kwong (陳耀光), aged 46, is the company secretary of the Company. From June 2004 to July 2006, Mr. Chan served as an independent non-executive director of Beijing Enterprises Water Group Limited (previously known as “Shang Hua Holdings Limited”), a company listed on the Stock Exchange. From March 2001 to December 2007, Mr. Chan served as an executive director of Hi Sun. Mr. Chan is currently the company secretary of Hi Sun and an independent non-executive director of A8 Digital Music Holdings Limited and Biosino Bio-technology and Science Incorporation, both companies listed on the Stock Exchange. Mr. Chan has over 20 years of experience in auditing, business consulting and business management. Mr. Chan graduated from The University of Hong Kong with a bachelor degree in social sciences in 1988 and became a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in 1999 and 2005 respectively. He first joined our Company and was appointed as the company secretary of our Company on 29 March 2010 .

BOARD COMMITTEES

Audit committee

We established an audit committee on 1 December 2010 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of our Group.

The audit committee comprises Mr. Yip Wai Ming, Dr. Wu Min and Mr. Man Kwok Kuen, Charles. Mr. Yip Wai Ming is the chairman of the audit committee.

Remuneration committee

We established a remuneration committee on 1 December 2010 with written terms of reference in compliance with the code provisions of the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The primary duties of this committee are to determine the salaries and compensation packages of our Directors and senior management and help formulate our executor’s remuneration policy.

The remuneration committee comprises Mr. Yip Wai Ming, Dr. Wu Min and Mr. Li Wenjin. Mr. Yip Wai Ming is the chairman of the remuneration committee.

Nomination committee

We have also established a nomination committee. Primary duties of our nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board.

The nomination committee comprises Mr. Yip Wai Ming, Dr. Wu Min and Mr. Li Wenjin. Dr. Wu Min is the chairman of the nomination committee.

Compliance adviser

Our Company has appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be of a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), the following persons will be substantial shareholders of our Company (under the Listing Rules):

<u>Name of Shareholder</u>	<u>Nature of Interest</u>	<u>Class of securities</u>	<u>Total number of Shares</u>	<u>Approximate percentage of issued Shares immediately after the Global Offering and the Capitalisation Issue (Note 1)</u>
Hi Sun	Beneficial owner	Ordinary	444,000,000	44.4%
Digital Investment (Note 2)	Beneficial owner	Ordinary	118,400,000	11.8%
Dream River (Note 3)	Beneficial owner	Ordinary	118,400,000	11.8%

Notes:

1. This assumes the Over-allotment Option is not exercised.
2. Digital Investment is owned as to 95% by HAO Capital China Fund L.P. and 5% by Mr. Max Burger. Venture Limited is the general partner of HAO Capital China Fund L.P. Hao Capital China Fund L.P. is a private equity fund and investors in them include high net worth individuals, corporate and institutional investors.
3. Dream River is wholly owned by HAO Capital Fund II L.P., the general partner of which is HAO Partners L.P., whose general partner is Hao Partners (Holdings) Limited. Hao Capital Fund II L.P. is a private equity fund and investors in them include high net worth individuals, corporate and institutional investors.

SHARE CAPITAL

BEFORE THE GLOBAL OFFERING

As of the date of this prospectus, our authorized share capital is HK\$200,000,000 divided into 2,000,000,000 shares of nominal value of HK\$0.10 each.

UPON COMPLETION OF THE GLOBAL OFFERING

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be as follows:

	<u>HK\$</u>
150,000,000 Shares in issue as at the date of this prospectus	15,000,000
100,000,000 Consideration shares to be issued pursuant to the Hao Share Swap Agreement	10,000,000
490,000,000 Shares to be issued pursuant to the Capitalisation Issue	49,000,000
<u>260,000,000</u> Shares to be issued pursuant to the Global Offering	<u>26,000,000</u>
<u>1,000,000,000</u> Total	<u>100,000,000</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be as follows:

	<u>HK\$</u>
150,000,000 Shares in issue as at the date of this prospectus	15,000,000
100,000,000 Consideration Shares to be issued pursuant to the Hao Share Swap Agreement	10,000,000
490,000,000 Shares to be issued pursuant to the Capitalisation Issue	49,000,000
<u>307,880,000</u> Shares to be issued pursuant to the Global Offering	<u>30,788,000</u>
<u>1,047,880,000</u> Total	<u>104,788,000</u>

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional and does not take into account any exercise of any options granted or to be granted under the Share Option Scheme referred to in Appendix VI — 6 Share Option Scheme or which may be issued or repurchased pursuant to the General Mandate referred to in the paragraph headed “General Mandate” below or the Repurchase Mandate referred to in the paragraph headed “Repurchase Mandate” below or otherwise.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all other Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus (other than the Capitalisation Issue).

SHARE CAPITAL

GENERAL MANDATE

Our Directors have been granted a conditional general mandate to allot, issue and deal with Shares (other than by way of rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or an allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-Laws) with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and
- (b) the aggregate nominal amount of the share capital of our Company repurchased by our Company (if any).

Such mandate will expire:

- (i) at the conclusion of the next annual general meeting of our Company;
- (ii) at the expiration of the period within which the next annual general meeting of our Company is required to be held by the Bye-Laws or the Companies Act; or
- (iii) when revoked or varied by an ordinary resolution of the Shareholders in a general meeting of our Company,

whichever occurs first.

Further details of this general mandate and the condition to which it is subject, are set out in Appendix VI — 1.3 Written resolutions of the sole Shareholder of the Company.

REPURCHASE MANDATE

Our Directors have been granted a conditional general mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules.

Further details of this mandate and the condition to which it is subject are set out in Appendix VI — 1.3 Written resolutions of the sole shareholder of the Company to this prospectus. A summary of the relevant Listing Rules is set out in Appendix VI — 2 Repurchase by the Company of its Own Securities.

SHARE CAPITAL

The general mandate to repurchase Shares will expire:

- (i) at the conclusion of the next annual general meeting of our Company;
- (ii) at the expiration of the period within which the next annual general meeting of our Company is required to be held by the Bye-Laws or the Companies Act; or
- (iii) when revoked or varied by an ordinary resolution of the Shareholders in a general meeting of our Company;

whichever occurs first.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of our Share Option Scheme are summarized in Appendix VI — 6 Share Option Scheme.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial information for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, including the notes thereto, set forth in “Appendix I — Accountant’s Report of PAX Global Technology Limited” to this prospectus. The financial information has been prepared in accordance with Hong Kong Financial Reporting Standards.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current condition and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of factors over which we have no control. You should review the section headed “Risk Factors” in this prospectus for a discussion of the important factors that could cause our actual results to differ materially from the results described in or implied by forward-looking statements.

OVERVIEW

We are an electronic fund transfer point-of-sale (EFT-POS) terminal solutions provider principally engaged in the development and sale of EFT-POS products and provision of related services. Our EFT-POS products comprise countertop EFT-POS terminals, mobile EFT-POS terminals, consumer activated devices and contactless devices. With the engagement of subcontractors, which are Independent Third Parties, we also provided contract-based maintenance services to certain of our customers in Hong Kong and Macau.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, our revenue was HK\$323.1 million, HK\$493.6 million, HK\$492.9 million, HK\$196.2 million and HK\$267.7 million, respectively. For the corresponding periods, our gross profit was HK\$112.5 million, HK\$190.9 million, HK\$192.9 million, HK\$69.2 million and HK\$109.0 million, respectively and our net profit was HK\$64.2 million, HK\$106.1 million, HK\$84.6 million, HK\$24.6 million and HK\$50.2 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated on 15 February 2010 as an exempted company with limited liability under the Companies Act in preparation for a listing of our Shares. As a result of the Reorganisation, our Company became the holding company of all our subsidiaries. For further details, please see paragraph 1.5 headed “Reorganisation” in Appendix VI to this prospectus.

Immediately prior to and following the Reorganisation, there is no change in the shareholders of the companies now comprising the Group which are Hi Sun, Digital Investment and Dream River. Our EFT-POS terminal solutions business is mainly conducted through Pax Technology, Pax Technology (Shenzhen) and Pax Technology (USA), which are the subsidiaries of Grand Global. Our Company has not involved in any business before the Reorganisation. The Reorganisation, which will be completed before the Listing upon the share swap with Digital Investment and Dream River as described in Note 1 headed “General information and group reorganisation” in Section II of Appendix I to this prospectus, merely involved putting together of all subsidiaries originally carrying on the EFT-POS terminal solutions business of Hi Sun with the insertion of a new holding company for the purpose of Listing. Accordingly, the combined financial information of the companies now comprising our Group has been prepared on a combined basis and is presented using the carrying values of the EFT-POS terminal solutions business under Pax Technology for all periods presented. For further details, please see Note 2 headed “Basis of preparation” in Section II of Appendix I to this prospectus.

FINANCIAL INFORMATION

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

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business and historical financial condition and results of operation have been, and will continue to be, affected by a number of important factors, including the following:

Growth in the economy and infrastructure investment in China

We derive the substantial majority of our revenue from sales in China. Our revenue is directly affected by our sales volume, which in turn is driven by the market demand for our EFT-POS products in China. The demand for our products is driven by the economic conditions in China which has experienced rapid growth in recent years, which has been accompanied by the rapid urbanisation of the population in China, growth in the number of households as well as increasing disposable income in urban households.

Consumers in China have gradually developed a spending habit of using bank cards in settling their payments in consumer purchases and the use of bank cards has become and will continue to be a popular mode of consumer payment in China. According to PBOC, a total of 2.27 billion bank cards had been issued in China at the end of the second quarter of 2010, representing a growth of 14.5% as compared with the end of the second quarter of 2009. During the Track Record Period, we experienced a steady increase in the sales volume of EFT-POS terminals, with countertop EFT-POS terminals comprising the majority of our sales volume.

Our customers' procurement styles

During the Track Record Period, our customers included UMS, Bank of China, Agricultural Bank of China and Bank of Communications and China Mobile. These customers select their qualified suppliers through qualified supplier selection processes and as a result, a substantial majority of our EFT-POS products sales were concluded with such customers through our selection as a qualified supplier. Accordingly, the sales volume of our products may vary from period to period as a result of our ability to be successfully selected as a qualified supplier of our customers as described in "Risk factors — Risks relating to our industry — It is not a common practice for customers in the EFT-POS market to enter into long-term contracts with their suppliers".

Product mix and pricing

We sell a wide range of EFT-POS products and our Directors believe that our results of operations, particularly our gross profit margin, are affected by changes to our product mix in terms of product categories, as well as product types within each product category. Our EFT-POS products range from EFT-POS terminals including traditional financial EFT-POS terminals which are able to process different payment types including magnetic strip cards, smart chip cards, contactless cards and RF-enabled mobile phones to peripheral EFT-POS products including consumer activated devices and contactless devices. Furthermore, the average selling price of our EFT-POS products shows a general trend of decline during the Track Record Period as the selling price of a number of our older product models decreased, offset slightly by the higher selling price achieved by a number of our newly introduced products during the Track Record Period. We have been adjusting our product mix to meet market demands and customers' requirements. We intend to continue to manage and optimise our product mix in response to market conditions and customer demands with a view to maintain and enhance our gross profit margins.

FINANCIAL INFORMATION

Ability to maintain our competitive strength in research and development to develop new and innovative products

The demand for our products in China has grown rapidly in recent years, in line with the general economic growth of the PRC. We believe that the EFT-POS terminals and solutions industry is highly competitive in China and will continue to be so for the foreseeable future. In particular, participants in the PRC market include international and domestic brands, which compete in, among other things, product variety, product quality and product design and technologies. We believe we can meet these competitive challenges by maintaining our competitive strengths in research and development to offer customers with high quality, technologically advanced and innovative products and to differentiate our products from our competitors.

Ability to effectively manage and control our operating costs

Due to the technologically intensive nature of our businesses, a significant portion of our operating expenses were attributable to our research and development costs during the Track Record Period. That said, we believe we have been controlling our operating costs in an effective manner by containing our operating expenses at a steady level despite the rapid expansion of our operations during the Track Record Period.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, cost of sales accounted for approximately 65.2%, 61.3%, 60.9%, 64.7% and 59.3%, respectively of our revenue. Although the costs of some of our key raw materials are affected by several factors, such as purchase volume and availability of substitute materials, we do not enter into long-term agreements with our raw material suppliers thereby providing us with flexibility in controlling the cost of the raw materials. During the Track Record Period, we produced all of our EFT-POS products through PKS. Our financial conditions and results of operations will be affected by our ability and our flexibility in making effective use of our contract manufacturer to manage and control our operating cost.

FINANCIAL INFORMATION

SELECTED COMBINED FINANCIAL DATA

The following table sets forth our combined income statements and other financial information for the periods indicated, as extracted from the Accountant's Report set out in Appendix I to this prospectus.

Combined Income Statements

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	323,143	493,589	492,942	196,221	267,698
Cost of sales	<u>(210,623)</u>	<u>(302,699)</u>	<u>(300,082)</u>	<u>(127,001)</u>	<u>(158,748)</u>
Gross profit	112,520	190,890	192,860	69,220	108,950
Other income	7,701	10,427	10,479	2,568	4,317
Selling expenses	<u>(26,993)</u>	<u>(43,554)</u>	<u>(59,083)</u>	<u>(24,967)</u>	<u>(29,094)</u>
Administrative expenses	<u>(22,638)</u>	<u>(40,162)</u>	<u>(43,744)</u>	<u>(17,147)</u>	<u>(25,511)</u>
Operating profit	70,590	117,601	100,512	29,674	58,662
Finance costs	<u>(1,579)</u>	<u>(835)</u>	<u>(429)</u>	<u>(338)</u>	<u>—</u>
Profit before income tax	69,011	116,766	100,083	29,336	58,662
Income tax expense	<u>(4,796)</u>	<u>(10,704)</u>	<u>(15,532)</u>	<u>(4,723)</u>	<u>(8,489)</u>
Profit for the year/period attributable to equity holders of the Company	<u>64,215</u>	<u>106,062</u>	<u>84,551</u>	<u>24,613</u>	<u>50,173</u>

Selected Information from Combined Balance Sheets

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total current assets	349,649	481,669	556,314	574,470
Total non-current assets	7,990	8,480	9,393	10,912
Total assets	357,639	490,149	565,707	585,382
Total current liabilities and total liabilities . . .	<u>(134,441)</u>	<u>(151,639)</u>	<u>(142,646)</u>	<u>(106,419)</u>
Net current assets	215,208	330,030	413,668	468,051
Total equity	223,198	338,510	423,061	478,963

FINANCIAL INFORMATION

Selected Information from Combined Cash Flow Statements

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Net cash (used in)/generated from operating activities	(41,963)	(1,456)	150,964	71,813	(49,513)
Net cash generated from/(used in) investing activities	549	(955)	(2,571)	(1,007)	(2,516)
Net cash generated from/(used in) financing activities	88,712	(3,490)	(15,837)	(8,262)	858
Net increase/(decrease) in cash and cash equivalents	47,298	(5,901)	132,556	62,544	(51,171)
Cash and cash equivalents at beginning of the year/period . . .	52,115	106,822	109,824	109,824	242,380
Exchange gains on cash and cash equivalents	7,409	8,903	—	—	5,546
Cash and cash equivalents at end of the year/period	106,822	109,824	242,380	172,368	196,755

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our combined financial information. These significant accounting policies are important for an understanding of our financial condition and results of operations and are set forth in Note 3 “Summary of significant accounting policies” of the Accountant’s Report in Section II of Appendix I to this prospectus. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet dates, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are set forth in Note 5 “Critical accounting estimates and judgements” of the Accountant’s Report in Section II of Appendix I to this prospectus. The critical accounting estimates and judgments included the accounting for income tax and deferred tax and impairment of receivables. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. We believe the following significant accounting policies involve the most significant estimates and judgments used in the preparation of our combined financial information:

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of our Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within our Group. Revenue is recognised as follows:

(a) *Sales of goods*

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables, including retention money receivables, is reasonably assured.

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(b) *Sales of services*

Revenue from fixed-price contracts is generally recognised in the period in which the services are provided, using the straight-line basis over the terms of contracts.

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

Trade, bills and other receivables

Trade, bills and other receivables including retention money receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade, bills and other receivables is established when there is objective evidence that our Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indication that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the combined income statements within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the combined income statements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials and related production overhead based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the combined income statements during the financial period in which they are incurred.

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Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	5 - 10%
Leasehold improvements	20% or over lease terms, whichever is shorter
Office furniture and equipment	18% - 25%
Plant and equipment	9% - 25%
Motor vehicles	18% - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the combined income statements.

Critical accounting estimates and judgments

(a) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Impairment of receivables

Our Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to the receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgment and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and provision for impaired receivables in the period in which such estimate has been changed.

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DESCRIPTION OF SELECTED COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We generate all of our revenue from the sales of EFT-POS products and provision of related services. Our EFT-POS products are broadly classified into six principal categories.

The following table sets forth our revenue by product categories in terms of amount and as a percentage of our total revenue during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Countertop EFT-POS terminals	288,097	89.15%	414,148	83.91%	401,685	81.49%	156,907	79.96%	216,279	80.79%
Mobile EFT-POS terminals	23,082	7.14%	61,724	12.51%	55,646	11.29%	28,764	14.66%	19,787	7.39%
Consumer activated devices	1,512	0.47%	3,921	0.79%	16,165	3.28%	2,715	1.38%	11,433	4.27%
Contactless devices	—	0.00%	919	0.19%	3,665	0.74%	625	0.32%	8,921	3.33%
Services (Note 1)	7,423	2.30%	9,636	1.94%	13,574	2.75%	6,261	3.20%	6,386	2.39%
Others (Note 2)	3,029	0.94%	3,241	0.66%	2,207	0.45%	949	0.48%	4,892	1.83%
Total	323,143	100.00%	493,589	100.00%	492,942	100.00%	196,221	100.00%	267,698	100.00%

Notes:

- (1) During the Track Record Period, we provided contract-based maintenance services to certain of our customers in Hong Kong. For details, please refer to the section headed “Business — After-sales services, warranty and maintenance services”.
- (2) During the Track Record Period, we separately sold accessory items to our customers. Examples of such accessory items were download cable, telephone line, thermal paper, sticker and barcode scanning gun, etc.

The following table sets forth our sales volume by product categories and as a percentage of our total sales volume during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Unit sold	%	Unit sold	%	Unit sold	%	Unit sold	%	Unit sold	%
Countertop EFT-POS terminals	146,074	90.42%	221,975	84.63%	273,071	75.64%	100,927	78.93%	158,692	78.61%
Mobile EFT-POS terminals	8,617	5.33%	24,960	9.52%	27,286	7.56%	13,592	10.63%	9,460	4.69%
Consumer activated devices	6,872	4.25%	13,362	5.09%	53,457	14.81%	12,264	9.59%	22,363	11.08%
Contactless devices	—	N/A	2,000	0.76%	7,170	1.99%	1,081	0.85%	11,351	5.62%
Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Others	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	161,563	100.00%	262,297	100.00%	360,984	100.00%	127,864	100.00%	201,866	100.00%

Note: N/A means not applicable.

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The following table sets forth the average selling price in each of the Group's product categories for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$	HK\$	HK\$	HK\$	HK\$
Countertop EFT-POS terminals	1,972	1,866	1,471	1,555	1,363
Mobile EFT-POS terminals	2,679	2,473	2,039	2,116	2,092
Consumer activated devices	220	293	302	221	511
Contactless devices	N/A	460	511	578	786
Services	N/A	N/A	N/A	N/A	N/A
Others	N/A	N/A	N/A	N/A	N/A

Note: N/A means not applicable.

A summary of revenue contribution by geographical region during the Track Record Period is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
China market	271,353	423,493	405,402	168,831	213,345
Overseas market	51,790	70,096	87,540	27,390	54,353
Total	<u>323,143</u>	<u>493,589</u>	<u>492,942</u>	<u>196,221</u>	<u>267,698</u>

Note: For further breakdown of information in the above table, please refer to the section headed "Business — Customers".

Cost of Sales

Our cost of sales mainly includes cost of materials and subcontracting fees. Our cost of materials mainly includes costs of CPU, printer module, AC/DC adaptor, communication module, PCBs and LCD module.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Cost of materials	195,059	279,794	276,333	115,322	143,436
Subcontracting fee	15,564	22,905	23,749	11,679	15,312
	<u>210,623</u>	<u>302,699</u>	<u>300,082</u>	<u>127,001</u>	<u>158,748</u>

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Gross Profit Margin

The following table sets forth the gross profit margin of the Group by product categories for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
Countertop EFT-POS terminals	35%	39%	39%	34%	42%
Mobile EFT-POS terminals	34%	40%	46%	43%	41%
Consumer activated devices	32%	38%	15%	25%	34%
Contactless devices	N/A	52%	52%	59%	51%
Services	18%	24%	41%	35%	32%
Others	48%	64%	42%	33%	7%

Note: N/A means not applicable

We were able to maintain a relatively stable gross profit margin during the Track Record Period, as we proactively reduce our cost of materials and introduced products with additional features with higher gross profit margin.

During the Track Record Period, sales of consumer activated devices are not considered to be our main source of revenue (representing less than 5% of our total revenue during the Track Record Period). During the year ended 31 December 2009, the gross profit margin of consumer activated devices dropped to 15% as we intended to maintain a better relationship with the customers by contemplating a lower gross profit margin on consumer activated devices.

During the six months ended 30 June 2010 the gross profit margin for consumer activated devices increased to 34% due to the increase in proportion of sales of one consumer activated device model (which accounted for 66% of the total sales volume of consumer activated devices in the six months ended 30 June 2010 as compared to 41% of the total sales volume of consumer activated devices in the year ended 31 December 2009).

Others, representing accessory items such as download cable, telephone line, thermal paper, sticker and barcode scanning gun, which are separately sold, are not our main source of revenue (representing less than 2% of our total revenue during the Track Record Period). During the six months ended 30 June 2010, the gross profit margin of these accessory items dropped to 7% as we intended to maintain a better relationship with the customers by charging a thin gross profit margin.

Other Income

Other income primarily included interest income, value added tax refund, subsidy income, rental income from leasing of EFT-POS terminals to customers and income from sales of spare parts.

Sales of software in the PRC are subject to a value added tax rate of 17%. According to Circular Cai Shui [2000] No. 25 jointly issued by the PRC State Administration for Taxation and Ministry of Finance, entities engaging in developing and selling software products of their own, or importing software products into China for localisation and sales, are eligible for a refund on the value added tax burden exceeding 3%.

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Value added tax refund is recognised in other income in the combined income statements when there is a reasonable assurance that the refund will be received, which generally occurs upon the receipt of value added tax refund from the local tax bureau. Since applications for value added tax refund are subject to approval from the local tax bureau and uncertainties exist on how the local tax bureau would interpret and implement the relevant tax refund policy, there can be no reasonable assurance that the applications will be approved and refund will eventually be granted. Therefore, value added tax refund is recognised only when there is a reasonable assurance that the refund will be received which generally occurs upon the receipt of value added tax refund from the local tax bureau. Value added tax refund applications are normally filed two to four months after the occurrence of sale. There are no regular payment patterns in receiving such refund as it is subject to discretion of the local tax bureau of the PRC. Our experience is that refund is normally paid within one month upon approval of application.

Selling Expenses

Selling expenses mainly represent expenses associated with selling and distributing our products such as employee benefit expenses and travelling expenses of sales staff, advertising and promotion expenses, rental expenses of sales offices and others.

Administrative Expenses

Administrative expenses mainly include employee benefit expenses of administrative staff, research and development expenses, depreciation and amortisation expenses, office expenses, rental expenses and provision for impairment of trade receivables and loss from foreign exchange transactions and others.

Finance Costs

Finance costs are solely comprised of interest on bank borrowings.

Income Tax Expense

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Current income tax					
- PRC enterprise income tax	4,796	10,174	14,532	4,423	6,763
- Hong Kong profits tax	—	530	1,000	300	3,000
Over provision in previous year	—	—	—	—	(1,274)
Income tax expense.	4,796	10,704	15,532	4,723	8,489

Hong Kong profits tax has been provided at the rate of 17.5%, 16.5%, 16.5%, 16.5% and 16.5% on the estimated assessable profit for the years ended 31 December 2007, 2008, and 2009 and the six months ended 30 June 2009 and 2010, respectively. We expect we will be subject to Hong Kong profits tax at the rate of 16.5% for the year ending 31 December 2010.

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

During the year ended 31 December 2007, PRC taxation has been provided on the profits of the companies now comprising the Group operating in the PRC and subject to Enterprise Income Tax (“EIT”) at a rate of 33%, unless preferential rates are applicable. Effective from 1 January 2008, the companies now comprising the Group operating in the PRC are subject to EIT in accordance with the new PRC EIT Law as approved by the National People’s Congress on 16 March 2007. According to the new PRC EIT Law and the relevant regulations, the new EIT tax rate applicable to the subsidiaries now comprising the Group operating in the PRC is 25% unless preferential rates are applicable in the cities where the subsidiaries are located.

Since Pax Technology (Shenzhen) is located in the Shenzhen Special Economic Zone, it was eligible to enjoy preferential enterprise income tax rate of 15% prior to 1 January 2008. It was also eligible for the income tax holiday of “2-year exemption followed by 3-year 50% reduction” commencing from its first profit making year in 2004, pursuant to the Income Tax Law for Foreign Invested Enterprises and Foreign Owned Enterprise. After the implementation of the new PRC EIT in January 2008, the tax rate applicable to Pax Technology (Shenzhen) was 18% during the year ended 31 December 2008. This will gradually increase to 25% in 2012 over a 5-year transition period. Pax Technology (Shenzhen) was further accredited as a High-tech Enterprise in 2009 under the new PRC EIT Law and is eligible to enjoy a preferential tax rate of 15%. As such, the applicable enterprise income tax rate of Pax Technology (Shenzhen) was 7.5%, 9%, 15%, 15% and 15% during the year ended 31 December 2007, 2008 and 2009 and during the six months ended 30 June 2009 and 2010, respectively. We expect the tax rate applicable to Pax Technology (Shenzhen) to be 15% for the year ending 31 December 2010.

During the Track Record Period, Pax Technology (USA) was operating at a net loss position and did not have any assessable profits.

Under the new PRC EIT Law, if an enterprise incorporated outside the PRC has its “effective management” located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% for its worldwide income. Members of our Group which are not incorporated in the PRC may in the future be recognised as a PRC tax resident enterprise according to the new PRC EIT Law by the PRC taxation authorities. According to the new PRC EIT Law, dividends received by a qualified PRC tax resident enterprise from another PRC tax resident enterprise are exempted from enterprise income tax. However, given the limited history of the new PRC EIT Law, it remains unclear as to the detailed qualification requirements for such exemption and whether dividends declared and paid by members of our Group in the PRC to their overseas holding companies will be exempted from enterprise income tax if they are recognised as PRC tax resident enterprises. Our financial performance will be materially and adversely affected if such dividends are subject to enterprise income tax. Please see the section headed “Risk Factors — Risks relating to conducting business in the PRC — We may be deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC tax on our worldwide income, which may significantly increase our income tax expenses and materially decrease our profitability or otherwise adversely affect the value of your investment” for further details.

In addition, under the new PRC EIT Law and its implementation rules, our Company may in the future be recognised as a PRC tax resident enterprise by the PRC taxation authorities, capital gains realised by foreign Shareholders from sales of our Shares and dividends on our Shares payable to foreign Shareholders may be regarded as income from “sources within the PRC” and therefore become subject to a 10% withholding income tax. We do not expect our PRC subsidiary, being a foreign-invested company, to pay out any dividends from profit earned after 1 January 2008 in the foreseeable future, and hence, no provision has been made by the Group for the withholding income

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tax which would arise from the pay out of such dividends. If we are required under the new PRC EIT Law to withhold PRC income tax on capital gains on sales of Shares and/or dividends on our Shares payable to foreign Shareholders, the value of our foreign Shareholders investment in our Shares may be materially and adversely affected.

The Directors confirm that the Group has made all the required tax filings under the relevant tax laws and regulations in the relevant jurisdictions and has paid all outstanding tax liabilities. As at the Latest Practicable Date, the Group is not subject to any disputes or potential disputes with any tax authorities.

RESULTS OF OPERATIONS

The following discussion addresses the principal trends that have affected the Group's results during the periods under review.

Six Months Ended 30 June 2010 Compared to Six Months Ended 30 June 2009

Revenue

Our revenue increased 36.4% to HK\$267.7 million for the six months ended 30 June 2010 from HK\$196.2 million for the six months ended 30 June 2009. The increase was primarily attributable to the increase of 57.9% in our total sales volume to 201,866 units for the six months ended 30 June 2010 from 127,864 units for the six months ended 30 June 2009, partially offset by the decrease in the average selling price of our countertop EFT-POS terminals and mobile EFT-POS terminals.

Sales volume and sales mix

Our sales volume of countertop EFT-POS terminals increased 57.2% to 158,692 units for the six months ended 30 June 2010 from 100,927 units for the six months ended 30 June 2009, mainly due to the increase in sales volume to a customer in the PRC and to overseas customers. Our sales volume of mobile EFT-POS terminals decreased 30.4% to 9,460 units for the six months ended 30 June 2010 from 13,592 units for the six months ended 30 June 2009, mainly due to the decrease in the sales volume of a model launched in 2007. Our sales volume of consumer activated devices increased 82.3% to 22,363 units for the six months ended 30 June 2010 from 12,264 units for the six months ended 30 June 2009, mainly due to the continued growth in demand for a model launched in 2008. Our sales volume of contactless devices increased 950.0% to 11,351 units for the six months ended 30 June 2010 from 1,081 units for the six months ended 30 June 2009, mainly due to sales of a number of new models launched in the second half of 2009 and the first half of 2010.

Our sales volume of consumer activated devices and contactless devices accounted for 11.08% and 5.62% of our total sales volume for the six months ended 30 June 2010, respectively, and 9.59% and 0.85% of our total sales volume for the six months ended 30 June 2009, respectively. The increase of the percentage of the sales volume of the two categories of products to our total sales volume was mainly due to their higher growth rates as compared with countertop EFT-POS terminals, the sales volume of which accounted for 78.61% and 78.93% of our total sales volume for the six months ended 2010 and the six months ended 30 June 2009, respectively. Our sales volume of mobile EFT-POS terminals accounted for 4.69% and 10.63% of our total sales volume for the six months ended 30 June 2010 and the six months ended 30 June 2009, respectively, mainly due to the decrease in its sales volume and the increase of the percentage of the sales volume of consumer activated devices and contactless devices to our total sales volume.

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Average selling price

The average selling price of our countertop EFT-POS terminals decreased by 12.3% to HK\$1,363 for the six months ended 30 June 2010 from HK\$1,555 for the six months ended 30 June 2009, mainly attributable to the decrease in the average selling price of a number of countertop EFT-POS terminals models configured with sprocket printers. The average selling price of our mobile EFT-POS terminals decreased by 1.1% to HK\$2,092 for the six months ended 30 June 2010 from HK\$2,116 for the six months ended 30 June 2009, mainly attributable to the decrease in the average selling price of a model launched in 2007. In addition, the decrease of the average selling price of our countertop EFT-POS terminals and mobile EFT-POS terminals was in general due to market competition as we adjusted our tender sales price in order to maintain our competitiveness among the market players. The average selling price of our consumer activated devices increased by 131.2% to HK\$511 for the six months ended 30 June 2010 from HK\$221 for the six months ended 30 June 2009, mainly due to the increase of the average selling price of a model launched in 2008, which is equipped with additional add-on function modules such as IC card, magnetic strip reader, TCP/IP communication modules, which is more than two times higher than other consumer activated devices models for the six months ended 30 June 2010. The average selling price of our contactless devices increased by 36.0% to HK\$786 for the six months ended 30 June 2010 from HK\$578 for the six months ended 30 June 2009, mainly due to the introduction of a new model, an all-in-one 2.4G and 13.56M compatible countertop mobile phone payment terminal, in 2010, with an average selling price over three times higher than other contactless devices models for the six months ended 30 June 2010.

Sales by geographical region

Our revenue generated from the China market increased by 26.4% to HK\$213.3 million for the six months ended 30 June 2010 from HK\$168.8 million for the six months ended 30 June 2009. The increase was mainly attributable to increased sales to two of the acquirers for HK\$40.0 million. Our revenue generated from overseas market increased by 98.4% to HK\$54.4 million for the six months ended 30 June 2010 from HK\$27.4 million for the six months ended 30 June 2009. The increase was mainly attributable to increased sales to Asia Pacific (excluding PRC), Middle East and Finland of HK\$9.8 million, HK\$10.1 million and HK\$5.9 million respectively, mainly due to our increased marketing effort in these regions. We commenced sales to Middle East and Finland in 2008 and 2009 respectively and sales to these regions saw a significant increase in the six months ended 30 June 2010 with an increase in the number of customers in these regions.

Cost of Sales

Our cost of sales increased by 25.0% to HK\$158.7 million for the six months ended 30 June 2010 from HK\$127.0 million for the six months ended 30 June 2009. Our cost of materials increased by 24.4% to HK\$143.4 million for the six months ended 30 June 2010 from HK\$115.3 million for the six months ended 30 June 2009, mainly due to the increase in our total sales volume of our products. Our subcontracting fee increased by 31.1% to HK\$15.3 million for the six months ended 30 June 2010 from HK\$11.7 million for the six months ended 30 June 2009. Our subcontracting fee increased in line with the increase in our total sales volume of 57.9%, offset by the decrease in subcontracting fee rate paid to our contract manufacturer.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit for the six months ended 30 June 2010 was HK\$109.0 million, representing an increase of 57.4% as compared with HK\$69.2 million for the six months ended 30 June 2009. Our gross profit margin was 40.7% for the six months ended 30 June 2010 as compared with 35.3% for the six months ended 30 June 2009. Our gross profit margin increased as we proactively reduced our cost of materials and introduced products with additional features with higher gross profit margin.

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Other Income

Other income increased by 68.1% to HK\$4.3 million for the six months ended 30 June 2010 from HK\$2.6 million for the six months ended 30 June 2009 primarily reflecting an increase in value added tax refund in line with the increase of revenue. According to Circular Cai Shui [2000] No. 25 jointly issued by the PRC State Administration for Taxation and Ministry of Finance, entities engaging in developing and selling software products of their own, or import software products into China for localisation and sales, is eligible for a refund on their value added tax burden exceeding 3%.

Selling Expenses

Our selling expenses increased by 16.5% to HK\$29.1 million for the six months ended 30 June 2010 from HK\$25.0 million for the six months ended 30 June 2009 primarily reflecting an increase of sales employee benefit expenses associated with the increase in the number of PRC sales staff.

Administrative Expenses

Our administrative expenses increased by 48.8% to HK\$25.5 million for the six months ended 30 June 2010 from HK\$17.1 million for the six months ended 30 June 2009 primarily reflecting an increase in research and development costs and employee benefit expenses in relation to administrative staff.

Finance Costs

Our finance costs represented interest in bank borrowings. We did not incur any finance costs for the six months ended 30 June 2010 as compared with HK\$0.3 million for the six months ended 30 June 2009, as a result of repayment of all borrowings in the second half of 2009.

Income Tax Expense

Our income tax expense increased by 79.7% to HK\$8.5 million for the six months ended 30 June 2010 from HK\$4.7 million for the six months ended 30 June 2009. The increase in income tax expenses was primarily attributable to the increase in profit before income tax to HK\$58.7 million for the six months ended 30 June 2010 from HK\$29.3 million for the six months ended 30 June 2009. The decrease of our effective income tax rate from 16.1% for the six months ended 30 June 2009 to 14.5% for the six months ended 30 June 2010 was primarily attributable to a reversal of over-provision for income tax expense of HK\$1.3 million recognised during the period and the change in the profitability of the companies now comprising the Group. The over-provision arose from a discretionary deduction approved by the tax bureau in the PRC during the six months ended 30 June 2010 on research and development expenses incurred by our PRC subsidiary during the year ended 31 December 2009.

Profit for the Period Attributable to Equity Holders of Our Company

As a result of the foregoing, the profit for the six months ended 30 June 2010 attributable to equity holders of our Company increased by 103.8% to HK\$50.2 million from HK\$24.6 million for the six months ended 30 June 2009.

Net Profit Margin

The net profit margin increased to 18.7% for the six months ended 30 June 2010 from 12.5% for the six months ended 30 June 2009. The increase was primarily attributable to the increase in revenue by 36.4% and gross profit by 57.4%, offset by an increase of selling and administrative expenses.

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Year Ended 31 December 2009 Compared to Year Ended 31 December 2008

Revenue

Our revenue decreased by 0.1% to HK\$492.9 million for the year ended 31 December 2009 from HK\$493.6 million for the year ended 31 December 2008 as our total sales volume increased by 37.6% to 360,984 units for the year ended 31 December 2009 from 262,297 units for the year ended 31 December 2008, substantially offset by the decrease of the average selling price of our countertop EFT-POS terminals and mobile EFT-POS terminals in response to market competition.

Sales volume and sales mix

Our sales volume of countertop EFT-POS terminals increased by 23.0% to 273,071 units for the year ended 31 December 2009 from 221,975 units for the year ended 31 December 2008 mainly due to an increase in sales volume to a customer in the PRC. Our sales volume of mobile EFT-POS terminals increased 9.3% to 27,286 units for the year ended 31 December 2009 from 24,960 units for the year ended 31 December 2008 mainly due to sales of a new model launched in 2009. Our sales volume of consumer activated devices increased 300.1% to 53,457 units for the year ended 31 December 2009 from 13,362 units for the year ended 31 December 2008 mainly due to continued growth in demand for a model launched in 2008. Our sales volume of contactless devices increased by 258.5% to 7,170 units for the year ended 31 December 2009 from 2,000 units for the year ended 31 December 2008 mainly attributable to the increased popularity and demand of one of our contactless devices models with new features and functions.

The contribution of sales volume of our consumer activated devices and contactless devices to our total sales volume increased to 14.81% and 1.99% for the year ended 31 December 2009, from 5.09% and 0.76% for the year ended 31 December 2008, respectively, mainly due to the higher growth rate of the sales volume of the two categories of products as compared with countertop EFT-POS terminals and mobile EFT-POS terminals, the sales volume of which accounted for 75.64% and 7.56% of our total sales volume for the year ended 31 December 2009 and 84.63% and 9.52% of our total sales volume for the year ended 31 December 2008.

Average selling price

The average selling price of our countertop EFT-POS terminals decreased by 21.2% to HK\$1,471 for the year ended 31 December 2009 from HK\$1,866 for the year ended 31 December 2008 mainly attributable to the decrease in the average selling price of an older model with an average selling price in 2009 18% lower than in 2008. The average selling price of our mobile EFT-POS terminals decreased by 17.5% to HK\$2,039 for the year ended 31 December 2009 from HK\$2,473 for the year ended 31 December 2008 mainly attributable to the decrease in the average selling price of an older model. In addition, the decrease of the average selling price of our countertop EFT-POS terminals and mobile EFT-POS terminals was in general due to market competition as we adjusted our tender sales price in order to maintain our competitiveness among the market players. The average selling price of our consumer activated devices increased by 3.1% to HK\$302 for the year ended 31 December 2009 from HK\$293 for the year ended 31 December 2008 mainly due to the increase of the average selling price of a model launched in 2008, which is equipped with additional add-on function modules such as IC card, magnetic strip reader, TCP/IP communication modules, which is more than two times higher than other consumer activated devices models for the year ended 31 December 2009. The average selling price of our contactless devices increased by 11.1% to HK\$511 for the year ended 31 December 2009 from HK\$460 for the year ended 31 December 2008 mainly attributable to the higher sales price of an existing model with additional features and functions.

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Sales by geographical region

Our revenue generated from the China market decreased by 4.3% to HK\$405.4 million for the year ended 31 December 2009 from HK\$423.5 million for the year ended 31 December 2008. The decrease was mainly attributable to decrease in average selling price of our products. Our revenue generated from the overseas market increased by 24.9% to HK\$87.5 million for the year ended 31 December 2009 from HK\$70.1 million for the year ended 31 December 2008. The increase was mainly attributable to increased sales to Austria and Singapore of HK\$10.2 million and HK\$9.2 million respectively.

Cost of Sales

Our cost of sales decreased by 0.9% to HK\$300.1 million for the year ended 31 December 2009 from HK\$302.7 million for the year ended 31 December 2008. Our cost of materials decreased by 1.2% to HK\$276.3 million for the year ended 31 December 2009 from HK\$279.8 million for the year ended 31 December 2008 mainly due to economies of scale as a result of increased sales volume. Our subcontracting fee increased by 3.7% to HK\$23.7 million for the year ended 31 December 2009 from HK\$22.9 million for the year ended 31 December 2008 as our total sales volume increased approximately 37.6% to the year ended 31 December 2009 from the year ended 31 December 2008, offset by the decrease in subcontracting fee rate paid to our contract manufacturer.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 1.0% to HK\$192.9 million for the year ended 31 December 2009 from HK\$190.9 million for the year ended 31 December 2008. Our gross profit margin grew to 39.1% for the year ended 31 December 2009 from 38.7% for the year ended 31 December 2008 as we proactively reduce our cost of materials and introduced products with additional features with higher gross profit margin.

Other Income

Other income increased by 0.5% to HK\$10.5 million for the year ended 31 December 2009 from HK\$10.4 million for the year ended 31 December 2008, primarily reflecting the increase in value added tax refund received during the year ended 31 December 2009.

Selling Expenses

Our selling expenses increased by 35.7% to HK\$59.1 million for the year ended 31 December 2009 from HK\$43.6 million for the year ended 31 December 2008, primarily reflecting an increase of employee benefit expenses associated with the increase in the number of sales staff.

Administrative Expenses

Our administrative expenses remained comparable for the years ended 31 December 2008 and 2009.

Finance Costs

Our finance costs represented interest on bank borrowings. Our finance costs decreased by 48.6% to HK\$0.4 million for the year ended 31 December 2009 from HK\$0.8 million for the year ended 31 December 2008, as a result of repayment of borrowings in the second half of 2009.

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Income Tax Expense

Our income tax expense increased by 45.1% to HK\$15.5 million for the year ended 31 December 2009 from HK\$10.7 million for the year ended 31 December 2008. Our effective tax rate increased to approximately 15.5% for the year ended 31 December 2009 from approximately 9.2% for the year ended 31 December 2008 primarily due to the expiration of tax holiday for Pax Technology (Shenzhen) in the end of 2008 and the change in the profitability of the companies of the Group.

Profit for the Year Attributable to Equity Holders of Our Company

As a result of the foregoing, the profit for the year attributable to equity holders of our Company decreased by 20.3% to HK\$84.6 million for the year ended 31 December 2009 from HK\$106.1 million for the year ended 31 December 2008.

Net Profit Margin

The net profit margin decreased to 17.2% for the year ended 31 December 2009 from 21.5% for the year ended 31 December 2008. The decrease was due in part to the increase in selling expenses as a percentage of revenue and increase in income tax expenses.

Year Ended 31 December 2008 Compared to Year Ended 31 December 2007

Revenue

Our revenue increased by 52.7% to HK\$493.6 million for the year ended 31 December 2008 from HK\$323.1 million for the year ended 31 December 2007, primarily attributable to the increase of 62.3% in our total sales volume to 262,297 units for the year ended 31 December 2008 from 161,563 units for the year ended 31 December 2007, partially offset by a decrease in the average selling price of our countertop EFT-POS terminals and mobile EFT-POS terminals.

Sales volume and sales mix

Our sales volume of countertop EFT-POS terminals increased by 52.0% to 221,975 units for the year ended 31 December 2008 from 146,074 units for the year ended 31 December 2007. Our sales volume of mobile EFT-POS terminals increased by 189.7% to 24,960 units for the year ended 31 December 2008 from 8,617 units for the year ended 31 December 2007, mainly due to increased popularity of our mobile EFT-POS terminals. The increase in sales volume of both countertop EFT-POS terminals and mobile EFT-POS terminals was mainly attributable to the increased demand for our products in 2008 prior to the 2008 Beijing Olympic Games. Our sales volume of consumer activated devices increased by 94.4% to 13,362 units for the year ended 31 December 2008 from 6,872 units for the year ended 31 December 2007, mainly due to increased demand and sales of a new model launched in 2008. Our contactless devices products were first launched in the market in 2008.

The contribution of sales volume of our mobile EFT-POS terminals and consumer activated devices to our total sales volume increased to 9.52% and 5.09% for the year ended 31 December 2008 from 5.33% and 4.25% for the year ended 31 December 2007, respectively, mainly due to the higher growth rate of the sales volume of the two categories of products as compared with countertop EFT-POS terminals, the contribution of which decreased to 84.63% of the total sales volume for the year ended 31 December 2008 from 90.42% of the total sales volume for the year ended 31 December 2007.

Average selling price

The average selling price of our countertop EFT-POS terminals decreased 5.4% to HK\$1,866 for the year ended 31 December 2008 from HK\$1,972 for the year ended 31 December 2007. The average selling price of our mobile EFT-POS terminals decreased 7.7% to HK\$2,473 for the year ended 31

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December 2008 from HK\$2,679 for the year ended 31 December 2007. In addition, the decrease of the average selling price of our countertop EFT-POS terminals and mobile EFT-POS terminals was in general due to market competition as we adjusted our tender sales price in order to maintain our competitiveness amongst EFT-POS manufacturers selling in the PRC. The average selling price of our consumer activated devices increased 33.2% to HK\$293 for the year ended 31 December 2008 from HK\$220 for the year ended 31 December 2007, mainly due to the increase of the average selling price of a new model launched in 2008 which was higher than other consumer activated devices models for the year ended 31 December 2008. Our contactless devices products were first launched in the market in 2008.

Sales by geographical region

Our revenue generated from the China market increased by 56.1% to HK\$423.5 million for the year ended 31 December 2008 from HK\$271.4 million for the year ended 31 December 2007. The increase was mainly attributable to the increased demand for our products in 2008 prior to the 2008 Beijing Olympic Games. Our revenue generated from overseas market increased by 35.3% to HK\$70.1 million for the year ended 31 December 2008 from HK\$51.8 million for the year ended 31 December 2007. The increase was mainly attributable to sales to new overseas markets, such as Saudi Arabia and Fiji, of HK\$20.9 million and increased sales to Vietnam and South Africa of HK\$7.6 million and HK\$3.4 million respectively, partially offset by decreased sales to UAE of HK\$15.6 million.

Cost of Sales

Our cost of sales increased by 43.7% to HK\$302.7 million for the year ended 31 December 2008 from HK\$210.6 million for the year ended 31 December 2007. Our cost of materials increased by 43.4% to HK\$279.8 million for the year ended 31 December 2008 from HK\$195.1 million for the year ended 31 December 2007, mainly due to the increase in the total sales volume of our products. Our subcontracting fee increased by 47.2% to HK\$22.9 million for the year ended 31 December 2008 from HK\$15.6 million for the year ended 31 December 2007, as our total sales volume increased approximately 62.3% to the year ended 31 December 2008 from the year ended 31 December 2007 offset by the decrease in subcontracting fee rate paid to our contract manufacturer.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 69.6% to HK\$190.9 million for the year ended 31 December 2008 from HK\$112.5 million for the year ended 31 December 2007. Our gross profit margin increased to 38.7% for the year ended 31 December 2008 from 34.8% for the year ended 31 December 2007, as we proactively reduce our cost of materials and introduced products with additional features with higher gross profit margin.

Other Income

Other income increased by 35.4% to HK\$10.4 million for the year ended 31 December 2008 from HK\$7.7 million for the year ended 31 December 2007. This increase was primarily due to the increase in value added tax refund in line with the increase of revenue.

Selling Expenses

Our selling expenses increased by 61.4% to HK\$43.6 million for the year ended 31 December 2008 from HK\$27.0 million for the year ended 31 December 2007 primarily reflecting an increase in employee benefit expenses due to increase in the number of sales staff.

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Administrative Expenses

Our administrative expenses increased by 77.4% to HK\$40.2 million for the year ended 31 December 2008 from HK\$22.6 million for the year ended 31 December 2007, due to the increase in research and development costs and employee benefit expenses from an increase in the number of administrative staff.

Finance Costs

Our finance costs represented interest on bank borrowings. Our finance costs decreased by 47.1% to HK\$0.8 million for the year ended 31 December 2008 from HK\$1.6 million for the year ended 31 December 2007 as a result of decreased borrowings.

Income Tax Expense

Our income tax expense increased by 123.2% to HK\$10.7 million for the year ended 31 December 2008 from HK\$4.8 million for the year ended 31 December 2007. Our effective tax rate increased to approximately 9.2% for the year ended 31 December 2008 from approximately 6.9% for the year ended 31 December 2007. The increase in our effective tax rate was primarily due to the effect of the changes in applicable income tax rates and changes in assessable profits of the companies of the Group.

Profit for the Year Attributable to the Equity Holders of Our Company

As a result of the foregoing, the profit for the year attributable to the equity holders of our Company increased by 65.2% to HK\$106.1 million for the year ended 31 December 2008 from HK\$64.2 million for the year ended 31 December 2007.

Net Profit Margin

The net profit margin increased to 21.5% for the year ended 31 December 2008 from 19.9% for the year ended 31 December 2007, primarily due to increase in gross profit margin offset by increase in selling and administrative expenses as a percentage of revenue.

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LIQUIDITY AND CAPITAL RESOURCES

The table below shows details of our Group's current assets and current liabilities as at the balance sheet dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2007	2008	2009	2010	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current assets					
Inventories	55,584	102,190	110,558	123,437	149,639
Deposits and other receivables	5,523	7,693	2,989	6,470	7,863
Trade and bills receivables	174,696	255,250	198,647	246,926	386,690
Amount due from a related party	5,600	5,600	—	—	—
Restricted cash	1,424	1,112	1,740	882	342
Cash and cash equivalents	106,822	109,824	242,380	196,755	180,093
	<u>349,649</u>	<u>481,669</u>	<u>556,314</u>	<u>574,470</u>	<u>724,627</u>
Current liabilities					
Trade Payables	67,982	90,909	86,912	72,418	139,715
Accruals and other payables	28,234	25,137	41,322	24,836	34,627
Amounts due to related parties	16,429	17,348	—	130	—
Taxation payable	2,785	3,036	14,412	9,035	15,156
Borrowings	19,011	15,209	—	—	—
	<u>134,441</u>	<u>151,639</u>	<u>142,646</u>	<u>106,419</u>	<u>189,498</u>
Net current assets	<u>215,208</u>	<u>330,030</u>	<u>413,668</u>	<u>468,051</u>	<u>535,129</u>

We had net current assets of HK\$215.2 million, HK\$330.0 million, HK\$413.7 million and HK\$468.1 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The increase was mainly attributable to the increase in cash and cash equivalents, trade and bills receivables and inventories and decrease in borrowings. Our cash and cash equivalent balances were HK\$106.8 million, HK\$109.8 million, HK\$242.4 million and HK\$196.8 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively and the increase from 31 December 2007 to 31 December 2008 was mainly attributable to exchange gains on cash and cash equivalents; the increase from 31 December 2008 to 31 December 2009 was mainly derived from the cash generated from our operating activities and the decrease from 31 December 2009 to 30 June 2010 was mainly attributable to cash used in operating activities. Our trade and bills receivables were HK\$174.7 million, HK\$255.3 million and HK\$198.6 million as at 31 December 2007, 2008 and 2009, respectively, with variance in line with the increase in sales during 2007 and 2008 and the decrease in the Group's sales during 2009. As of 30 June 2010, our trade and bills receivables were HK\$246.9 million. The increase of trade and bills receivables from 31 December 2009 to 30 June 2010 was mainly because of the seasonality trend in the industry that our customers normally settle less trade receivables in the first half of the year. Our inventories were HK\$55.6 million, HK\$102.2 million, HK\$110.6 million and HK\$123.4 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Increase in period end balances was mainly due to larger inventory of raw materials maintained for increased production

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needs and more finished goods in anticipation of greater market demand. Our borrowings were HK\$19.0 million, HK\$15.2 million, nil and nil as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. With the improvement in our financial position, we had sufficient cash and cash equivalents to fund our general working capital and therefore repaid all of our borrowings in 2009.

Historically, we have funded our general working capital used in our operations and expansion with cash generated from our operations, bank borrowings and capital contribution from a shareholder, namely HAO Capital.

We plan to maintain good liquidity by funding our expansion and operations with the net proceeds from the Global Offering, as well as cash flows generated from our operating activities. We also intend to actively manage and control our level of raw materials and components having regard to factors such as the delivery timeframes of our products, our manufacturing lead times and our supplier's delivery lead times. Our operating cash flows may be adversely affected by numerous factors beyond our control, including but not limited to fluctuations in prices of raw materials and components required in the production of our products. Our ability to obtain external financing also depends on a number of factors, including our financial performance and creditworthiness as well as our relationship with lenders.

Cash Flow

The following table sets forth a summary of net cash flow for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Net cash (used in)/generated from operating activities	(41,963)	(1,456)	150,964	71,813	(49,513)
Net cash generated from/(used in) investing activities	549	(955)	(2,571)	(1,007)	(2,516)
Net cash generated from/(used in) financing activities	88,712	(3,490)	(15,837)	(8,262)	858
Net increase/(decrease) in cash and cash equivalents	47,298	(5,901)	132,556	62,544	(51,171)
Cash and cash equivalents at beginning of the year/period . . .	52,115	106,822	109,824	109,824	242,380
Exchange gains on cash and cash equivalents (<i>Note</i>).	7,409	8,903	—	—	5,546
Cash and cash equivalents at end of the year/period	<u>106,822</u>	<u>109,824</u>	<u>242,380</u>	<u>172,368</u>	<u>196,755</u>

Note: Cash and cash equivalents were mainly denominated in HK\$, RMB and USD. As HK\$ is pegged to US\$ and there were no significant changes in exchange rate between RMB and HK\$, being the functional currency of the companies now comprising the Group, during the year ended 31 December 2009, no exchange gain/ loss was recognized accordingly.

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Net Cash (Used in)/Generated from Operating Activities

The following table summarizes cash flows from the Group's operating activities for 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Operating cash flows before movements in working capital	73,014	119,229	102,592	30,476	60,181
Changes in working capital – (used)/generated	(109,758)	(109,395)	52,957	41,675	(95,828)
Cash (used in)/generated from operations	(36,744)	9,834	155,549	72,151	(35,647)
Interest paid	(1,579)	(835)	(429)	(338)	—
Income tax paid	(3,640)	(10,455)	(4,156)	—	(13,866)
Net cash (used in)/generated from operating activities	(41,963)	(1,456)	150,964	71,813	(49,513)

During the Track Record Period, our Group derived our net cash flow from operating activities principally from the receipt of payments for the sale of our products and services. Our cash outflow from operating activities includes the purchase of materials, subcontracting fees, selling and administrative expenses.

During the six months ended 30 June 2010, net cash used in operating activities was HK\$49.5 million, primarily resulted from profit before income tax of HK\$58.7 million, as adjusted by interest income of HK\$0.4 million and other non-cash items of HK\$1.9 million, and an outflow of HK\$95.8 million for changes in working capital. Changes in working capital during the six months ended 30 June 2010 generally included:

- an increase in trade and bills receivables, deposits and other receivables of HK\$52.1 million mainly because our customers usually settle the invoices in the second half of the year;
- an increase in inventories of HK\$12.9 million mainly attributable to our effort to maintain sufficient inventory level in anticipation of the increased sales in the second half of 2010; and
- a decrease in trade and other payables of HK\$31.0 million mainly because our trade payables were settled in a more timely manner with the intention to maintain a better business relationship with our suppliers.

Our Group's net cash generated from operating activities was HK\$151.0 million during the year ended 2009, primarily resulted from profit before income tax of HK\$100.1 million, as adjusted by interest income of HK\$0.3 million, finance costs of HK\$0.4 million and other non-cash items of HK\$2.4 million, and an inflow of HK\$53.0 million for changes in working capital. Changes in working capital during the financial year ended 31 December 2009 generally included:

- a decrease in trade and bills receivables, deposits and other receivables of HK\$60.9 million;
- an increase in inventories of HK\$8.4 million;

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- an increase in trade and other payables of HK\$12.2 million; and
- a decrease in amounts due to related parties of HK\$17.3 million, primarily due to the repayment of outstanding balance during 2009, which was offset by the receipt of HK\$5.6 million of amount due from a related party.

Our Group's net cash used in operating activities was HK\$1.5 million during the year ended 2008, primarily resulted from profit before income tax of HK\$116.8 million, as adjusted by interest income of HK\$0.8 million, finance costs of HK\$0.8 million and other non-cash items of HK\$2.5 million, and an outflow of HK\$109.4 million for changes in working capital. Changes in working capital during the financial year ended 31 December 2008 generally included:

- an increase in trade and bills receivables, deposits and other receivables of HK\$83.3 million mainly because of the increased sales reported during the year;
- an increase in inventories of HK\$46.9 million mainly resulting from large purchase amount of raw material and a more conservative inventory management approach under which we stocked more finished goods so as to meet new sales orders with the expanding business in the year ended 31 December 2008; and
- an increase in trade and other payables of HK\$19.8 million mainly resulting from large purchases made in the year ended 31 December 2008.

Our Group's net cash used in operating activities was HK\$42.0 million in 2007, primarily resulted from profit before income tax of HK\$69.0 million, as adjusted by interest income of HK\$1.2 million, finance costs of HK\$1.6 million and other non-cash items of HK\$3.6 million, and an outflow of HK\$109.8 million for changes in working capital. Changes in working capital during the financial year ended 31 December 2007 generally included:

- an increase in trade and bills receivables, deposits and other receivables of HK\$117.2 million mainly because of the increased sales reported during the year;
- an increase in inventories of HK\$30.0 million mainly attributable to our effort to maintain sufficient inventory level in anticipation of the increased sales in 2008;
- an increase in trade and other payables of HK\$35.4 million which was in line with the increased purchases made in anticipation of the increased sales in 2008; and
- an increase in amounts due to related parties of HK\$2.1 million primarily due to increase in administrative expenses paid by Hi Sun on our behalf.

Net Cash Generated from/(used in) Investing Activities

Our Group's net cash used in investing activities during the six months ended 30 June 2010 was HK\$2.5 million, primarily due to the use of HK\$2.9 million for purchases of property, plant and equipment partially offset by the receipt of interest income from bank deposits of HK\$0.4 million.

Our Group's net cash used in investing activities during the year ended 2009 was HK\$2.6 million, primarily due to the use of HK\$2.8 million for purchases of property, plant and equipment partially offset by the receipt of interest income from bank deposits of HK\$0.3 million.

Our Group's net cash used in investing activities during the year ended 2008 was HK\$1.0 million, primarily resulted from the use of HK\$1.8 million for purchases of property, plant and equipment, which was offset by the receipt of interest income from bank deposits of HK\$0.8 million.

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Our Group's net cash generated from investing activities during the year ended 2007 was HK\$0.5 million, primarily resulted from the receipt of interest income from bank deposits of HK\$1.2 million, which was offset by the use of HK\$0.6 million for purchase of property, plant and equipment.

Net Cash Generated from/(used in) from Financing Activities

Our Group's net cash generated from financing activities during the six months ended 30 June 2010 was HK\$0.9 million, primarily due to decrease in restricted cash of HK\$0.9 million.

Our Group's net cash used in financing activities during the year ended 2009 was HK\$15.8 million, primarily due to the repayment of short-term bank borrowings of HK\$15.2 million.

Our Group's net cash used in financing activities during the year ended 2008 was HK\$3.5 million, primarily due to the repayment of short term bank borrowings of HK\$19.0 million, which was partially offset by new bank borrowings of HK\$15.2 million.

Our Group's net cash generated from financing activities during the year ended 2007 was HK\$88.7 million, primarily due to the proceeds of HK\$78.1 million received from the capital contribution from a shareholder, and new bank borrowings of HK\$19.0 million, which were partially offset by repayment of short-term bank borrowings of HK\$7.0 million.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital Commitments

As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had no capital commitments contracted but not provided for.

Operating Lease Arrangements

We lease certain of our offices premises under non-cancellable operating lease agreements. The leases have various terms and renewal rights. The table below sets forth our Group's future minimum lease payments under non-cancellable operating leases as at the balance sheet dates indicated.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	761	527	2,319	2,945
Later than one year and not later than five years	193	—	1,361	2,980
	<u>954</u>	<u>527</u>	<u>3,680</u>	<u>5,925</u>

Contingent Liabilities

We had no significant contingent liabilities as at 31 December 2007, 2008 and 2009 and 30 June 2010.

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Statement of Indebtedness

Set out below is the indebtedness position of the Group as at 31 December 2007, 2008 and 2009, 30 June 2010 and 31 October 2010.

The following table sets forth the maturity of short-term borrowings as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 October
	2007	2008	2009	2010	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Within 6 months	12,591	8,429	—	—	—
6 months to 1 year	6,420	6,780	—	—	—
	<u>19,011</u>	<u>15,209</u>	<u>—</u>	<u>—</u>	<u>—</u>
Secured	<u>19,011</u>	<u>15,209</u>	<u>—</u>	<u>—</u>	<u>—</u>
Weighted average effective interest rate of borrowings	<u>7.35%</u>	<u>6.30%</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at 31 October 2010, certain of our land and buildings were pledged to a bank as collateral for banking facility of RMB20 million (approximately HK\$23 million) which has expired in November 2010. As at 31 October 2010, the Group had not utilized any banking facility. As at 31 October 2010, save as disclosed above, we have no debt securities authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees.

CAPITAL EXPENDITURES

The following table sets forth our Group's capital expenditures for the periods indicated.

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment				
Office furniture and equipment	350	531	1,952	1,423
Plant and equipment	257	31	—	—
Motor vehicles	—	1,234	890	1,462
Total	<u>607</u>	<u>1,796</u>	<u>2,842</u>	<u>2,885</u>
Leasehold land	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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We have historically funded our Group's capital expenditures through cash generated from operations, bank loans and capital contributions from a shareholder, namely HAO Capital. Our Group's capital expenditures primarily comprised expenditures for plant and machinery, office and other equipment and motor vehicles. Our capital expenditures were HK\$0.6 million, HK\$1.8 million, HK\$2.8 million and HK\$2.9 million for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. Subject to the amount of net proceeds of the Global Offering to be received by us, we plan to continue enhancing and expanding our research and development capabilities. We may adjust our capital expenditures for any given periods according to our development plans and in light of market conditions and other factors the Directors believe to be appropriate.

WORKING CAPITAL

Taking into account the financial resources available to the Group, including the internally generated funds and the estimated net proceeds of the Global Offering, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this prospectus.

Capital Risk Management

Our Group regards our shareholders' equity as capital. Our Group's objectives when managing capital are to safeguard our Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, our Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Our Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing ratios as at 31 December 2007, 2008 and 2009 and 30 June 2010 were as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total borrowings	19,011	15,209	—	—
Total equity	<u>223,198</u>	<u>338,510</u>	<u>423,061</u>	<u>478,963</u>
Gearing ratio	<u>8.5%</u>	<u>4.5%</u>	<u>0%</u>	<u>0%</u>

The drop in gearing ratio was mainly due to repayments of borrowings and increase in equity.

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INVENTORY ANALYSIS

The table below sets forth our Group's inventories as at the balance sheet dates indicated and our inventory turnover days for the periods indicated.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	10,035	17,576	24,271	28,575
Work in progress	4,458	3,618	15,103	14,326
Finished goods	<u>41,091</u>	<u>80,996</u>	<u>71,184</u>	<u>80,536</u>
	55,584	102,190	110,558	123,437
Provision for obsolete inventories	<u>1,419</u>	<u>244</u>	<u>—</u>	<u>—</u>
Gross inventory balance	<u>57,003</u>	<u>102,434</u>	<u>110,558</u>	<u>123,437</u>
Inventory turnover days	<u>99⁽¹⁾</u>	<u>124⁽¹⁾</u>	<u>134⁽¹⁾</u>	<u>142⁽²⁾</u>

(1) Average daily cost of sales for the year is calculated as cost of sales for the year divided by 365 days. Inventory turnover days is calculated as the gross inventory balance (before deducting provision for obsolete inventories) as at the year end, divided by average daily cost of sales for the year for each of the years ended 31 December 2007, 2008 and 2009.

(2) Average daily cost of sales for the period is calculated as cost of sales for the period divided by 183 days. Inventory turnover days is calculated as the gross inventory balance (before deducting provision for obsolete inventories) as at the period end, divided by average daily cost of sales for the six months ended 30 June 2010.

Our Group's inventory comprises raw materials, work in progress and finished goods. While we aim to keep our inventory levels at a minimum, we need to ensure the timely delivery of our products to our customers, we therefore strategically maintain an appropriate level of inventory for these finished goods and raw material from suppliers. Our stock policy is to maintain the raw materials at our target level after consideration of replenishment lead-time, order cycle, safety stock level as buffer against demand and supply variability / uncertainty, economies of scale on purchasing. At present, we have an ERP system for inventory and production management. Our purchasing department closely monitors the level of raw materials to ensure no shortage of raw materials for production while aiming at our optimal inventory level. As at 31 December 2007, 2008 and 2009 and 30 June 2010, our inventory balances amounted to HK\$55.6 million, HK\$102.2 million, HK\$110.6 million and HK\$123.4 million, respectively. In determining provision for obsolete inventories, we base on consideration of obsolescence on raw materials and work in progress and the net realisable value of finished goods.

Our Group's gross inventory balance amounted to HK\$57.0 million, HK\$102.4 million, HK\$110.6 million and HK\$123.4 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

Our Group's inventory turnover days increased from 99 days during the year ended 31 December 2007 to 124 days during the year ended 31 December 2008, which was mainly resulted from large purchase amount of raw materials and a more conservative inventory management approach under which we stocked more finished goods so as to meet new sales orders with the expanding business in the year ended 31 December 2008.

Our Group's inventory turnover days further increased from 124 days during the year ended 2008 to 134 days during the year ended 2009, attributable to our effort to maintain sufficient inventory level in anticipation of increased sales subsequent to year ended 31 December 2009.

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Our Group's inventory turnover days increased from 134 days for the year ended 31 December 2009 to 142 days for the six months ended 30 June 2010, which was mainly attributable to our effort to maintain sufficient inventory level in anticipation of increased sales in the second half of the year. This had boosted up the inventory balance as at 30 June 2010, leading to an increase in inventory turnover days reported during the six months ended 30 June 2010.

As at 31 October 2010, 98.4% of the total gross inventories of approximately HK\$121.4 million as at 30 June 2010 were subsequently utilized in production or sold to customers.

TRADE AND BILLS RECEIVABLES ANALYSIS

The table below sets forth our trade and bills receivables as of the balance sheet dates indicated and our trade and bills receivables turnover days for the periods indicated.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	86,831	111,850	95,554	213,153
Less: provision for impairment of receivables .	(1,616)	(2,186)	(2,608)	(2,573)
Bills receivables	89,481	145,586	105,701	36,346
	174,696	255,250	198,647	246,926
Trade and bills receivables turnover days	199 ⁽¹⁾	190 ⁽¹⁾	149 ⁽¹⁾	171 ⁽²⁾

(1) Average daily sales for the year is calculated as sales for the year divided by 365 days. Trade and bills receivables turnover days is calculated as the balance of trade and bills receivables (before deducting impairment) as at the year end, divided by average daily sales for the year for each of the years ended 31 December 2007, 2008 and 2009.

(2) Average daily sales for the period is calculated as sales for the period divided by 183 days. Trade and bills receivables turnover days is calculated as the balance of trade and bills receivables (before deducting impairment) as at the period end, divided by average daily sales for the six months ended 30 June 2010.

Our trade and bills receivables represent receivables from the sales of our products.

The general credit terms granted to customers range from 0 to 180 days. However, credit terms of over 180 days may be granted to customers on a case-by-case basis upon negotiation and the extended credit period is between 90 days to 180 days. As the customers of the Group are mainly acquirers and merchant service providers, taking into account the prolonged business relationships, settlements may sometimes be made after expiry of their respective credit period. In addition, retention period of 3 to 5 years is given to the Group's major customers including UMS and major banks in China, which represent approximately 2% to 5% of the total contract sum and are to be settled when the retention period expires. Bills receivables represent bank acceptance notes with maturity dates within six months. The credit period granted to individual customers is evaluated on a case-by-case basis and is set out in our sales contracts, as appropriate. As at 31 December 2007, 2008 and 2009 and 30 June 2010, retention money receivables approximated HK\$1.9 million, HK\$10.5 million, HK\$12.8 million and HK\$20.0 million, respectively. Our domestic sales are denominated in Renminbi while our overseas sales are mainly denominated in HK\$, US\$ and Euro. The increase in retention money receivables during the Track Record Period was in line with increase in revenue.

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In determining impairment losses, we determine the provision for impairment of trade, bills and other receivables based on the credit history of our customers and the current market condition. Provision is reassessed at each balance sheet date. Our Group's provision for impairment of trade and bills receivables as at 31 December 2007, 2008 and 2009 and 30 June 2010 amounted to HK\$1.6 million, HK\$2.2 million, HK\$2.6 million and HK\$2.6 million, respectively, accounting for 0.9%, 0.8%, 1.3% and 1.0% of trade and bills receivables (before deducting impairment), respectively. Provision for impairment of receivables was maintained at similar level during the Track Record Period.

The uncollectible debts of HK\$444,000 written off during the six months ended 30 June 2010 were made up of receivables from several customers, including sales made to a local branch/subsidiary of our two PRC customers who are a payment processor and a financial institution respectively and, so far as we understand, a merchant service provider in 2007 who suffered from financial difficulties and who no longer has any business relationship with the Group. Please also refer to the section headed "Risk Factors - Risks relating to our business - We had uncollectible debts during the Track Record Period and our business is subject to general trading risk" in this prospectus.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, our trade and bills receivables amounted to HK\$174.7 million, HK\$255.3 million, HK\$198.6 million and HK\$246.9 million, respectively.

Our Group's trade and bills receivables turnover days decreased slightly from 199 days during year ended 2007 to 190 days during year ended 2008, primarily attributable to the generally more timely settlement from our merchant service provider customers.

Our Group's trade and bills receivables turnover days decreased from 190 days during year ended 2008 to 149 days during year ended 2009, which was mainly attributable to the generally more timely settlement from our merchant service provider customers.

Our Group's trade and bills receivables turnover days increased from 149 days during the year ended 31 December 2009 to 171 days during the six months ended 30 June 2010, which was mainly because of the seasonality trend in the industry that our customers normally settle less trade receivables in the first half of the year.

The table below sets forth a gross aging analysis of our total trade receivables, based on invoice date as at the balance sheet dates indicated:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Up to 90 days	72,483	62,700	61,009	114,720
91 to 180 days	7,657	33,175	20,862	31,917
181 to 365 days	4,001	5,935	8,960	58,600
Over 365 days	<u>2,690</u>	<u>10,040</u>	<u>4,723</u>	<u>7,916</u>
	<u>86,831</u>	<u>111,850</u>	<u>95,554</u>	<u>213,153</u>

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The ageing analysis of retention money receivables included in the trade receivables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Up to 90 days	1,857	6,937	3,040	6,036
91 to 180 days	—	3,132	1,379	5,008
181 to 365 days	—	359	7,648	5,965
Over 365 days	—	49	709	2,959
	1,857	10,477	12,776	19,968

There were no overdue retention money receivables as at 31 December 2007, 2008, 2009 and 30 June 2010.

Our Group's sales are made to several major customers and there is concentration of credit risks. Sales of goods and services to the top five customers constituted 79.8%, 85.4%, 74.3% and 62.5% of our revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. Together they accounted for 88.5%, 77.1%, 82.7% and 77.8% of the gross trade receivables balance as of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

As at 31 October 2010, 55.8% of the total gross trade and bill receivables of approximately HK\$139.2 million as at 30 June 2010 were subsequently settled by customers.

Receivables that were past due but not impaired were related to a number of customers that have a good track record with our Group in terms of settlement. Based on past experience, the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of these customers and the balances are still considered fully recoverable. We do not hold any collateral over these balances.

The Directors are of the view that the Group's credit control policy is effective as the Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength, credit history and appropriate percentage of payments. It also has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Directors are also of the view that the Group's impairment provision is adequate as the Group reviews regularly the authorization of credit limits to its customers and recoverable amount of its trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set forth in our combined financial information included in "Appendix I — Accountant's Report" to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

For a discussion of related party transactions, see "Appendix I — Accountant's Report" to this prospectus.

FINANCIAL INFORMATION

DEPOSITS AND OTHER RECEIVABLES ANALYSIS

The table below sets forth our breakdown of deposits and other receivables analysis as of the balance sheet dates indicated.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits	124	288	419	1,482
Advance to suppliers	1,361	915	1,510	3,307
Other receivables	4,038	6,490	1,060	1,681
	<u>5,523</u>	<u>7,693</u>	<u>2,989</u>	<u>6,470</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, our deposits and other receivables amounted to HK\$5.5 million, HK\$7.7 million, HK\$3.0 million and HK\$6.5 million, respectively. Deposits and other receivables increased from HK\$5.5 million as at 31 December 2007 to HK\$7.7 million as at 31 December 2008, primarily due to increase in other receivables from a major customer. Deposits and other receivables decreased from HK\$7.7 million as at 31 December 2008 to HK\$3.0 million as at 31 December 2009, mainly due to settlement of other receivables balance of HK\$5.3 million from a major customer. Deposits and other receivables increased from HK\$3.0 million as at 31 December 2009 to HK\$6.5 million as at 30 June 2010, primarily due to increase in advance to a supplier of HK\$1.8 million and increase in rental deposits of HK\$1.1 million as a result of several new rental agreements signed for existing sales office in current period.

TRADE PAYABLES

The table below sets forth our Group's trade payables as of the balance sheet dates indicated, our trade payables turnover days and an aging analysis of the trade payables, based on the invoice date.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Up to 90 days	49,168	74,562	79,190	65,630
91 to 180 days	12,877	8,346	2,379	3,846
181 to 365 days	3,929	204	103	2,942
Over 365 days	2,008	7,797	5,240	—
	<u>67,982</u>	<u>90,909</u>	<u>86,912</u>	<u>72,418</u>
Trade payables turnover days	<u>118⁽¹⁾</u>	<u>110⁽¹⁾</u>	<u>106⁽¹⁾</u>	<u>83⁽²⁾</u>

(1) Average daily cost of sales for the year is calculated as cost of sales for the year divided by 365 days. Trade payable turnover days is calculated as the balance of trade payable as at the year end, divided by average daily cost of sales for the year for each of the years ended 31 December 2007, 2008 and 2009.

(2) Average daily cost of sales for the period is calculated as cost of sales for the period divided by 183 days. Trade payable turnover days is calculated as the balance of trade payable as at the period end, divided by average daily cost of sales for the six months ended 30 June 2010.

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Our Group's total trade payables as at 31 December 2007, 2008 and 2009 and 30 June 2010 amounted to HK\$68.0 million, HK\$90.9 million, HK\$86.9 million and HK\$72.4 million, respectively. We use trade payables primarily in connection with purchases of raw materials. The average credit period granted by our suppliers ranges from 0 to 180 days.

Our Group's trade payables turnover days decreased during the Track Record Period, from 118 days during the year ended 31 December 2007 to 110 days during the year ended 31 December 2008, and further decreased to 106 days during the year ended 2009 and 83 days during the six months ended 30 June 2010 as our trade payables were generally settled in a more timely manner with our improvement in financial position and increased cash and cash equivalents as well as our intention to maintain a better business relationship with our suppliers.

As at 31 October 2010, 99.4% of the total trade payables of approximately HK\$72.0 million as at 30 June 2010 were subsequently paid to suppliers.

OTHER PAYABLES AND ACCRUALS

The table below sets forth our breakdown of other payables and accruals analysis as of the balance sheet dates indicated.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receipt in advance	3,606	4,380	10,138	5,829
Accrued staff costs and benefits	327	620	4,590	404
Other tax payables	12,247	8,759	13,702	6,295
Other payables and accruals	12,054	11,378	12,892	12,308
	<u>28,234</u>	<u>25,137</u>	<u>41,322</u>	<u>24,836</u>

Our other payables and accruals as at 31 December 2007, 2008 and 2009 and 30 June 2010 amounted to HK\$28.2 million, HK\$25.1 million, HK\$41.3 million and HK\$24.8 million, respectively. Other payables and accruals decreased from HK\$28.2 million as at 31 December 2007 to HK\$25.1 million as at 31 December 2008, mainly reflected a decrease in value added tax payable. Other payables and accruals increased from HK\$25.1 million as at 31 December 2008 to HK\$41.3 million as at 31 December 2009, mainly reflected an increase in receipt in advance from customers of HK\$5.8 million as a result of prepayments received from two customers of the Group to which the Company has not made delivery as at 31 December 2009, accrued staff costs and benefits of HK\$4.0 million which was mainly related to a one-off discretionary staff bonus granted to employees in relation to their performance during the year ended 31 December 2009 and value added tax payable of HK\$4.3 million. Other payables and accruals decreased from HK\$41.3 million as at 31 December 2009 to HK\$24.8 million as at 30 June 2010 mainly reflected by decrease in receipt in advance from customers of HK\$4.3 million, decrease in value added tax payable of HK\$8.3 million as a result of more input value added tax paid during purchases of raw materials, subcontracting fees and other miscellaneous expenses incurred upon the production process during the period and decrease in accrued staff costs and benefits of HK\$4.2 million was mainly due to the settlement of accrued bonus and other benefits brought forward.

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OFF-BALANCE SHEET ARRANGEMENT

We do not have any outstanding derivatives instruments, off-balance sheet guarantees or foreign currency forward contracts. We do not engage in trading activities involving non-exchange trade contracts.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Interest rate risk

Our Group's income and operating cash flows are substantially independent of changes in market interest rates. Our Group has no significant interest-bearing assets, except for bank deposits placed with banks. Our Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose us to cash flow interest rate risk. Borrowings issued at fixed rates expose us to fair value interest rate risk.

As at 31 December 2007 and 2008, our Group's borrowings were all issued at fixed rates which exposed us to fair value interest rate risk. We believe that the fair value interest rate risk does not have material impact to us as the discounting impact as a result of a shift of the fixed interest rate on the borrowings is not material.

All borrowings were settled during the year ended 31 December 2009 and our Group had no borrowings as at 31 December 2009 and 30 June 2010.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, if interest rates on all interest-bearing bank and cash deposits had been 100 basis points higher/lower with all other variables held constant, profit for the year/period and equity would have been HK\$1.1 million, HK\$1.1 million, HK\$2.4 million and HK\$2.0 million higher/lower respectively, due to higher/lower interest income earned on the deposits.

Foreign exchange risk

Our Group's foreign currency transactions are mainly denominated 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. Our Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK\$, RMB or US\$, which are the functional currencies of the major operating companies within our Group. Our Group currently does not hedge its foreign currency exposure.

We consider 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. We manage our foreign currency risk by closely monitoring the movement of the foreign currency rates.

For companies with RMB as their functional currency

If HK\$ had weakened/strengthened by 5% against the RMB with all other variables held constant, profit for the year/period and equity would have been approximately HK\$469,000, HK\$59,000, HK\$51,000 and HK\$306,000 higher/lower for the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, respectively, mainly as a result of the foreign exchange gains/losses on translation of HK\$ denominated cash and cash equivalents, trade receivables, borrowing as well as the current account with related parties.

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Credit risk

Our Group is exposed to credit risk in relation to its trade, bills and other receivables, deposits, amount due from a related party and deposits with banks.

The carrying amounts of trade, bills and other receivables, amount due from a related party, restricted cash and deposits with banks represent our Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, deposits are mainly placed with state-grade financial institutions and reputable banks. Our Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength, credit history and an appropriate percentage of down payments. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews regularly the authorisation of credit limits to individual customers and recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

Our Group has concentration of credit risk. Sales of goods and services to the top five customers constituted 79.8%, 85.4%, 74.3% and 62.5% of our Group's revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. They accounted for approximately 88.5%, 77.1%, 82.7% and 77.8% of the gross trade receivable balances as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

Liquidity risk

With prudent liquidity risk management, our Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term bank borrowings. Due to the dynamic nature of the underlying businesses, our Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to interest bearing bank deposits with appropriate maturities to manage our overall liquidity position. As at 31 December 2007, 2008 and 2009 and 30 June 2010, our Group maintained cash and cash equivalents of approximately HK\$106.8 million, HK\$109.8 million, HK\$242.4 million and HK\$196.8 million, respectively, that are expected to be readily available and sufficient to meet the cash outflows of our financial liabilities, hence, we consider that our Group's exposure to liquidity risk is not significant.

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The table below analyses our Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	Less than 1 year	Total
	HK\$'000	HK\$'000
At 31 December 2007		
Trade payables (<i>Note (i)</i>)	67,982	67,982
Accruals and other payables	28,234	28,234
Borrowings, including interest payable	19,809	19,809
Amounts due to related parties	<u>16,429</u>	<u>16,429</u>
Total	<u>132,454</u>	<u>132,454</u>
At 31 December 2008		
Trade payables (<i>Note (i)</i>)	90,909	90,909
Accruals and other payables	25,137	25,137
Borrowings, including interest payable	15,734	15,734
Amounts due to related parties	<u>17,348</u>	<u>17,348</u>
Total	<u>149,128</u>	<u>149,128</u>
At 31 December 2009		
Trade payables (<i>Note (i)</i>)	86,912	86,912
Accruals and other payables	<u>41,322</u>	<u>41,322</u>
Total	<u>128,234</u>	<u>128,234</u>
At 30 June 2010		
Trade payables (<i>Note (i)</i>)	72,418	72,418
Accruals and other payables	24,836	24,836
Amount due to a related party	<u>130</u>	<u>130</u>
Total	<u>97,384</u>	<u>97,384</u>

Note (i): The average credit period granted by our Group's suppliers ranges from 0 to 180 days.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out below for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed Listing might have affected (i) the net tangible assets of our Group after the completion of the Global Offering; and (ii) the forecast earnings per Share of our Group for the year ending 31 December 2010 as if the Global Offering had taken place on 30 June 2010.

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The accompanying unaudited pro forma financial information of our Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of our Group does not purport to predict our future financial position.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of our financial position.

Unaudited Pro Forma Adjusted Net Tangible Assets

The unaudited pro forma adjusted net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2010. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of our Group.

	Audited combined net tangible assets attributable to the equity holders of our Company as at 30 June 2010 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of our Company as at 30 June 2010	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on an Offer Price of HK\$2.53	478,963	583,242	1,062,205	1.06
Based on an Offer Price of HK\$3.23	478,963	758,219	1,237,182	1.24

Notes:

- (1) Our audited combined net tangible assets of our Group attributable to the equity holders of our Company as at 30 June 2010 is extracted from the accountant's report of our Company as set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to our equity holders as at 30 June 2010 of HK\$478,963,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$2.53 and HK\$3.23 per Share, respectively, after deduction of the underwriting commissions and related expenses payable by our Group and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 1,000,000,000 Shares were in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or of any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme referred to the section headed "Share Option Scheme" in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed "Share Capital" or otherwise.
- (4) As at 30 September 2010, our Group's property interests were valued by Asset Appraisal Limited, an independent property valuer, and the relevant property valuation reports are set out in Appendix IV — Property Valuation. The net revaluation surplus, representing the excess of market value of the property interests over their book value, is approximately HK\$5.1 million. Such revaluation surplus has not been included in our Group's combined financial information as at 30 June 2010 and will not be included in our Group's financial statements for the year ending 31 December 2010. The above adjustment does not take into account the above revaluation surplus. Had the property interests been stated at such valuation, an additional depreciation of approximately HK\$1.0 million per annum would be charged against the consolidated profit and loss for the year ending 31 December 2010.
- (5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2010.

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Profit Forecast for the Year Ending 31 December 2010

The Directors have prepared the forecast of our Group's consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2010 based on the audited combined results of the Group for the six months ended 30 June 2010, unaudited combined results of the Group for the four months ended 31 October 2010 and the consolidated results of the Group for the remaining two months ending 31 December 2010 and in the absence of unforeseen circumstances.

The forecast for the year ending 31 December 2010 has been prepared on bases consistent in all material respects with the accounting policies adopted by the Group as set out in the Accountant's Report in Appendix I to this prospectus.

Forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 ⁽¹⁾⁽²⁾	No less than HK\$142.7 million ⁽²⁾⁽³⁾
Unaudited pro forma earnings per Share ⁽⁴⁾	No less than HK\$0.14

Notes:

- (1) The forecast consolidated profit attributable to equity holders for the year ending 31 December 2010 is extracted from the section headed "Financial Information — Profit Forecast for the Year Ending 31 December 2010". The basis on which the above profit forecast has been prepared is summarized in Appendix III. The forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 has been prepared based on the audited combined results for the six months ended 30 June 2010, the unaudited combined results based on the management accounts of our Group for the four months ended 31 October 2010 and a forecast of the consolidated results of our Group for the remaining two months ending 31 December 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 3 of Section II of the Accountant's Report, the text of which is set out in Appendix I.
- (2) The forecast consolidated profit attributable to equity holders for the six months ending 31 December 2010 is expected to increase from that for the six months ending 30 June 2010 due to the seasonal pattern in our business. Sales demand from our customers in the second half of the year is expected to be higher in anticipation of an increase in the volume of electronic payment transactions during the Chinese National Day and Christmas holidays. Besides, sales demand from our customers generally slows down during the first half of the year.
- (3) The calculation of the forecast consolidated profit attributable to equity holders for the year ending 31 December 2010 includes a value added tax refund of HK\$20.0 million of which HK\$16.1 million has been approved by the local tax bureau and received by our Group as at 31 October 2010.
- (4) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010, on the basis that 1,000,000,000 Shares were in issue assuming that the Shares to be issued pursuant to the Reorganisation, the Capitalisation Issue and the Global Offering had been in issue since 1 January 2010, but takes no account of any Shares which may be issued upon the exercise of Over-Allotment Option or any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme referred to the section headed "Share Option Scheme" in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed "Share Capital" or otherwise.

DIVIDEND POLICY

After the completion of the Global Offering, we may in the future distribute dividends by way of cash or by other means that we consider appropriate. We will not declare or pay any dividends other than from profits and reserves lawfully available for distribution, including share premium. A decision to declare and pay any dividends would require the recommendation of the Directors and approval of the Shareholders. Under the Bye-Laws, the Directors have the power to pay interim dividends but only if they are justified by the distributable profits of our Group. The decision to pay dividends will be reviewed in light of factors such as our results of operations, financial condition and position, operating and capital requirements, the amount of distributable profits based on our Bye-Laws, the Companies Act, applicable laws and regulations and other relevant factors.

FINANCIAL INFORMATION

Any distributable profits that are not distributed in any given year may be retained and made available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available for reinvestment in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board of Directors.

DISTRIBUTABLE RESERVES

The Company was incorporated in Bermuda on 15 February 2010, and there were no reserves available for distribution to the Shareholders as at 30 June 2010.

PROPERTY INTERESTS AND VALUATION

Asset Appraisal, an independent property valuer, has valued the property interests attributable to us as at 30 September 2010 at approximately RMB7.9 million. The texts of its letter, summary of valuation and valuation certificates are set out in Appendix IV to this prospectus. Property interests include the leasehold land to the parcels of land and the building ownership rights of the completed buildings and structures.

The table below sets forth the reconciliation of the net book value of the relevant property interests as at 30 June 2010, being the date of our latest audited combined financial information, with the valuation of such interests as at 30 September 2010 as stated in Appendix IV to this prospectus:

	HK\$'000
Net book value as at 30 June 2010 ⁽¹⁾	4,193
Movements for the period from 1 July 2010 to 30 September 2010	
— Amortization	(1)
— Depreciation	<u>(155)</u>
Net book value as at 30 September 2010	4,037
Valuation as at 30 September 2010 as per Appendix IV to this prospectus (RMB7,920,000)	9,108
Valuation surplus as at 30 September 2010	<u><u>5,071</u></u>

Note:

- (1) Net book value represents the sum of the closing net book amount of leasehold land and buildings as stated in the Accountant's Report set out in Appendix I to this prospectus.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in our financial or trading position or our prospect since 30 June 2010, being the date of the latest audited combined financial results of the Group as set out in the Accountant's Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirement under Rules 13.13 to Rule 13.19 of the Listing Rules had our Shares been listed on the Stock Exchange.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the sections headed “Business — Our strategies” for a detailed description of our business strategies and future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$670.7 million, after deducting the underwriting commissions and estimated expenses payable by us in the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$2.88 per Offer Share, being the midpoint of the Offer Price range stated in this prospectus.

We estimate that the Selling Shareholders will receive net proceeds from the Global Offering ranging from approximately HK\$144.5 million (assuming an Offer Price of HK\$2.53 per Offer Share, being the low end of the estimated Offer Price range stated in this prospectus) to HK\$184.5 million (assuming an Offer Price of HK\$3.23 per Offer Share, being the high end of the estimated Offer Price range stated in this prospectus) in aggregate, after deducting the underwriting commissions and estimated expenses payable by the Selling Shareholders in relation to the Global Offering.

Assuming we receive the estimated net proceeds of HK\$670.7 million as described above, we intend to use these net proceeds for the following purposes:

- Approximately HK\$268.3 million (approximately 40% of our net proceeds) over three years from 2011 to 2013 (as to approximately HK\$75.1 million, HK\$87.0 million and HK\$106.2 million in 2011, 2012 and 2013 respectively, being approximately 11.2%, 13.0% and 15.8% of our net proceeds respectively) for enhancing our research and development efforts. We plan to build stronger and larger in-house research and development team through recruitment, investments in new equipment and technologies for EFT-POS products. Out of this 40% of our net proceeds, we plan to use:
 - (a) approximately HK\$107.2 million (approximately 16% of our net proceeds) (as to approximately HK\$31.5 million, HK\$35.5 million and HK\$40.2 million in 2011, 2012 and 2013 respectively, being approximately 4.7%, 5.3% and 6.0% of our net proceeds respectively) on research and development in product hardware including a new series of various EFT-POS terminals, contactless devices, EFT-POS kiosks and other multi-functional payment products and solutions;
 - (b) approximately HK\$53.7 million (approximately 8% of our net proceeds) (as to approximately HK\$16.1 million, HK\$17.4 million and HK\$20.2 million in 2011, 2012 and 2013 respectively, being approximately 2.4%, 2.6% and 3.0% of our net proceeds respectively) on research and development in product software including developing upgraded versions of PAX PayPro and ProTims, Linux software platform and end-to-end encryption software;
 - (c) approximately HK\$53.7 million (approximately 8% of our net proceeds) (as to approximately HK\$16.1 million, HK\$17.4 million and HK\$20.2 million in 2011, 2012 and 2013 respectively, being approximately 2.4%, 2.6% and 3.0% of our net proceeds respectively) on research and development in communications modules, chips and other product-related technologies such as RF identification, WiMax, digital signature, fingerprint recognition technologies;

FUTURE PLANS AND USE OF PROCEEDS

- (d) approximately HK\$40.3 million (approximately 6% of our net proceeds) (as to approximately HK\$8.7 million, HK\$12.7 million and HK\$18.9 million in 2011, 2012 and 2013 respectively, being approximately 1.3%, 1.9% and 2.8% of our net proceeds respectively) on expansion of our research and development team through recruitment, mainly of graduates from universities in the PRC who possess relevant qualification, and also head hunting experienced research and development experts in the PRC and overseas. We plan to recruit and acquire over 200 research and development staff from 2011 to 2013; and
- (e) approximately HK\$13.4 million (approximately 2% of our net proceeds) (as to approximately HK\$2.7 million, HK\$4.0 million and HK\$6.7 million in 2011, 2012 and 2013 respectively, being approximately 0.4%, 0.6% and 1.0% of our net proceeds respectively) on training and development of our employees, acquiring new tools and equipment mainly from overseas suppliers and engaging consultancy services for our research and development team.
- Approximately HK\$100.6 million (approximately 15% of our net proceeds) over three years from 2011 to 2013 (as to approximately HK\$16.8 million, HK\$36.2 million and HK\$47.6 million in 2011, 2012 and 2013 respectively, being approximately 2.5%, 5.4% and 7.1% of our net proceeds respectively) for expanding our distribution network, of which we plan to use:
 - (a) approximately HK\$13.4 million (approximately 2% of our net proceeds) (as to approximately HK\$2.7 million, HK\$4.0 million and HK\$6.7 million in 2011, 2012 and 2013 respectively, being approximately 0.4%, 0.6% and 1.0% of our net proceeds respectively) on strengthening our brand building through attending international industrial exhibitions, advertisements on industrial magazines and internet and hosting ceremonies, forums, workshops for new products and/or new technologies; and
 - (b) approximately HK\$87.2 million (approximately 13% of our net proceeds) (as to approximately HK\$14.1 million, HK\$32.2 million and HK\$40.9 million in 2011, 2012 and 2013 respectively, being approximately 2.1%, 4.8% and 6.1% of our net proceeds respectively) on strengthening our market and promotional initiatives, both in China and internationally, including enhancing and expanding our existing US office and establishing one international office in each of Europe, South America and the Middle East;
- Approximately HK\$234.8 million (approximately 35% of our net proceeds) for potential merger and acquisition opportunities of both upstream industries and our competitors, in respect of which, we do not have any identified target or developed plan as at the Latest Practicable Date. We aim mainly to target companies from upstream industries with unique and innovative technologies that are applicable to our EFT-POS products and our competitors with complementary market coverage or product lines which can have direct and effective impact on enhancing our market share in the EFT-POS industry. We will also seek companies with strong sales or research and development team to improve the overall competitiveness and effectiveness of our Group; and
- Approximately HK\$67.0 million (approximately 10% of our net proceeds) for funding the working capital requirements of our Group's operations and other general corporate purposes.

The application of the net proceeds as stated above are only current estimates and will be subject to changes based on prevailing economic, market and business conditions and, if applicable, negotiations with third parties.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive net proceeds of approximately HK\$699.7 million at the low end of the Offer Price range of HK\$2.53 per Offer Share and HK\$906.9 million at the high end of the Offer Price range of HK\$3.23 per Offer Share, after deducting the estimated underwriting commissions and estimated expenses payable by us. The additional net proceeds received from the exercise of the Over-allotment Option will be applied pro rata for the abovementioned purposes.

In the event that the Offer Price is finally determined at the low end of the indicative Offer Price range between HK\$2.53 and HK\$3.23 per Offer Share, assuming the Over-allotment Option is not exercised, the net proceeds from the issue of new Shares will decrease by approximately HK\$87.5 million, as compared with the above computation (which is based on the midpoint of the Offer Price range stated in this prospectus). In such case, our Directors intend to adjust the above uses on a pro rata basis.

In the event that the Offer Price is finally determined at the high end of the indicative Offer Price range between HK\$2.53 and HK\$3.23 per Offer Share, assuming the Over-allotment Option is not exercised, the net proceeds from the issue of new Shares will increase by approximately HK\$87.5 million, as compared with the above computation (which is based on the midpoint of the Offer Price range stated in this prospectus). Our Directors will allocate such additional net proceeds for the above uses on a pro rata basis.

We will not receive any of the net proceeds of the Global Offering from the sale of the Sale Shares by the Selling Shareholders. The Selling Shareholders will be responsible for the underwriting commission, together with any applicable Stock Exchange trading fee, SFC transaction levy, CCASS transaction fees and stamp duty (if any) payable in respect of the sale of the Sale Shares. We will be responsible for all other costs of the Global Offering.

To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes, we intend that such net proceeds, to the extent permitted by applicable laws and regulations, will be placed on deposits with banks or financial institutions.

Our Group has been focusing and will continue to focus its resources on its research and development. For the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, our Group's research and development costs accounted for 3.0%, 2.7%, 4.9% and 4.8% of our total revenue, respectively. For the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, our Group's research and development costs accounted for 42.7%, 32.9%, 55.2% and 50.3% of our Group's administrative expenses. Our Group's research and development costs from 2007 to 2009 represents a CAGR of 35.7%.

The generally increasing expenses on research and development are in line with our Group's strategy. Our Group plans to expand its research and development capabilities by building a stronger and larger team with more research and development staff and providing training and other development opportunities for its research and development staff. Our Group plans to expand its existing research and development team by increasing the number of research and development specialists in 2011.

According to Analysys International, our Group ranked first in terms of sales volume of EFT-POS terminals in China in 2009. Riding on its success in the China market, our Group is planning to gear up in its expansion into the international market. New industry security standards are driving re-certifications and replacement of electronic payment systems, particularly in the US and Europe. In these markets where the electronic payment environment and infrastructure are relatively more developed and sophisticated, electronic payment solutions providers are usually required to certify their products with card associations, financial institutions, merchant service providers, etc. in order

FUTURE PLANS AND USE OF PROCEEDS

to gain wider market acceptance. These certification standards and security standards are continuously evolving to address the growing need for higher security in electronic payment transactions. The move to comply with new certification standards and security standards will continue to promote EFT-POS terminals replacement. In order to capture business opportunities in these overseas markets and in order to increase our competitiveness in overseas markets, it is important for us to allocate a reasonably substantial amount of research and development resources to improve the security standards and product features of our EFT-POS products as well as to obtain certifications by card associations, financial institutions and merchant service providers in these overseas countries.

As the bank card industry and the electronic payment environment in China and other parts of the world are becoming more developed and mature, customers generally expect higher technical requirements on EFT-POS products. We plan to continue to concentrate our research and development resources on enhancing existing products and developing new products that address current and future requirements of its customers and end-users. Our Group will focus our development efforts on:

- enhancing the security of the EFT-POS terminals;
- advancing communication technologies such as WiMax;
- developing products with multiple applications;
- developing new generations of EFT-POS terminals with enhanced product features and functions (such as contactless technologies, digital signing and fingerprint recognition technologies) and higher interoperability; and
- developing new products such as unattended integrated kiosks.

Therefore, it is expected that a substantial proportion of resources will be invested in the research and development of enhanced products, new products and new technologies. The Directors are of the view that our proposed level of research and development costs required for the next three years to be funded by the IPO proceeds has been made after due and careful consideration and is reasonable based on the reasons set out above.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Joint Lead Managers

CITIC Securities Corporate Finance (HK) Limited

First Shanghai Securities Limited

Co-manager

CIMB Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, we are initially offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Public Offer Underwriting Agreement (including the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) agreeing on the Offer Price)), the Public Offer Underwriters have agreed severally but not jointly and not jointly and severally to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offer on and subject to the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional, among other conditions, upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Public Offer Underwriters to subscribe or procure subscriptions for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination with immediate effect upon giving notice by the Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to the Company if, at any time prior to 8:30 a.m. on the Listing Date:

- (1) there has come to the notice of the Global Coordinator:
 - (a) that any statement contained in this prospectus, Application Forms and such other offering documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer and Preferential Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, misleading or breached in any respect, or that any forecast, expression of opinion, intention or expectation contained in such documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

UNDERWRITING

- (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the documents referred to in paragraph (a) above; or
 - (c) any breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Public Offer Underwriters or the International Underwriters); or
 - (d) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Public Offer Underwriting Agreement; or
 - (e) any material adverse change or development involving a prospective change in the assets, liabilities, conditions (financial or otherwise), business, general affairs, management, prospects, profits, losses, results of operations, shareholders' equity or financial or trading position or performance of any member of our Group; or
 - (f) any breach of, or any event rendering untrue or incorrect or misleading in any respect, any of the warranties in the Public Offer Underwriting Agreement; or
 - (g) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (h) our Company withdraws this prospectus (and/or any other documents used in connection with the contemplated subscription and sale of the Shares) or the Global Offering; or
 - (i) any person (other than the Sponsor) has withdrawn or is subject to withdraw its consent to being named in this prospectus or such other offering documents or to the issue of this prospectus or such documents; or
- (2) there shall develop, occur, exist or come into effect:
- (a) any event, or series of events, or circumstances in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemics, pandemics, outbreaks of diseases, economic sanction, strikes, lock-outs, fire, explosion, flooding, earthquake volcanic eruption, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism, in or affecting Hong Kong, the PRC, the US, the United Kingdom, any member of the European Union, Japan, Bermuda or any other jurisdictions relevant to any member of our Group or the Global Offering (collectively, the "Relevant Jurisdictions"); or
 - (b) any change or development involving a prospective change, or any event or series of events or circumstances likely to result in any change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investments markets, interbank markets and credit markets), in or affecting any of the Relevant Jurisdiction or elsewhere; or

UNDERWRITING

- (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the London Stock Exchange, the NASDAQ National Market or the Tokyo Stock Exchange; or
- (d) a suspension in the trading of Hi Sun on the Stock Exchange as a result of a request to do so by the Stock Exchange for more than two business days on which the Stock Exchange is open generally for trading or any other material limitation on trading of the shares of Hi Sun on the Stock Exchange; or
- (e) any Relevant Index (as defined in the Public Offer Underwriting Agreement to mean any of the Hang Seng Index of the Stock Exchange and the Dow Jones Index of the New York Stock Exchange) which (i) closes on two consecutive business days at a level that is 10% or more below the Starting Level (as defined in the Public Offer Underwriting Agreement to mean the closing level of a Relevant Index on the business day immediately prior to the date of the Public Offer Underwriting Agreement); (ii) closed on the business day before the Listing at a level which is 10% or more below the Starting Level, or (iii) is at any time at a level which is 15% or more below the Starting Level;
- (f) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the European Union (or any member thereof), Japan, Bermuda, the PRC or any other Relevant Jurisdiction, or there is a disruption in commercial banking or foreign exchange trading or securities settlement or clearance services in any of those places; or
- (g) any new law or regulation or any change or development involving a prospective change or any event or circumstances likely to result in a change or a development involving a prospective change in existing laws or regulations or in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdiction; or
- (h) the imposition of economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, the US or the European Union (or any member thereof) on the PRC or any other Relevant Jurisdiction; or
- (i) a change or development involving a prospective change or amendment in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including without limitation a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control in Hong Kong, the PRC, the US, the United Kingdom, the European Union, Japan or any other Relevant Jurisdictions; or
- (j) any litigation or action or claim or proceeding of any third party being threatened or instigated against any member of our Group; or
- (k) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (l) the chairman or chief executive officer of our Company vacating his or her office; or

UNDERWRITING

- (m) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any investigation or other action against a Director or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (n) a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from allotting or selling the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or
- (p) non-compliance by our Company of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (q) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (r) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (s) an order or a petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (t) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus,

which, individually or in the aggregate, in the sole and absolute opinion of the Global Coordinator,

- (A) is or will or may have adverse effect on the assets, liabilities, conditions (financial or otherwise) business, general affairs, management, prospects, profits, losses, results of operations, shareholders’ equity or financial or trading position or performance of our Group as a whole; or
- (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Public Offer or the Preferential Offer or the level of interest under the Global Offering; or

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- (C) makes it or will make it or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
- (D) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or in any way delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(a) Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to options which may be granted under the Share Option Scheme, any capitalisation issue, capital reduction or consolidation or sub-division of Shares of our Company and for Shares which may be issued in connection with the Global Offering.

(b) Undertaking by the Controlling Shareholder

In accordance with Rule 10.07(1)(a) of the Listing Rules, Hi Sun has undertaken to us and the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, Hi Sun shall not without the prior consent of the Company and the Stock Exchange or save as otherwise permitted under the Listing Rules, and shall procure that its nominees who are registered holders of its holding of shares of our Company shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the date on which dealings in the securities of our Company first commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which Hi Sun is shown by this prospectus to be the beneficial owner; or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Hi Sun would cease to be a controlling shareholder (as defined under the Listing Rules) of our Company.

UNDERWRITING

Hi Sun has further undertaken to the Stock Exchange and us that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the date on which dealings in the securities of our Company first commence on the Stock Exchange, Hi Sun will and will procure its nominees who are registered holders of its holding of shares of our Company to:

- (i) when it pledges or charges any securities in our Company beneficially owned by Hi Sun (or its nominees) in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities of our Company so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company beneficially owned by Hi Sun (or its nominees) will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of matters referred to in paragraphs (i) and (ii) above by Hi Sun and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

(a) Undertaking by our Company

Pursuant to the Public Offer Underwriting Agreement, we have undertaken to each of the Global Coordinator, the Bookrunner, the Joint Lead Managers, the Sponsor and the Public Offer Underwriters that, Hi Sun has also undertaken to procure that, except pursuant to the Hao Share Swap Agreement and the Global Offering (including pursuant to the Over-allotment Option and the Capitalisation Issue), during the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is six months after the Listing Date (the “First Six-Month Period”), our Company will not and will procure our subsidiaries not to without the prior written consent of the Sponsor and the Global Coordinator (on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) offer, accept subscription for, pledge, allot, issue, sell, mortgage, assign, charge, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, or create an encumbrance (as particularly defined in the Public Offer Underwriting Agreement) over, either directly or indirectly, conditionally or unconditionally, any of our or our subsidiaries’ share capital or other securities thereof or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive or purchase such share capital or other securities or any interests therein), or deposit any such share capital or other securities with a depository in connection with the issue of depository receipts; or
- (b) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any of our or our subsidiaries’ share capital or other securities thereof or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive or purchase such share capital or other securities or any interests therein); or

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- (c) enter into any transaction with the same economic effect as any of the foregoing; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so, in each case,

whether any of the foregoing transactions is to be settled by delivery of such share capital or other securities, in cash or otherwise (whether or not any issue of such share capital or other securities will be completed within the First Six-Month Period); provided that the foregoing restriction shall not apply to any of our subsidiaries unless immediately after completion of such issue that subsidiary will cease to be a subsidiary of our Company.

During the period of six months immediately following the expiry of the First Six Months (the “Second Six-Month Period”), our Company shall not enter into any of the transactions specified in paragraphs (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction such that any controlling shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company without the prior written consent of the Sponsor (such consent not to be unreasonably withheld or delayed). In the event of our Company doing any of the foregoing, our Company will take all steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

(b) *Undertaking by Hi Sun*

Hi Sun has undertaken to each of our Company, the Global Coordinator, the Sponsor, the Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that it will not, save as provided under the Stock Borrowing Agreement, without the prior written consent of the Sponsor and the Global Coordinator (on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) at any time during the First Six-month Period:
 - (i) offer, pledge, sell, mortgage, assign, charge, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, or create an encumbrance (as particularly defined in the Public Offer Underwriting Agreement) over, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive or purchase such share capital or other securities or any interests therein), or deposit any such share capital or other securities with a depositary in connection with the issue of depositary receipts; or
 - (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any of the share capital or other securities of our Company or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive or purchase such share capital or other securities or any interests therein); or
 - (iii) enter into any transaction with the same economic effect as any of the foregoing; or
 - (iv) offer to or agree to do any of the foregoing or announce any intention to do so; or

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- (b) at any time during the Second Six-month Period enter into any of the transactions specified in paragraph (a) above, or offer to or agree to do any of the foregoing or announce any intention to do so if, immediately following such transaction, it would cease to be a controlling shareholder of our Company; and
- (c) in the event of it doing any of the foregoing, it will take all steps to ensure that such act will not create a disorderly or false market for the Shares or other securities of our Company.

Hi Sun has further undertaken to our Company, the Sponsor, the Bookrunner, the Joint Lead Managers, the Global Coordinator and the Public Offer Underwriters that it will, at any time within the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

- (y) upon any pledge or charge in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or other securities of our Company or any interests therein beneficially owned by it for a bona fide commercial loan, immediately inform the Company and the Sponsor and the Global Coordinator in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and
- (z) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of the Company will be disposed of, immediately inform the Company and the Sponsor and the Global Coordinator in writing of such indications.

We have agreed and undertaken to the Global Coordinator, the Sponsor and each of the Public Offer Underwriters, that, upon receiving such information in writing from Hi Sun, we shall, as soon as practicable, notify the Stock Exchange and make a public disclosure of such information by way of an announcement in accordance with the Listing Rules.

Indemnity

Hi Sun and us have agreed to indemnify the Sponsor, the Global Coordinator, the Bookrunner, the Joint Lead Managers and the Public Offer Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the provisions of the Public Offer Underwriting Agreement.

Commissions and Expenses

The Public Offer Underwriters will receive a gross commission of 3.5% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the International Offer, we will pay an underwriting commission at the rate applicable to the International Offer and such commission will be paid to the International Underwriters and not the Public Offer Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in relation to the Global Offering.

The aggregate commissions (exclusive of any discretionary incentive fees), together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the new Shares offered by us, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$78.1 million (assuming an Offer Price of HK\$2.88, which is the midpoint of the indicative offer price range and that the Over-allotment Option is not exercised) in total and are payable by us.

UNDERWRITING

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Public Offer Underwriters and International Underwriters (together referred to as “**Syndicate Members**”) may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Global Coordinator and its affiliates as the Stabilization Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering — Stabilization”. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Sponsors’ Independence

CITIC Securities Corporate Finance (HK) Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITING

International Offer

International Underwriting Agreement

In connection with the International Offer, it is expected that, among others, the controlling shareholder, the Selling Shareholders, the Global Coordinator, the other International Underwriters and us will enter into the International Underwriting Agreement. Under the International Underwriting Agreement, the International Underwriters to be named therein will, subject to certain conditions, severally agree to purchase or procure purchasers for the International Offer Shares. The Reserved Shares being offered pursuant to the Preferential Offer are being offered out of the International Offer.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Global Coordinator or its agent, on behalf of the International Underwriters, at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for lodging of Application Forms under the Public Offer and the Preferential Offer. Pursuant to the Over-allotment Option, the Global Coordinator or its agent will have the right to require us to allot and issue up to an aggregate of 47,880,000 additional new Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These Shares will be issued at the Offer Price. An announcement will be made in the event that the Over-allotment Option is exercised.

Non-disposal undertakings by the Selling Shareholders

Pursuant to the International Underwriting Agreement, it is expected that each of the Selling Shareholders will undertake to us, the Sponsor and the Global Coordinator (for itself and on behalf of the International Underwriters) that it shall not without the prior written consent of the Global Coordinator (for itself and on behalf of the Underwriters) and unless in compliance with the applicable laws (including but not limited to the Listing Rules) during the period commencing on the date of the International Underwriting Agreement and ending on the date which is six months after the date on which trading in the Shares commences on the Stock Exchange (“HC Lock-up Period”):

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of or request our Company to repurchase other than in accordance with the Hao Share Swap Agreement), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein owned directly or indirectly by the Selling Shareholders (including holding as a custodian) or with respect to which the Selling Shareholders have beneficial ownership) (collectively, the “HC Lock-up Shares”) (the foregoing restriction is expressly agreed to preclude the Selling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the HC Lock-up Shares even if such shares would be disposed of by someone other than the Selling Shareholders). Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the HC Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares);

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer, agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above;

in each case, whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of shares or such other securities, in cash or otherwise and whether or not the transfer of shares or such other securities will be completed within the HC Lock-up Period.

Notwithstanding the foregoing, the Selling Shareholders may transfer the HC Lock-up Shares with the prior written consent of the Global Coordinator. In addition, notwithstanding the foregoing, the Selling Shareholders may transfer the share capital of our Company to any wholly-owned subsidiary of such corporation; provided, however, that in any such case, it shall be a condition to the transfer that the transferee execute an agreement to the effect that the transferee is receiving and holding such capital stock subject to the provisions of the above undertaking and there shall be no further transfer of such capital stock except in accordance with the above undertaking, and provided further that any such transfer shall not involve a disposition for value.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offer and the Preferential Offer as part of the Global Offering. CITIC Securities Corporate Finance (HK) Limited is the Sponsor, the Global Coordinator and the Bookrunner of the Global Offering. CITIC Securities Corporate Finance (HK) Limited and First Shanghai Securities Limited are the Joint Lead Managers of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Public Offer of 31,920,000 new Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed “The Public Offer”;
- the International Offer comprising:
 - (a) 226,309,976 new Shares and 59,200,000 Sale Shares to be offered by the Selling Shareholders (subject to adjustment and the Over-allotment Option as mentioned below) to professional and institutional investors as described below under the paragraph headed “The International Offer”; and
 - (b) 1,770,024 Reserved Shares which are being offered to Qualifying Hi Sun Shareholders pursuant to the Preferential Offer as described below under the paragraph headed “The Preferential Offer”.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offer, but may not do both. Those eligible to apply for the Reserved Shares under the Preferential Offer may also apply for the Public Offer Shares under the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offer will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares in the International Offer. Prospective investors will be required to specify the number of International Offer Shares under the International Offer they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date. The Preferential Offer is open only to Qualifying Hi Sun Shareholders.

The number of Public Offer Shares to be offered under the Public Offer and the number of International Offer Shares to be offered under the International Offer respectively may be subject to reallocation as described under the paragraph headed “Pricing and Allocation” below.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Global Coordinator (on behalf of the Underwriters), and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date which is expected to be on or around Tuesday, 14 December 2010 and in any event, no later than Thursday, 16 December 2010.

The Offer Price will not be more than HK\$3.23 per Offer Share and is expected to be not less than HK\$2.53 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer and the Preferential Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Global Coordinator (on behalf of the Underwriters and with the consent of our Company (for ourselves and on behalf of the Selling Shareholders)) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer and the Preferential Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer and the Preferential Offer on Monday, 13 December 2010, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.paxglobal.com.hk. Such notice will also include confirmation or revision, as appropriate, of the offer statistics as currently set out in the section headed “Summary” and any other financial information which may change as a result of such reduction. Before submitting applications for the Public Offer Shares and the Reserved Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Public Offer and the Preferential Offer. The Offer Price, if agreed upon, will be fixed within such revised offer price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range stated in this prospectus on or before the last day for lodging applications under the Public Offer and the Preferential Offer, the Offer Price, if agreed upon, will under no circumstances be set outside the offer price range as stated in this prospectus.

The Shares to be offered in the Public Offer and the International Offer (excluding the Reserved Shares) may, in certain circumstances, be reallocated as between these offerings at the discretion of the Global Coordinator.

Allocation of the International Offer Shares to investors pursuant to the International Offer will be determined by the Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Public Offer Shares to investors under the Public Offer will be based on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants, although the allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The final Offer Price, level of applications in the Public Offer and Preferential Offer, the level of indications of interest in the International Offer, and the basis of allocations of the Public Offer Shares and Reserved Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer and the Preferential Offer are expected to be made available in a variety of channels in the manner described in the section headed “How to Apply for the Public Offer Shares and Reserved Shares — V. Publication of Results; Despatch/Collection of Share Certificates and Refunds of Application Monies — Publication of results” from Friday, 17 December 2010.

STRUCTURE OF THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed between the Global Coordinator (on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) by Thursday, 16 December 2010, the Global Offering will not proceed and will lapse.

CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFER

Acceptance of all applications for the Public Offer Shares pursuant to the Public Offer and the Reserved Shares under the Preferential Offer will be conditional upon, among other matters:

- (a) the granting by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Offer Shares (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shares to be issued pursuant to the Capitalisation Issue and any Shares which may be issued under the Share Option Scheme;
- (b) the Offer Price being duly determined between the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders);
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;
- (d) completion of the Hao Share Swap Agreement on or about the Price Determination Date; and
- (e) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent that such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

If any or more of the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer and the Preferential Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.paxglobal.com.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Public Offer Shares and Reserved Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Public Offer and the International Offer is conditional upon inter alia the others becoming unconditional and not having been terminated in accordance with its terms.

THE PUBLIC OFFER

Number of Shares Initially Offered and Their Allocation

We are initially offering 31,920,000 new Shares at the Offer Price, representing approximately 10% of the Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 3.192% of our total issued share capital immediately after completion of the Reorganisation, the Global Offering and the Capitalisation Issue, assuming that the Over-allotment

STRUCTURE OF THE GLOBAL OFFERING

Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Public Offer Shares through the Public Offer and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares in the International Offer will not be allocated International Offer Shares in the International Offer.

For allocation purposes only, the total number of Public Offer Shares initially available for subscription by the public in Hong Kong under the Public Offer, on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service (subject to any adjustment of the Shares between the International Offer and the Public Offer) will be divided equally (to the nearest board lot) into two pools for allocation purposes: Pool A and Pool B. The Public Offer Shares in Pool A will consist of 15,960,000 Offer Shares (being 50% of the total number of Offer Shares initially available under the Public Offer) and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with a total subscription amount of HK\$5 million or below (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). The Public Offer Shares in Pool B will consist of 15,960,000 Offer Shares (being 50% of the total number of Offer Shares initially available under the Public Offer) and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with a total subscription amount of more than HK\$5 million (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total initial value of Pool B.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. The applicant can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within Pool A or Pool B. Applications for more than 50% of the Public Offer Shares initially being offered for subscription by the public (that is, to apply for more than 15,960,000 Shares) are liable to be rejected.

The allocation of Offer Shares between the Public Offer and the International Offer (saved for the Reserved Shares) is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, or (iii) 100 times or more, of the number of Offer Shares initially available under the Public Offer, the total number of Offer Shares available under the Public Offer will be increased to 95,760,000, 127,680,000 and 159,600,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as “Mandatory Reallocation”. In such cases, the number of Offer Shares allocated in the International Offer (save for the Reserved Shares) will be correspondingly reduced, in such manner as the Global Coordinator deems appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Public Offer.

If the Public Offer is not fully subscribed, the Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the International Offer, in such proportions as the Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Global Coordinator may, at its sole discretion, reallocate Offer Shares initially allocated for the International Offer (save for the Reserved Shares) to the Public Offer to satisfy valid applications in Pool A and Pool B under the Public Offer, regardless of whether the Mandatory Reallocation is triggered.

STRUCTURE OF THE GLOBAL OFFERING

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offer (save in respect of the Reserved Shares applied for pursuant to the Preferential Offer), and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares (other than any Reserved Shares) under the International Offer.

Our Company, our Directors, the Global Coordinator and the Public Offer Underwriters will take reasonable steps to identify and reject applications under the Public Offer from investors who have received Offer Shares in the International Offer (save in respect of the Reserved Shares applied for pursuant to the Preferential Offer) and to identify and reject indications of interest in International Offer (save for the Preferential Offer) from investors who have received Offer Shares in the Public Offer.

The Offer Price will not be more than HK\$3.23 and is expected to be not less than HK\$2.53. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$3.23 per Offer Share plus 1.0% brokerage fee, 0.003% SFC transaction levy, and 0.005% Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$3.23 per Offer Share being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Public Offer Shares and Reserved Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer and/or Preferential Offer.

THE PREFERENTIAL OFFER

In order to enable holders of Hi Sun Shares to participate in the Global Offering on a preferential basis as to allocation only, Qualifying Hi Sun Shareholders on the Record Date are being invited to apply for an aggregate of 1,770,024 Reserved Shares (representing approximately 0.55% of Shares initially available under the Global Offering) in the Preferential Offer, on the basis of assured entitlement to two Reserved Shares for one whole board lot of 3,000 Hi Sun Shares held as of 5:00 p.m. on the Record Date. Details of the Assured Entitlement being offered pursuant to the Preferential Offer have also been announced by Hi Sun.

With a view to maintaining at least the minimum prescribed percentage of our Shares in the hands of the public in compliance with the Listing Rules immediately after the Global Offering and to maximizing the opportunity of the public to participate in the Global Offering, directors and substantial shareholders of Hi Sun and the Company who are also holders of Hi Sun Shares have waived their entitlement to participate in the Preferential Offer. No Reserved Shares will be offered to our connected persons or persons who will become connected persons of the Company immediately upon completion of the Global Offering to the extent that they are Qualifying Hi Sun Shareholders. No consideration has been or will be paid to those waiving Qualifying Hi Sun Shareholders. Instead, Reserved Shares to which such Qualifying Hi Sun Shareholders would have been entitled will be reallocated and offered to the other Qualifying Hi Sun Shareholders under the Preferential Offer.

STRUCTURE OF THE GLOBAL OFFERING

Qualifying Hi Sun Shareholders should note that Assured Entitlements to Reserved Shares may not represent a multiple of a full board lot of 1,000 Shares. Further, the Reserved Shares allocated to the Qualifying Hi Sun Shareholders will be rounded down to the closest whole number if required, and that dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

A **BLUE** Application Form is being dispatched to each Qualifying Hi Sun Shareholder with an Assured Entitlement together with a copy of this prospectus. Qualifying Hi Sun Shareholders are permitted to apply for a number of Reserved Shares which is greater than, less than or equal to, their Assured Entitlements under the Preferential Offer. A valid application, in respect of a number of Reserved Shares less than or equal to a Qualifying Hi Sun Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth on the **BLUE** Application Form. Where a Qualifying Hi Sun Shareholder applies for a number of Reserved Shares which is greater than his or her Assured Entitlement, his or her Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient Reserved Shares resulting from other Qualifying Hi Sun Shareholders with an Assured Entitlement declining to take up all or some of their Assured Entitlement. If an application is made for a number of Reserved Shares less than the Assured Entitlement of a Qualifying Shareholder, the applicant is recommended to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Shares. If such applicant does not follow this recommendation when applying for less than the Assured Entitlement, the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out in the table of multiples and payments on the back page of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant. Any Assured Entitlement not taken up by the Qualifying Hi Sun Shareholders will first be allocated to satisfy the excess applications for the Reserved Shares from other Qualifying Hi Sun Shareholders on a fair and reasonable basis, and thereafter, at the discretion of the Global Coordinator, to other investors in the International Offer.

In addition to any application for Reserved Shares on a **BLUE** Application Form, Qualifying Hi Sun Shareholders will be entitled to make one application for Public Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS or to the designated HK eIPO White Form Service Provider through the **HK eIPO White Form** service. Qualifying Hi Sun Shareholders will receive no preference as to entitlement or allocation in respect of applications for Public Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC or to the designated HK eIPO White Form Service Provider through the **HK eIPO White Form** service under the Public Offer.

Assured Entitlements of Qualifying Hi Sun Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange. The Global Coordinator has the authority to reallocate all or any of the Reserved Shares not taken up by the Qualifying Hi Sun Shareholders to the International Offer.

The procedures for application under and the terms and conditions of the Preferential Offer are set forth in the section headed "How to Apply for the Public Offer Shares and Reserved Shares" in this prospectus and on the **BLUE** Application Form. The documents to be issued in connection with the Public Offer and the Preferential Offer (comprising this prospectus and the Application Forms) will not be registered under any applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, no Reserved Shares are being offered to Overseas Hi Sun Shareholders under the Preferential Offer and no **BLUE** Application Forms will be sent to such persons. Applications on **BLUE** Application Forms will not be accepted from Overseas Hi Sun Shareholders or persons who are acting for the benefit of Overseas Hi Sun Shareholders.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFER

Number of Offer Shares Offered and Their Allocation

The number of Shares to be initially offered for subscription under the International Offer (excluding the Preferential Offer) will be 285,509,976 Shares (comprising 226,309,976 new Shares to be offered by us for subscription and 59,200,000 Sale Shares to be offered by the Selling Shareholders for purchase and subject to adjustment and the Over-allotment Option), representing approximately 89.45% of the Offer Shares under the Global Offering. The Reserved Shares being offered pursuant to the Preferential Offer are being offered out of the Offer Shares under the International Offer (see the paragraph headed “The Preferential Offer” above). The International Offer is subject to the Public Offer becoming unconditional.

Pursuant to the International Offer, the International Underwriters will conditionally place the International Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Offer will be effected in accordance with the “book-building” process described in “Pricing and Allocation” above and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered International Offer Shares under the International Offer, and who has made an application under the Public Offer to provide sufficient information to the Global Coordinator in order to allow the team to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Global Coordinator or their agent on behalf of the International Underwriters at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Public Offer and Preferential Offer. Pursuant to the Over-allotment Option, the Global Coordinator or their agent will have the right to require us to allot and issue up to an aggregate of 47,880,000 additional new Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These Shares will be issued at the Offer Price. An announcement will be made in the event that the Over-allotment Option is exercised.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilization Manager may choose to borrow, whether on its own or through its affiliates, up to 47,880,000 Shares from Hi Sun pursuant to the Stock Borrowing Agreement, if so entered into, (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option, or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

If the Stock Borrowing Agreement with Hi Sun is entered into, it will only be effected by the Stabilization Manager or its agent for settlement of over-allocation in the Global Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with that:

- (a) the stock borrowing arrangement with Hi Sun will only be effected for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- (b) the maximum number of Shares to be borrowed from Hi Sun will be limited to the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;
- (c) the same number of Shares so borrowed (if any) must be returned to Hi Sun or its nominees (as the case may be) on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- (d) the stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements; and
- (e) no payments or other benefit will be made to Hi Sun by the Stabilization Manager or its agent in relation to such stock borrowing arrangement.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Public Offer and the Preferential Offer. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or its agents to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer and the Preferential Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 47,880,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or

STRUCTURE OF THE GLOBAL OFFERING

agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in our Shares should note that:

- the Stabilization Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilization Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilization Manager may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Wednesday, 12 January 2011, being the 30th day after the last date for lodging applications under the Public Offer and Preferential Offer. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilization Manager or its agents may on behalf of the Underwrites over-allocate up to and not more than an aggregate of 47,880,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by the Global Coordinator or their agent on behalf of the International Underwriters, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements (such as the Stock Borrowing Agreement) or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offer, the Stabilization Manager may borrow up to 47,880,000 Shares from Hi Sun, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement, if so entered into. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Hi Sun by the Stabilization Manager or its agents in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Public Offer and the Preferential Offer become unconditional at or before 8:30 a.m. in Hong Kong on Monday, 20 December 2010, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on Monday, 20 December 2010.

The Shares will be traded in board lots of 1,000 Shares each.

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UNDERWRITING ARRANGEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement, subject to agreement on the Offer Price between the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date and subject to, among other conditions, the other conditions set out in the sub-section headed “Conditions of the Public Offer and the Preferential Offer” above.

We expect that we will, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offer. Please refer to the section headed “Underwriting — the International Offer”.

Underwriting arrangements, the Public Offer Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

I. HOW TO APPLY FOR PUBLIC OFFER SHARES

1. METHODS TO APPLY FOR PUBLIC OFFER SHARES

There are four ways to make an application for the Public Offer Shares:

- (i) You may apply for the Public Offer Shares by using a **WHITE** Application Form. Use a **WHITE** Application Form if you want the Shares issued in your own name;
- (ii) Instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of the **HK eIPO White Form** service by submitting an electronic application instruction through the designated website at www.hkeipo.hk if you want the Shares issued in your own name;
- (iii) You may apply for the Public Offer Shares by using a **YELLOW** Application Form. Use a **YELLOW** Application Form if you want the Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or
- (iv) Instead of using a **YELLOW** Application Form, you may give electronic application instructions to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Any Public Offer Shares allocated to you will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or applying online through the HK eIPO White Form Service Provider under the **HK eIPO White Form** service.

2. WHO CAN APPLY FOR PUBLIC OFFER SHARES

You can apply for the Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not inside the United States (as defined in Regulation S) when completing and submitting the Application Form except to a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- are not a corporate or other entity incorporated or organised under the laws of the United States; and
- are not a legal or natural person of the PRC unless you are permitted to subscribe for or acquire the Offer Shares pursuant to applicable laws or regulations of the PRC.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

If you wish to apply for Public Offer Shares by means of **HK eIPO White Form**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Global Coordinator (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Global Coordinator, or the designated HK eIPO White Form Service Provider (where applicable) in their capacity as our agent have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Public Offer Shares are not available to existing beneficial owners of Shares in our Company, our Directors or chief executive of our Company or any of our subsidiaries, or associates of any of them (as "associate" is defined in the Listing Rules) or US persons (as defined in Regulation S) or persons who do not have a Hong Kong address or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Public Offer Shares under the Public Offer or indicate an interest for International Offer Shares under the International Offer, but may not do both (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

3. APPLYING BY USING AN WHITE OR YELLOW APPLICATION FORM

Where to collect Application Forms and Prospectus

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Wednesday, 8 December 2010 until 12:00 noon on Monday, 13 December 2010 from:

any of the following addresses of the Public Offer Underwriters:

CITIC Securities Corporate Finance (HK) Limited
26/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

First Shanghai Securities Limited
19/F., Wing On House
71 Des Voeux Road Central
Hong Kong

CIMB Securities (HK) Limited
25/F, Central Tower
28 Queen's Road Central
Hong Kong

or any of the following branches of:

(i) Industrial and Commercial Bank of China (Asia) Limited

<u>District</u>	<u>Branch Name</u>	<u>Branch Address</u>
Hong Kong Island	Queen's Road Central Branch	122-126 Queen's Road Central, Central
	Wanchai Branch	117-123 Hennessy Road, Wanchai
	Causeway Bay Branch	Shop A, G/F, Jardine Center, 50 Jardine's Bazaar, Causeway Bay
	Aberdeen Branch	Shop 7A, G/F, Site 1, Aberdeen Centre
Kowloon	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui
	Yaumatei Branch	542 Nathan Road, Yaumatei
	Ngau Tau Kok Branch	Shop Nos. G211-214, G/F., Phase II, Amoy Plaza, 77 Ngau Tau Kok Road

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

District	Branch Name	Branch Address
New Territories	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O
	Kwai Fong Branch	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po

(ii) Standard Chartered Bank (Hong Kong) Limited

District	Branch Name	Branch Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Lok Fu Shopping Centre Branch	Shop G101, G/F., Lok Fu Shopping Centre
New Territories	Shatin Centre Branch	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin
	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F, Man Cheong Building, 247 Castle Peak Road, Yuen Long

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

(iii) Wing Lung Bank Limited

<u>District</u>	<u>Branch Name</u>	<u>Branch Address</u>
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Kennedy Town Branch	28 Catchick Street
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Sham Shui Po Branch	111 Tai Po Road
New Territories	Shatin Plaza Branch	21 Shatin Centre Street
	Sheung Shui Branch	128 San Fung Avenue

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Wednesday, 8 December 2010 until 12:00 noon on Monday, 13 December 2010 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong or your stockbroker, who may have such Application Forms and this prospectus available.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheques(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

By signing on the Application Form, you should note inter alia that you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- (a) confirm that you have only relied on the information and representations in this prospectus and the Application Form in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- (b) agree that we, our Directors, the Global Coordinator, the Underwriters and other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (c) undertake and confirm that you (if the application is made for your benefit), or the person(s) for whose benefit you have made the application, have not indicated an interest for, applied for or taken up any of the International Offer Shares (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer); and
- (d) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bankers, the Global Coordinator and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

In order for the **YELLOW** Application Form to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

- (a) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - (i) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (b) If the application is made by an individual CCASS Investor Participant:
 - (i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and
 - (ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (c) If the application is made by a joint individual CCASS Investor Participant:
 - (i) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong Identity Card Numbers; and
 - (ii) the participant I.D. must be inserted in the appropriate box in the Application Form.
- (d) If the application is made by a corporate CCASS Investor Participant:
 - (i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
 - (ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorized attorney, our Company and the Global Coordinator, may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. Our Company and the Global Coordinator will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- (a) be in Hong Kong dollars;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- (b) be drawn on your Hong Kong dollar bank account in Hong Kong;
- (c) bear your account name (or, in the case of joint applicants, the name of the first-named applicant) either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorized signatory of the bank on which it is drawn, which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- (d) be made payable to “ICBC (Asia) Nominee Limited — PAX Global Technology Public Offer”;
- (e) be crossed “Account Payee Only”; and
- (f) not be post dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonored on first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- (a) be in Hong Kong dollars;
- (b) be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker’s cashier order by an authorized signatory of the bank on which it is drawn. The name on the reverse of the banker’s cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker’s cashier order must be the same as the name of the first-named applicant;
- (c) be made payable to “ICBC (Asia) Nominee Limited — PAX Global Technology Public Offer”;
- (d) be crossed “Account Payee Only”; and
- (e) not be post dated.

Your application may be rejected if your banker’s cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on Monday, 13 December 2010. We will not give you a receipt for your payment. We will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker’s cashier order.

4. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) using the procedures contained in HKSCC's "An Operating Guide for Investor participants" in effect from time to time.

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC to apply for Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

- (a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) on behalf of each such person, HKSCC Nominees:
 - (i) agrees that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - (ii) undertakes and agrees to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - (iii) undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Offer Shares under the International Offer;
 - (iv) (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (v) (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;

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- (vi) understands that the above declaration will be relied upon by us, our Directors and the Global Coordinator in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- (vii) authorizes us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- (viii) confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- (ix) confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus, and that person agrees that neither our Company, our Directors, the Global Coordinator, the Underwriters, or any of the parties involved in the Global Offering will have any liability for any such other information or representation;
- (x) agrees that our Company, the Global Coordinator, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (xi) agrees to disclose that person's personal data to our Company, our Hong Kong Share Registrar, receiving bankers, the Global Coordinator, the Underwriters and any of their respective advisers and agents and any information which they may require about that person for whose benefit the application is made;
- (xii) agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- (xiii) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before the expiration of the fifth day after the closing of the application lists or such later date as the application lists may close as described under "Effect of bad weather on the opening of the application lists" below, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth day after the closing of the application lists, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

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- (xiv) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer made by our Company;
- (xv) agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares;
- (xvi) agrees with our Company, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Act, the Companies Ordinance and the Bye-Laws; and
- (xvii) agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, and the related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

For more details, please refer to the section headed "Terms and Conditions of the Public Offer and Preferential Offer — Effect of Making Any Application".

Minimum application amount and permitted multiples

You may use the Application Forms to subscribe for a minimum of 1,000 Public Offer Shares or for one of the numbers in the table in the Application Forms. You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Public Offer Shares. Such instructions in respect of more than 1,000 Public Offer Shares must be in one of the numbers in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

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Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by us, our Hong Kong Share Registrar, receiving bankers, the Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The application for the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Global Coordinator and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 13 December 2010 or such later time as described in the paragraph headed “Effect of bad weather on the opening of the application lists” below.

5. APPLYING THROUGH HK eIPO WHITE FORM

General

- (a) You may apply through **HK eIPO White Form** by submitting an application through the designated website at www.hkeipo.hk if you satisfy the relevant eligibility criteria for this as set out in the subsection headed “2. Who Can Apply for Public Offer Shares” in this section and on the same website. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name.
- (b) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated HK eIPO White Form Service Provider and may not be submitted to the Company.

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- (c) If you give **electronic application instructions** through the designated website at www.hkeipo.hk, you will have authorized the designated HK eIPO White Form Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.
- (d) In addition to the terms and conditions set out in this prospectus, the designated HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (e) By submitting an application to the designated HK eIPO White Form Service Provider through the **HK eIPO White Form** service, you are deemed to have authorized the designated HK eIPO White Form Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.
- (f) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 1,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.
- (g) You may submit your application to the designated HK eIPO White Form Service Provider through the designated website www.hkeipo.hk from 9:00 a.m. on Wednesday, 8 December 2010 until 11:30 a.m. on Monday, 13 December 2010 or such later time as described under the sub-paragraph headed “Effect of bad weather on electronic applications under HK eIPO White Form service” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 13 December 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed “Effect of bad weather on electronic application under HK eIPO White Form service” below.

You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (h) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at www.hkeipo.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, 13 December 2010, or such later time as described under the paragraph headed “Effect of bad weather on electronic applications under HK eIPO White Form service” below, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be refunded to you in the manner described in the designated website at www.hkeipo.hk.
- (i) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated HK eIPO White Form Service Provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular payment reference number will not constitute an actual application.

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- (j) **Warning:** The application for Public Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated HK eIPO White Form Service Provider to public investors. We, our Directors, the Global Coordinator and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Public Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS.

Conditions of the HK eIPO White Form service

In using the **HK eIPO White Form** service to apply for the Public Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- applies for the desired number of Public Offer Shares on the terms and conditions of this prospectus and the **HK eIPO White Form** designated website at www.hkeipo.hk subject to the Memorandum of Association and Bye-Laws of our Company;
- undertakes and agrees to accept the Public Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- declares that it is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instruction** to HKSCC or to the HK eIPO White Form Service Provider under the **HK eIPO White Form** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- undertakes and confirms that the applicant and the person for whose benefit the applicant is applying has not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offer, nor otherwise participate in the International Offer;
- understands that such declaration and representation will be relied upon by our Company and the Global Coordinator in deciding whether or not to make any allotment of Public Offer Shares in response to such application;
- authorizes our Company to place the applicant's name on the register of members of our Company as the holder of any Public Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus and the **HK eIPO White Form** designated website at www.hkeipo.hk) to send any Share certificate(s);
- requests that any e-Auto Refund payment instructions be despatched to the application payment account where the applicant had paid the application moneys from a single bank account;

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- requests that any refund cheque(s) be made payable to the applicant who had used multiple-bank accounts to pay the application monies;
- has read the terms and conditions and application procedures set out on the **HK eIPO White Form** designated website at www.hkeipo.hk and this prospectus and agrees to be bound by them;
- represents, warrants and undertakes that the at the time the offer of Public Offer Shares was made to the underlying applicant and at the time the underlying applicant is completing and submitting the application to originate its buy order, the underlying applicant is, and each of the other person(s) for whose benefit the underlying applicant is applying is, located outside the United States (as defined in Regulation S under the US Securities Act) and will acquire the Public Offer Shares in an offshore transaction (within the meaning of Regulation S under the US Securities Act) outside the United States; and
- agrees that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the law Hong Kong.

Effect of bad weather on electronic application under **HK eIPO White Form** service

The latest time for submitting an application to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service will be 11:30 a.m. on Monday, 13 December 2010 and the latest time for completing full payment of application monies will be 12:00 noon on Monday, 13 December 2010. If:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning signal,

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 13 December 2010, the latest time to complete the application and the latest time to complete payment will be postponed to 11:30 a.m. and 12:00 noon respectively on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Public Offer do not open and close on Monday, 13 December 2010 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. A press announcement will be made in such event in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese).

Supplemental information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an **electronic application instruction** through the **HK eIPO White Form** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **HK eIPO White Form** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **HK eIPO White Form** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

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Effect of completing and submitting an application through the HK eIPO White Form service

By completing and submitting an application through the **HK eIPO White Form** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- instruct and authorize our Company and the Global Coordinator as agent for our Company (or its respective agents or nominees) to do on your behalf all things necessary to register any Public Offer Shares allotted to you in your name as required by the Bye-Laws and otherwise to give effect to the arrangements described in this prospectus and the **HK eIPO White Form** designated website at www.hkeipo.hk;
- confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- agree that our Company and our Directors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) warrant that it is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service;
- (if you are an agent for another person) warrant reasonable enquiries have been made of that other person that it is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service, and that you are duly authorized to submit the application as that other person's agent;
- undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Offer;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- agree to disclose to our Company, our Hong Kong Share Registrar, receiving bankers, the Global Coordinator and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- agree with our Company and each shareholder, and our Company agrees with each of the shareholders, to observe and comply with the Companies Ordinance, the Memorandum and Bye-Laws;
- agree with our Company and each shareholder that the Shares are freely transferable by the holders thereof;

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- authorize our Company to enter into a contract on your behalf with each of our Directors and officers whereby each such Director and officer undertakes to observe and comply with his or her obligations to shareholders as stipulated in the Memorandum and Bye-Laws;
- represent and warrant that you understand that the Shares have not been and will not be registered under the US Securities Act and you are outside the United States (as defined in Regulation S) when completing the application except to a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the **HK eIPO White Form** designated website at www.hkeipo.hk and agree to be bound by them;
- undertake and agree to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of our Company, the Global Coordinator and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **HK eIPO White Form** designated website at www.hkeipo.hk.

Our Company, the Global Coordinator, the Underwriters and their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of attorney

If your application is made by a duly authorized attorney, our Company or the Global Coordinator, as its agent, may accept it at its discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

Additional information

For the purposes of allocating Public Offer Shares, each applicant giving **electronic application instructions** through **HK eIPO White Form** service to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated HK eIPO White Form Service Provider, the designated HK eIPO White Form Service Provider may adopt alternative arrangements for the refund of application monies to you. Please refer to the additional information provided by the designated HK eIPO White Form Service Provider on the designated website at www.hkeipo.hk.

Otherwise, any application monies payable to you due to a refund for other reasons are set out below in the subsection headed “V. Publication of Results; Despatch/Collection of Share Certificates and Refunds of Application Monies” below.

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6. WHEN MAY APPLICATIONS BE MADE

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** and **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon Monday, 13 December 2010, or, if the application lists are not open on that day, then by 12:00 noon on the next day that the lists are open.

Your completed Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of the receiving bankers listed under the subsection headed “3. Applying by Using an White or Yellow Application Form — Where to collect Application Forms and Prospectus” above at the following times:

Wednesday, 8 December 2010 — 9:00 a.m. to 5:00 p.m.
Thursday, 9 December 2010 — 9:00 a.m. to 5:00 p.m.
Friday, 10 December 2010 — 9:00 a.m. to 5:00 p.m.
Saturday, 11 December 2010 — 9:00 a.m. to 1:00 p.m.
Monday, 13 December 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 13 December 2010.

No proceedings will be taken on applications for Public Offer Shares and no allotment of any such Public Offer Shares will be made until the closing of the application lists.

Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 8 December 2010 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 9 December 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 10 December 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 11 December 2010 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 13 December 2010 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These dates and times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 8 December 2010 until 12:00 noon on Monday, 13 December 2010 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on Monday, 13 December 2010, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” below.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal “number 8” or above; or

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- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 13 December 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon.

If the application lists of the Public Offer do not open and close on Monday, 13 December 2010 or if there is a tropical cyclone warning signal “number 8” or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. An announcement will be made in such event.

7. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications or suspected multiple applications are liable to be rejected. You may not make more than one application for Public Offer Shares unless: you are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction** to HKSCC, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to a **WHITE** or **YELLOW** Application Form or **electronic application instruction** is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person which confirm that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service, and that you are duly authorized to sign the Application Form or give **electronic application instructions** as that other person’s agent.

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Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service; or
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service; or
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service for more than 15,960,000 Public Offer Shares, being 50% of the Public Offer Shares initially available for subscription under the Public Offer; or
- have indicated an interest for or have been or will be placed any of the International Offer Shares (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer).

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of an application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company; or
- control more than one half of the voting power of the company; or
- hold more than one half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are a Qualifying Hi Sun Shareholder applying for Reserved Shares under the Preferential Offer on a **BLUE** Application Form, as beneficial owner, you may also make one application for Public Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service. However, in respect of any application for Public Offer Shares using the above-mentioned methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offer as described in the section headed “Structure of the Global Offering — The Preferential Offer”.

Otherwise, multiple applications are not allowed.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit (other than an application (if any) made on a **BLUE** Application Form in the capacity as a Qualifying Hi Sun shareholder), the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

II. HOW TO APPLY FOR RESERVED SHARES

1. WHO CAN APPLY FOR THE RESERVED SHARES

You may apply for Reserved Shares if you, or any person(s) for whose benefit you are applying, are a Qualifying Hi Sun Shareholder and, if you are an individual:

- are 18 years of age or older;
- have a Hong Kong address;
- are not inside the United States (as defined in Regulation S) when completing and submitting the Application Form except to a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- are not a corporate or other entity incorporated or organised under the laws of the United States; and
- are not a legal or natural person of the PRC unless you are permitted to subscribe for or acquire the Offer Shares pursuant to applicable laws or regulations of the PRC.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Global Coordinator (or their respective agents or nominees) may accept it at its discretion and subject to any conditions as it thinks fit, including evidence of the authority of the attorney.

We and the Global Coordinator or their respective agents, will have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

The Reserved Shares are not available to existing beneficial owners of Shares, our Directors or chief executive or their respective associates or any other connected persons (as defined in the Listing Rules) of the Company or persons who will become our connected persons immediately upon completion of the Global Offering.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

2. METHODS OF APPLYING FOR THE RESERVED SHARES

An application for Reserved Shares under the Preferential Offer may only be made by Qualifying Hi Sun Shareholders using a **BLUE** Application Form which is being despatched to Qualifying Hi Sun Shareholders by our Company. Using the **BLUE** Application Form, Qualifying Hi Sun Shareholders may apply on an assured basis for a number of Reserved Shares greater than or less than or equal to their Assured Entitlement, which will be specified on their individual **BLUE** Application Form. Qualifying Hi Sun Shareholders may also apply for a number of Reserved Shares in excess of their Assured Entitlement specified on their individual **BLUE** Application Form.

3. DESPATCH OF THE BLUE APPLICATION FORMS AND PROSPECTUS

A **BLUE** Application Form, together with this prospectus, are being despatched to you by the Company if you are a Qualifying Hi Sun Shareholder with an Assured Entitlement. There are no electronic copies of this prospectus on CD-ROM. This prospectus is available for collection by the public at various places, details of which are set out in this prospectus.

4. HOW TO APPLY USING A BLUE APPLICATION FORM

- (a) Complete the **BLUE** Application Form in English using blue or black ink, and sign it. There are detailed instructions on each **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the **BLUE** Application Form.
- (b) Each **BLUE** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order made payable to "ICBC (Asia) Nominee Limited — PAX Global Technology Preferential Offer". You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.
- (c) Lodge the **BLUE** Application Form in one of the collection boxes by the time and at one of the locations as described in paragraph (a) of the section headed "5. When May Applications be Made" below.

5. WHEN MAY APPLICATIONS BE MADE

(a) Applications on BLUE Application Forms

Your completed **BLUE** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed under the section headed "How to Apply for the Public Offer Shares and Reserved Shares — Where to collect Application Forms and Prospectus" above or at Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at the following times:

Wednesday, 8 December 2010 — 9:00 a.m. to 5:00 p.m.

Thursday, 9 December 2010 — 9:00 a.m. to 5:00 p.m.

Friday, 10 December 2010 — 9:00 a.m. to 5:00 p.m.

Saturday, 11 December 2010 — 9:00 a.m. to 1:00 p.m.

Monday, 13 December 2010 — 9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Monday, 13 December 2010, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "Effect of Bad Weather Conditions on the Opening of the Application Lists" below.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

(b) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 13 December 2010, except as provided in the paragraph headed “Effect of Bad Weather Conditions on the Opening of the Application Lists” below. Applicants should note that cheques or banker’s cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(c) Effect of Bad Weather Conditions on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 13 December 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon. For this purpose, “business day” means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

6. HOW MANY APPLICATIONS MAY BE MADE

Please see the sub-paragraph above “How to Apply for the Public Offer Shares and Reserved Shares — 7. How Many Applications May Be Made” for the situations where you may make more than one application for Public Offer Shares.

III. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES AND RESERVED SHARES

Full details of the circumstances in which you will not be allotted Public Offer Shares and/or Reserved Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Public Offer Shares and/or Reserved Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting an **electronic application instruction** to HKSCC or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service you agree that your application or the application made by HKSCC Nominees on your behalf or the HK eIPO White Form Service Provider cannot be revoked before the expiration of the fifth day after the closing of the application lists or such later date as the application lists may close as described under “Effect of bad weather on the opening of the application lists” below, unless a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

This agreement will take effect as a collateral contract with us, and will become binding when you lodge your application or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Public Offer Shares and/or Reserved Shares to any person on or before before the expiration of the fifth day after the closing of the application lists, except by means of one of the procedures referred to in this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf or the HK eIPO White Form Service Provider has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- (b) Full discretion of our Company, the Global Coordinator or our or the Global Coordinator's respective agents or nominees to reject or accept:

We, the Global Coordinator or HK eIPO White Form Service Provider or our or its respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

- (c) If the allotment of Public Offer Shares and/or Reserved Shares is void:

The allotment of Public Offer Shares and/or Reserved Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Public Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

- (d) You will not receive any allotment if:

- you make multiple applications or you are suspected to have made multiple applications;
- you or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Offer (except in respect of Reserved Shares applied for pursuant to the Preferential Offer). By filling in any of the Application Forms or submitting **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service, you agree not to apply for or indicate an interest for Offer Shares in the International Offer (except in respect of Reserved Shares applied for pursuant to the Preferential Offer). Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the International Offer (except in respect of Reserved Shares applied for pursuant to the Preferential Offer), and to identify and reject indications of interest in the International Offer (except in respect of Reserved Shares applied for pursuant to the Preferential Offer) from investors who have received Public Offer Shares in the Public Offer;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- you apply for more than 15,960,000 Public Offer Shares (being 50% of the Public Offer Shares initially available for subscription under the Public Offer);
- our Company believes that by accepting your application, we would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;
- the Public Offer and the Preferential Offer do not become unconditional; or
- the Public Offer Underwriting Agreement and/or the International Underwriting Agreement do/does not become unconditional and/or are/is terminated in accordance with their respective terms.

IV. HOW MUCH ARE THE PUBLIC OFFER SHARES AND RESERVED SHARES

The maximum Offer Price is HK\$3.23 per the Share. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%. This means that for every board lot of 1,000 Shares, you will pay approximately HK\$3,262.56. The White and Yellow Application Forms have tables showing the exact amount payable of multiples of Shares applied up to 15,960,000. You must pay the maximum Offer Price and related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee in full when you apply for the Public Offer Shares and Reserved Shares. You must pay the amount payable upon application for Public Offer Shares and Reserved Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms or this prospectus.

If your application is successful, the brokerage fee will be paid to participants of the Stock Exchange or the Stock Exchange, the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy collected by the Stock Exchange on behalf of the SFC).

V. PUBLICATION OF RESULTS; DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUNDS OF APPLICATION MONIES

Publication of results

We expect to announce the final Offer Price, the level of indication of interest in the International Offer, the basis of allotment of the Public Offer Shares and Reserved Shares and the results of applications under the Public Offer and Preferential Offer no later than 9:00 a.m. on Friday, 17 December 2010 and in the manner specified below:

- on the website of the Stock Exchange (www.hkexnews.com.hk); and
- on the website of our Company for at least five consecutive days (www.paxglobal.com.hk).

A notification announcement under Rule 2.17A of the Listing Rules which also includes the Offer Price, an indication of the level of interest in the International Offer, the level of applications of the Public Offer and Preferential Offer and the basis of allocation of the Public Offer Shares and Reserved Shares will be published by us on Friday, 17 December 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

In addition, we expect to announce the results of applications and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer and the Preferential Offer at the times and dates and in the manner specified below:

- Results of allocations for the Public Offer and the Preferential Offer can be found in our announcement to be posted on our website at www.paxglobal.com.hk and on the website of the Stock Exchange at www.hkexnews.hk on Friday, 17 December 2010;
- Results of allocations for the Public Offer and the Preferential Offer will be available from our designated results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Friday, 17 December 2010 to 12:00 midnight on Thursday, 23 December 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;
- Results of allocations will be available from our Public Offer and the Preferential Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares or Reserved Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 17 December 2010 to Wednesday, 22 December 2010 (excluding Saturday, Sunday and Public Holiday); and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Friday, 17 December 2010 to Tuesday, 21 December 2010 at all the receiving bank branches and sub-branches at the addresses set out in the section headed “How to Apply for Public Offer Shares and Reserved Shares — II. Applying by Using a Yellow or White Application Form — Where to collect Application Forms and Prospectus” in this prospectus.

Despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee thereon) paid on application, or if the conditions of the Public Offer and the Preferential Offer are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Public Offer and Preferential Offer” in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) for applications on **WHITE** Application Forms or by giving **electronic application instructions** through **HK eIPO White Form** service:
 - (i) Share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

- (ii) Share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms. Share certificates for the Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **WHITE** or **YELLOW** or **BLUE** Application Forms, refund cheque(s) crossed “account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the final Offer Price and the maximum Offer Price per Public Offer Share paid on application in the event that the Offer Price is less than the offer price per Offer Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.
- (c) for applicants apply through the **HK eIPO White Form** service by paying the application monies through a single bank account and applicant’s application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on applicant’s application, e-Auto Refund payment instructions (if any) will be despatched to applicant’s application payment bank account on or around Friday, 17 December 2010.
- (d) for applicants apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and applicant’s application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on applicant’s application, refund cheque(s) will be sent to the address specified in applicant’s application instructions to the designated HK eIPO White Form Service Provider on or around Friday, 17 December 2010, by ordinary post and at applicant’s own risk.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** or **BLUE** Application Forms and Share certificates for wholly and partially successful applicants under **WHITE** Application Forms or by giving **electronic application instructions** through **HK eIPO White Form** service are expected to be posted on or around Friday, 17 December 2010. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Share certificates will only become valid certificates of title at 8:30 a.m. on the Listing Date Monday, 20 December 2010 provided that the Global Offering has become unconditional in all respects and the rights of termination described in the paragraph headed “Grounds for Termination” in the section headed “Underwriting” in this prospectus have not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Shares certificates becoming valid certificates of title do so entirely at their own risk. You will receive one Share certificate for all the Public Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Form or by **electronic application instructions** to HKSCC where Share certificates will be deposited in CCASS).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

You will receive one share certificate for all the Public Offer or Reserved Shares issued to you.

WHITE and BLUE Application Form

If you have applied for (i) 1,000,000 Public Offer Shares or more or (ii) 1,000,000 Reserved Shares or more, and have indicated on your **WHITE** or **BLUE** Application Form that you will collect your Share certificate(s) (where applicable) and/or refund cheque (if any) in person, you may collect it/them from:

Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on Friday, 17 December 2010 or any other date notified by our Company in the newspapers as the date of despatch of Share certificates and refund cheques.

If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must, in any event, produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. If you do not collect your Share certificate(s) (if any) and/or refund cheque (if any) within the time for collection specified above, they will be sent to you by ordinary post to the address as specified in your Application Form (or the address of the first-named applicant in case of a joint application) and at your own risk shortly after the time for collection.

If you have applied for (i) less than 1,000,000 Public Offer Shares or Reserved Shares or (ii) 1,000,000 Public Offer Shares or Reserved Shares or above and have not indicated on your Application Form that you will collect your Share certificate(s) (if any) and/or refund cheque (if any) in person; or if you have applied for or if your application is rejected, not accepted or accepted in part only; or if the conditions of the Public Offer and Preferential Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Public Offer and the Preferential Offer" in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, then your Share certificate(s) (where applicable) and/or refund cheque (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage, the SFC transaction levy and the Stock Exchange trading fee (without interest) will be sent to the address on your Application Form (or the address of the first-named applicant in case of a joint application) by ordinary post and at your own risk on the date of despatch.

If you apply through HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 17 December 2010.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk on Friday, 17 December 2010 by ordinary post and at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Auto Refund payment instructions (if any) will be despatched to your application payment bank account on or around Friday, 17 December 2010.

If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider on or around Friday, 17 December 2010, by ordinary post and at your own risk.

YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Public Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of and the Preferential Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Public Offer and the Preferential Offer" in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, the SFC transaction levy and the Stock Exchange trading fee (without interest) will be sent to the address on your Application Form by ordinary post and at your own risk.

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you on Friday, 17 December 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for the Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS investor participant:

- our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the newspapers on Friday, 17 December 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 17 December 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the "CCASS Phone System" and "CCASS Internet System" (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

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If you apply by giving **electronic application instructions** to HKSCC

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant's stock account on Friday, 17 December 2010, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

Our Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, where supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner described in the paragraph headed "Publication of results" in this section above on Friday, 17 December 2010.

You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 17 December 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 17 December 2010. Immediately after the credit of the relevant portion of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Offer Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 17 December 2010. No interest will be paid thereon.

Refund of application monies

If you do not receive any Public Offer Shares or Reserved Shares for any reason, we will refund your application monies, including related brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee thereon) paid on application, we will refund to you the surplus application monies, together with the related brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

All such interest accrued prior to the date of despatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-application, at the discretion of us and the Global Coordinator, for applications made on Application Forms for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Friday, 17 December 2010 in accordance with the various arrangements as described above.

VI. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, 20 December 2010. The Shares will be traded in board lots of 1,000 each. The stock code of the Shares is 00327.

VII. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

APPENDIX I ACCOUNTANT'S REPORT OF PAX GLOBAL TECHNOLOGY LIMITED

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

8 December 2010

The Directors
PAX Global Technology Limited
CITIC Securities Corporate Finance (HK) Limited

Dear Sirs,

We report on the financial information of PAX Global Technology Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010, the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 8 December 2010 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in Bermuda on 15 February 2010 as an exempted company with limited liability under the Companies Act of Bermuda. Pursuant to a group reorganisation as described in Note 1 of Section II headed "General Information and Group Reorganisation" below, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below. All of these companies are private companies.

All companies comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation other than the Reorganisation and there is no statutory requirement to do so. The statutory audited financial statements during the Relevant Periods of the companies now comprising the Group for which there is a statutory audit requirement have been prepared in accordance with accounting principles applicable to their respective places of incorporation. Details of the financial statements of the companies now comprising the Group that are subject to audit and the names of respective auditors are set out in Note 1 of Section II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

Directors’ responsibility for the financial information

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with the basis of preparation set out in Note 2 of Section II below and in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purposes of this report and presented on the basis set out in Note 2 of Section II below, a true and fair view of the combined state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the Group’s combined results and cash flows for each of the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to III below included in Appendix I to the Prospectus which comprises the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the six months ended 30 June 2009 and a summary of significant accounting policies and other explanatory notes (the “Stub Period Comparative Financial Information”).

The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 2 of Section II below, and the accounting policies set out in Note 3 of Section II below which are in conformity with HKFRSs.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and

APPENDIX I ACCOUNTANT'S REPORT OF PAX GLOBAL TECHNOLOGY LIMITED

other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of this report and presented on the basis set out in Note 2 of Section II below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below which are in conformity with HKFRSs.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2007, 2008 and 2009 and 30 June 2010 and for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, presented on the basis set out in Note 2 of Section II below:

(A) COMBINED INCOME STATEMENTS

	Notes	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
Revenue	6	323,143	493,589	492,942	196,221	267,698
Cost of sales	7	(210,623)	(302,699)	(300,082)	(127,001)	(158,748)
Gross profit		112,520	190,890	192,860	69,220	108,950
Other income	6	7,701	10,427	10,479	2,568	4,317
Selling expenses	7	(26,993)	(43,554)	(59,083)	(24,967)	(29,094)
Administrative expenses	7	(22,638)	(40,162)	(43,744)	(17,147)	(25,511)
Operating profit		70,590	117,601	100,512	29,674	58,662
Finance costs	10	(1,579)	(835)	(429)	(338)	—
Profit before income tax		69,011	116,766	100,083	29,336	58,662
Income tax expense	11	(4,796)	(10,704)	(15,532)	(4,723)	(8,489)
Profit for the year/period attributable to equity holders of the Company		<u>64,215</u>	<u>106,062</u>	<u>84,551</u>	<u>24,613</u>	<u>50,173</u>

APPENDIX I ACCOUNTANT'S REPORT OF PAX GLOBAL TECHNOLOGY LIMITED

(B) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit for the year/period.	64,215	106,062	84,551	24,613	50,173
Other comprehensive income:					
Exchange differences arising on translation of the financial statements of foreign subsidiaries.	7,863	9,250	—	—	5,729
Total comprehensive income for the year/period attributable to equity holders of the Company	<u>72,078</u>	<u>115,312</u>	<u>84,551</u>	<u>24,613</u>	<u>55,902</u>

APPENDIX I ACCOUNTANT'S REPORT OF PAX GLOBAL TECHNOLOGY LIMITED

(C) COMBINED BALANCE SHEETS

	Notes	As at 31 December			As at 30 June
		2007	2008	2009	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment . . .	14	7,768	8,250	9,168	10,685
Leasehold land	15	222	230	225	227
Total non-current assets		<u>7,990</u>	<u>8,480</u>	<u>9,393</u>	<u>10,912</u>
Current assets					
Inventories	16	55,584	102,190	110,558	123,437
Deposits and other receivables . . .	17	5,523	7,693	2,989	6,470
Trade and bills receivables	17	174,696	255,250	198,647	246,926
Amount due from a related party .	22,29(b)	5,600	5,600	—	—
Restricted cash	18	1,424	1,112	1,740	882
Cash and cash equivalents	19	106,822	109,824	242,380	196,755
Total current assets		<u>349,649</u>	<u>481,669</u>	<u>556,314</u>	<u>574,470</u>
Total assets		<u>357,639</u>	<u>490,149</u>	<u>565,707</u>	<u>585,382</u>
EQUITY					
Capital and reserves					
attributable to the Company's equity holders					
Owners' equity	20	223,198	338,510	423,061	478,963
Total equity		<u>223,198</u>	<u>338,510</u>	<u>423,061</u>	<u>478,963</u>
LIABILITIES					
Current liabilities					
Trade payables	21	67,982	90,909	86,912	72,418
Accruals and other payables . . .	21	28,234	25,137	41,322	24,836
Amounts due to related parties	22,29(b)	16,429	17,348	—	130
Taxation payable		2,785	3,036	14,412	9,035
Borrowings	23	19,011	15,209	—	—
Total liabilities		<u>134,441</u>	<u>151,639</u>	<u>142,646</u>	<u>106,419</u>
Total equity and liabilities		<u>357,639</u>	<u>490,149</u>	<u>565,707</u>	<u>585,382</u>
Net current assets		<u>215,208</u>	<u>330,030</u>	<u>413,668</u>	<u>468,051</u>
Total assets less current liabilities		<u>223,198</u>	<u>338,510</u>	<u>423,061</u>	<u>478,963</u>

(D) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company			
	Capital reserves (Note 20(i))	Exchange reserve	Retained earnings (Note 20(ii))	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2007				
Balance at 1 January 2007	35,000	2,215	35,780	72,995
Comprehensive income				
Profit for the year.	—	—	64,215	64,215
Other comprehensive income				
Exchange differences arising on translation of the financial statements of foreign subsidiaries.	—	7,863	—	7,863
Total comprehensive income	—	7,863	64,215	72,078
Capital injection from a shareholder (Note 28).	78,125	—	—	78,125
Balance at 31 December 2007	<u>113,125</u>	<u>10,078</u>	<u>99,995</u>	<u>223,198</u>
For the year ended 31 December 2008				
Balance at 1 January 2008	113,125	10,078	99,995	223,198
Comprehensive income				
Profit for the year	—	—	106,062	106,062
Other comprehensive income				
Exchange differences arising on translation of the financial statements of foreign subsidiaries.	—	9,250	—	9,250
Total comprehensive income	—	9,250	106,062	115,312
Balance at 31 December 2008	<u>113,125</u>	<u>19,328</u>	<u>206,057</u>	<u>338,510</u>

APPENDIX I ACCOUNTANT'S REPORT OF PAX GLOBAL TECHNOLOGY LIMITED

	Attributable to the equity holders of the Company			
	Capital reserves (Note 20(i))	Exchange reserve	Retained earnings (Note 20(ii))	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2009				
Balance at 1 January 2009	113,125	19,328	206,057	338,510
Comprehensive income				
Profit for the year	—	—	84,551	84,551
Total comprehensive income	—	—	84,551	84,551
Balance at 31 December 2009	<u>113,125</u>	<u>19,328</u>	<u>290,608</u>	<u>423,061</u>
For the six months ended 30 June 2010				
Balance at 1 January 2010	113,125	19,328	290,608	423,061
Comprehensive income				
Profit for the period	—	—	50,173	50,173
Other comprehensive income				
Exchange differences arising on translation of the financial statements of foreign subsidiaries	—	5,729	—	5,729
Total comprehensive income	—	5,729	50,173	55,902
Balance at 30 June 2010	<u>113,125</u>	<u>25,057</u>	<u>340,781</u>	<u>478,963</u>
For the six months ended 30 June 2009 (unaudited)				
Balance at 1 January 2009	113,125	19,328	206,057	338,510
Comprehensive income				
Profit for the period	—	—	24,613	24,613
Total comprehensive income	—	—	24,613	24,613
Balance at 30 June 2009	<u>113,125</u>	<u>19,328</u>	<u>230,670</u>	<u>363,123</u>

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(E) COMBINED CASH FLOW STATEMENTS

	Notes	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(unaudited)
Cash flows from operating activities						
Cash (used in)/generated from operations	25(a)	(36,744)	9,834	155,549	72,151	(35,647)
Interest paid		(1,579)	(835)	(429)	(338)	—
Income tax paid		(3,640)	(10,455)	(4,156)	—	(13,866)
Net cash (used in)/generated from operating activities		(41,963)	(1,456)	150,964	71,813	(49,513)
Cash flows from investing activities						
Purchase of property, plant and equipment		(607)	(1,796)	(2,842)	(1,129)	(2,885)
Interest received		1,156	841	271	122	369
Net cash generated from/(used in) investing activities		549	(955)	(2,571)	(1,007)	(2,516)
Cash flows from financing activities						
Proceeds from short term bank borrowings		19,011	15,209	—	—	—
Repayments of short term bank borrowings		(7,000)	(19,011)	(15,209)	(8,429)	—
Proceeds from capital injection from a shareholder	28	78,125	—	—	—	—
(Increase)/decrease in restricted cash		(1,424)	312	(628)	167	858
Net cash generated from/(used in) financing activities		88,712	(3,490)	(15,837)	(8,262)	858
Net increase/(decrease) in cash and cash equivalents		47,298	(5,901)	132,556	62,544	(51,171)
Exchange gains on cash and cash equivalents		7,409	8,903	—	—	5,546
Cash and cash equivalents at beginning of the year/period		52,115	106,822	109,824	109,824	242,380
Cash and cash equivalents at end of the year/period	19	106,822	109,824	242,380	172,368	196,755

II. NOTES TO THE COMBINED FINANCIAL INFORMATION**1 General information and group reorganisation**

PAX Global Technology Limited (the “Company”) is a limited liability company incorporated in Bermuda on 15 February 2010 in preparation for a listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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 ultimate holding company of the Company is Hi Sun Technology (China) Limited (“Hi Sun”), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to the spin off of the EFT-POS terminal solutions business, Hi Sun operated the EFT-POS terminal solutions business and other businesses, including the provision of telecommunication solutions and operation value-added services, provision of financial solutions, services and related products, provision of payment solutions and services and the sales and manufacturing of electronic power meters and solutions (the “Other Businesses”) through various subsidiaries. The Other Businesses have been managed separately from the EFT-POS terminal solutions business. The financial information of the EFT-POS terminal solutions business throughout the Relevant Periods and the six months ended 30 June 2009 was presented herein. Historically, EFT-POS terminal solutions business formed part of the business operation of Hi Sun. In the preparation of separate results of the EFT-POS terminal solutions business, all revenues and related costs, expenses and charges that are directly attributable to the EFT-POS terminal solutions business are included in the results of the EFT-POS terminal solutions business. Costs for which specific identification method could not be practically applied, which mainly represent the staff costs attributable directly to the common management personnel, are not included (Note 9).

In preparation for the Listing, Hi Sun underwent a group reorganisation (the “Reorganisation”), pursuant to which the companies engaged in the EFT-POS terminal solutions business were transferred to the Company and that the Company became the holding company of the companies now comprising the Group. The Reorganisation mainly involved the follow:

- (i) On 4 November 2010, the Company entered into an agreement with Hi Sun to acquire 100% equity interest in Grand Global International Limited (“Grand Global”). Grand Global held 60% equity interest in Pax Technology Limited (“Pax Technology”), which in turn held 100% equity interest in Pax Computer Technology (Shenzhen) Co., Ltd. and Pax Technology, Inc. The Company credited as fully paid the one nil paid shares held by Hi Sun and allotted 149,999,999 shares as fully paid to Hi Sun in exchange for the equity interests in Grand Global;
- (ii) On 5 November 2010, the Company entered into a share swap agreement with Digital Investment Limited (“Digital Investment”) and Dream River Limited (“Dream River”) for the acquisition of their entire shareholding in Pax Technology, a company now comprising the Group, in consideration of allotting credited as fully paid 50,000,000 ordinary shares to each of Digital Investment and Dream River. Upon completion of this transaction, Pax Technology becomes a wholly owned subsidiary of the Group.

APPENDIX I ACCOUNTANT'S REPORT OF PAX GLOBAL TECHNOLOGY LIMITED

Upon completion of the Reorganisation, the Company has direct or indirect interests in the following subsidiaries:

Name	Place and date of incorporation/ establishment and type of legal entity	Principal activities and place of operation	Issued and paid up/registered capital	Effective interest held as at				Note
				31 December		30 June		
				2007	2008	2009	2010	
Directly held								
Grand Global International Limited	British Virgin Islands, 8 May 2009, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1 each	N/A	N/A	100%	100%	(i)
Indirectly held								
Pax Technology Limited ("Pax Technology")	Hong Kong, 8 March 2000, limited liability company	Sales of EFT-POS products and provision of related services in Hong Kong	2007: 35,000,000 ordinary shares of HK\$1 each; 8,750,000 preference shares of HK\$1 each; 2008: 35,000,000 ordinary shares of HK\$1 each; 8,750,000 preference shares of HK\$1 each; 2009: 26,250,000 ordinary shares of HK\$1 each, 8,750,000 series A preference shares of HK\$1 each; 8,750,000 series B preference shares of HK\$1 each;	100%	100%	100%	100%	(i)
百富計算機技術(深圳)有限公司 (Pax Computer Technology (Shenzhen) Co., Ltd.)	The People's Republic of China (the "PRC"), 13 July 2001, limited liability company	Development and sales of EFT-POS products and provision of related services in the PRC	HK\$50,000,000	100%	100%	100%	100%	(i), (iii)
Pax Technology, Inc.	The United States of America ("US"), 10 March 2008, limited liability company	Sales of EFT-POS products in the US	US\$1,000	N/A	100%	100%	100%	(ii)

Notes:

- (i) The statutory financial statements for the years/period ended 31 December 2007, 2008 and 2009 where applicable, were audited by certified public accountants as follows:

Name of company	For the year/ period ended	Name of auditor
Grand Global International Limited	31 December 2009	PricewaterhouseCoopers, Certified Public Accountants, Hong Kong
Pax Technology Limited	31 December 2007, 2008 and 2009	PricewaterhouseCoopers, Certified Public Accountants, Hong Kong
百富計算機技術(深圳)有限公司 (Pax Computer Technology (Shenzhen) Co., Ltd.)	31 December 2007, 2008 and 2009	深圳敬業會計師事務所 (Shenzhen Jingye Certified Public Accountants)

- (ii) No audited financial statements were issued for the company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (iii) The English name of Pax Computer Technology (Shenzhen) Co., Ltd. represents the best effort by the management of the Group in translating its Chinese name as it does not have an official English name.

2 Basis of preparation

Immediately prior to and following the Reorganisation, there is no change in the shareholders of the companies now comprising the Group which are Hi Sun, Digital Investment and Dream River. The EFT-POS terminal solutions business is mainly conducted through Pax Technology, Pax Computer Technology (Shenzhen) Co., Ltd. and Pax Technology, Inc., which are the subsidiaries of Grand Global. The Company has not involved in any business before the Reorganisation. The Reorganisation, which will be completed before the Listing upon the share swap with Digital Investment and Dream River as described in Note 1 above, merely involved putting together of all subsidiaries originally carrying on the EFT-POS terminal solutions business of Hi Sun with the insertion of a new holding company (the "Company") for the purpose of Listing. Accordingly, the combined financial information of the companies now comprising the Group has been prepared on a combined basis and is presented using the carrying values of the EFT-POS terminal solutions business under Pax Technology for all periods presented.

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

3 Summary of significant accounting policies

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and has been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these combined financial information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

The preparation of combined financial information 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial information are disclosed in Note 5.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2010 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendments to HKAS 1	Presentation of Financial Statements	1 January 2011
Amendments to HKAS 27	Consolidated and Separate Financial Statements	1 July 2010
Amendments to HKAS 32	Classification of rights issues	1 February 2010
Amendments to HKAS 34	Interim Financial Reporting	1 January 2011
Amendments to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards	1 January 2011
Amendments to HKFRS 3	Business Combinations	1 July 2010
Amendments to HKFRS 7	Financial Instruments: Disclosures	1 January 2011
Amendments to HK(IFRIC) 13	Customer Loyalty Programmes	1 January 2011
Amendments to HK(IFRIC) 14	Prepayments of a minimum funding requirement	1 January 2011

The Group has commenced an assessment of the impact of the new standards, amendments to the standards and interpretations but is not yet in a position to state whether these new standards, amendments to standards and interpretations would have a significant impact to the Group's results of operations and financial position.

3.1 Consolidation and combination

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Apart from the Reorganisation, the acquisition method of accounting is used to account for the Group's business combination. The consideration transferred includes the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the combined income statements.

Intercompany transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions during the Relevant Periods, has been identified as the directors of the companies now comprising the Group.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the combined financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The combined financial information are presented in Hong Kong dollars

("HKD"), which is different from the Company's functional currency of Renminbi ("RMB"). As the shareholders of the Company are mainly domiciled in Hong Kong and the Company is proposed to be listed on the Main Board of The Stock Exchange of Hong Kong Limited, the directors have adopted HKD as the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined income statements.

(c) Group companies

The results and financial position of all companies now comprising the Group. (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On combination, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the combined income statements as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.4 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the combined income statements during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	5-10%
Leasehold improvements	20% or over lease terms, whichever is shorter
Office furniture and equipment	18%-25%
Plant and equipment	9%-25%
Motor vehicles	18%-25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the combined income statements.

3.5 Leasehold land

Leasehold land is up-front payments to acquire long-term interest in leasehold land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land from the date when the respective rights were granted. Amortisation of leasehold land is calculated on a straight-line basis over the period of the lease and is recognised in the combined income statements within administrative expenses.

3.6 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those that are not expected to be realised within the normal operating cycle of the EFT-POS terminal solutions business. These are classified as non-current assets. Loans and receivables are included in trade and bills receivables, deposits and other receivables, amount due from a related party, restricted bank deposits and cash and cash equivalents in the combined balance sheets.

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials and related production overhead based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.8 Trade, bills and other receivables

Trade, bills and other receivables including retention money receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade, bills and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indication that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the combined income statements within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the combined income statements.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

3.10 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition and issue of borrowings including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined income statements over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.12 Current and deferred income tax

The tax expense for the year/period comprises current and deferred tax. Tax is recognised in the combined income statements, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.13 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision, where appropriate, is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Pension Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined income statements as they become payable in accordance with the rules of the Pension Scheme. The assets of the Pension Scheme are held separately from those of the Group in an independently administered fund. The Group's employer

contributions vest fully with the employees when contributed to the Pension Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the Pension Scheme.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the government regulations in the People's Republic of China (the "PRC"), the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 7% to 20% of the wages for the year/period of those employees in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group. Contributions to these retirement benefits schemes are charged to the combined income statements as incurred.

(c) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based compensation

Pax Technology operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the combined income statements, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

No options have been granted by Pax Technology under the equity-settled, share-based compensation plan.

3.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables, including retention money receivables, is reasonably assured.

(b) Sales of service

Revenue from fixed-price contracts is generally recognised in the period in which the services are provided, using the straight-line basis over the terms of contracts.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

3.16 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the combined income statements on a straight-line basis over the period of the lease.

3.17 Value added tax refund

Value added tax refund are recognised in other income in the combined income statements when there is a reasonable assurance that the refund will be received which generally occurs upon the receipt of value added tax refund from the local tax bureau.

3.18 Government grants

Grants from the government for high-tech companies are recognised in "other income" in the combined income statements at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

3.19 Research and development

Research expenditure is expensed as incurred.

3.20 Dividend distribution

Dividend distribution to the then shareholders of the companies now comprising the Group is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group's foreign currency transactions are mainly denominated in RMB, HKD and US dollar ("USD"). The majority of assets and liabilities are denominated in RMB, HKD and USD, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HKD, RMB or USD, which are the functional currencies of the major operating companies within the Group. The Group currently does not hedge its foreign currency exposure.

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

For companies with RMB as their functional currency

If HKD had weakened/strengthened by 5% against RMB with all other variables held constant, profit for the year/period and equity would have been approximately HK\$469,000, HK\$59,000, HK\$51,000 and HK\$306,000 higher/lower for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively, mainly as a result of the foreign exchange gains/losses on translation of HKD denominated cash and cash equivalents, trade receivables, borrowing as well as the current account with related parties.

(b) Price risk

The Group is not exposed to equity securities price risk and commodity price risk.

(c) Credit risk

The Group is exposed to credit risk in relation to its trade, bills and other receivables, deposits, amount due from a related party and deposits with banks.

The carrying amounts of trade, bills and other receivables, amount due from a related party, restricted cash and deposits with banks represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, deposits are mainly placed with state-grade financial institutions and reputable banks. The Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength, credit history and an appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the authorisation of credit limits to individual customers and recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentration of credit risk. Sales of goods and services to the top five customers constituted 79.8%, 85.4%, 74.3% and 62.5% of the Group's revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. They accounted for approximately 88.5%, 77.1%, 82.7% and 77.8% of the gross trade receivable balances as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

(d) Liquidity risk

With prudent liquidity risk management, the Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term bank borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to interest bearing bank deposits with appropriate maturities to manage its overall liquidity position. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group maintained cash and cash equivalents of approximately HK\$106,822,000, HK\$109,824,000, HK\$242,380,000 and HK\$196,755,000, respectively, that are expected to be readily available and sufficient to meet the cash outflows of its financial liabilities, hence, management considers that Group's exposure to liquidity risk is not significant.

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The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	Less than 1 year	Total
	HK\$'000	HK\$'000
At 31 December 2007		
Trade payables (Note (i))	67,982	67,982
Accruals and other payables	28,234	28,234
Borrowings, including interest payable	19,809	19,809
Amounts due to related parties	<u>16,429</u>	<u>16,429</u>
Total	<u>132,454</u>	<u>132,454</u>
At 31 December 2008		
Trade payables (Note (i))	90,909	90,909
Accruals and other payables	25,137	25,137
Borrowings, including interest payable	15,734	15,734
Amounts due to related parties	<u>17,348</u>	<u>17,348</u>
Total	<u>149,128</u>	<u>149,128</u>
At 31 December 2009		
Trade payables (Note (i))	86,912	86,912
Accruals and other payables	<u>41,322</u>	<u>41,322</u>
Total	<u>128,234</u>	<u>128,234</u>
At 30 June 2010		
Trade payables (Note (i))	72,418	72,418
Accruals and other payables	24,836	24,836
Amount due to a related party	<u>130</u>	<u>130</u>
Total	<u>97,384</u>	<u>97,384</u>

Note (i): The average credit period granted by the Group's suppliers ranges from 0 to 180 days.

(e) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets, except for deposits placed with banks. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2007 and 2008, the Group's borrowings were all issued at fixed rates which exposed the Group to fair value interest rate risk. Management believes that the fair value interest rate risk does not have material impact to the Group as the discounting impact as a result of a shift of the fixed interest rate on the borrowings is not material.

All borrowings were settled during the year ended 31 December 2009 and the Group had no borrowings as at 31 December 2009 and 30 June 2010.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, if interest rates on all interest-bearing bank and cash deposits had been 100 basis points higher/lower with all other variables held constant, profit for the year/period and equity would have been HK\$1,068,000, HK\$1,098,000, HK\$2,424,000 and HK\$1,968,000 higher/lower respectively, due to higher/lower interest income earned on the deposits.

4.2 Capital risk management

The Group regards its shareholders' equity as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing ratios at 31 December 2007, 2008 and 2009 and 30 June 2010 were as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total borrowings	19,011	15,209	—	—
Total equity	223,198	338,510	423,061	478,963
Gearing ratio	8.5%	4.5%	0%	0%

The drop in gearing ratio was mainly due to repayments of borrowings and increase in equity.

4.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, restricted cash, trade and bills receivables, deposits and other receivables, amount due from a related party, amounts due to related parties, trade payables, accruals and other payables and borrowings approximate their fair values due to their short maturities.

5 Critical accounting estimates and judgments

Estimates and judgments used in preparing the combined financial information are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to the receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgment and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and provision for impaired receivables in the period in which such estimate has been changed.

6 Revenue, other income and segment information

The Group is principally engaged in the sale of EFP-POS products and provision of related services. Turnover and other income recognised during the Relevant Periods and the six months ended 30 June 2009 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue					
Sales of electronic payment products	315,720	483,953	479,368	189,960	261,312
Sales of electronic payment services	7,423	9,636	13,574	6,261	6,386
	323,143	493,589	492,942	196,221	267,698
Other income					
Interest income	1,156	841	271	122	369
Value added tax refund (Note (i))	650	5,012	6,424	1,915	3,401
Subsidy income (Note (ii)) . .	618	1,344	386	9	—
Others	5,277	3,230	3,398	522	547
	7,701	10,427	10,479	2,568	4,317
Revenue and other income . .	330,844	504,016	503,421	198,789	272,015

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.

Note (ii) The amount represents government grants received by companies now comprising the Group as they are being regarded as companies engaging in high-tech business.

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 directors of the companies now comprising the Group that are used to make strategic decisions. The Group is principally engaged in the EFT-POS terminal solutions business, therefore management considers that the Group operates in one single business segment.

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

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

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An analysis of the Group's revenue and results during the Relevant Periods and the six months ended 30 June 2009 by segment is as follows:

	Year ended 31 December 2007				
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong (Note a)	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues from external customers	271,353	51,790	—	—	323,143
Intersegment revenues	<u>29,716</u>	—	—	<u>(29,716)</u>	—
Total revenues	<u>301,069</u>	<u>51,790</u>	<u>—</u>	<u>(29,716)</u>	<u>323,143</u>
Segmental earnings before interest, taxes, depreciation and amortisation ("EBITDA")	69,521	1,603	—	897	72,021
Depreciation	(1,423)	(3)	—	—	(1,426)
Amortisation	<u>(5)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5)</u>
Segment operating profit	68,093	1,600	—	897	70,590
Finance costs					<u>(1,579)</u>
Profit before income tax					69,011
Income tax expense					<u>(4,796)</u>
Profit for the year					<u>64,215</u>

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Year ended 31 December 2008

	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong (Note a)	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues from external customers	423,493	70,096	—	—	493,589
Intersegment revenues	<u>44,330</u>	—	—	<u>(44,330)</u>	—
Total revenues	<u>467,823</u>	<u>70,096</u>	<u>—</u>	<u>(44,330)</u>	<u>493,589</u>
Segmental EBITDA	108,562	12,183	(1,476)	67	119,336
Depreciation	(77)	(1,652)	(1)	—	(1,730)
Amortisation	<u>(5)</u>	—	—	—	<u>(5)</u>
Segment operating profit/ (loss)	108,480	10,531	(1,477)	67	117,601
Finance costs					<u>(835)</u>
Profit before income tax . . .					116,766
Income tax expense					<u>(10,704)</u>
Profit for the year					<u>106,062</u>

Year ended 31 December 2009

	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong (Note a)	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues from external customers	405,402	86,033	1,507	—	492,942
Intersegment revenues	<u>56,432</u>	<u>1,580</u>	—	<u>(58,012)</u>	—
Total revenues	<u>461,834</u>	<u>87,613</u>	<u>1,507</u>	<u>(58,012)</u>	<u>492,942</u>
Segmental EBITDA	103,766	6,386	(7,599)	(118)	102,435
Depreciation	(1,809)	(11)	(98)	—	(1,918)
Amortisation	<u>(5)</u>	—	—	—	<u>(5)</u>
Segment operating profit/ (loss)	101,952	6,375	(7,697)	(118)	100,512
Finance costs					<u>(429)</u>
Profit before income tax . . .					100,083
Income tax expense					<u>(15,532)</u>
Profit for the year					<u>84,551</u>

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Six months ended 30 June 2010

	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong (Note a)	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues from external customers	213,345	52,587	1,766	—	267,698
Intersegment revenues	<u>29,229</u>	<u>3,036</u>	<u>—</u>	<u>(32,265)</u>	<u>—</u>
Total revenues	<u>242,574</u>	<u>55,623</u>	<u>1,766</u>	<u>(32,265)</u>	<u>267,698</u>
Segmental EBITDA	49,988	17,551	(7,230)	(417)	59,892
Depreciation	(1,025)	(13)	(189)	—	(1,227)
Amortisation	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3)</u>
Segment operating profit/ (loss)	48,960	17,538	(7,419)	(417)	58,662
Finance costs					<u>—</u>
Profit before income tax . . .					58,662
Income tax expense					<u>(8,489)</u>
Profit for the period					<u>50,173</u>

Six months ended 30 June 2009 (unaudited)

	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong (Note a)	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues from external customers	168,831	27,390	—	—	196,221
Intersegment revenues	<u>14,833</u>	<u>—</u>	<u>—</u>	<u>(14,833)</u>	<u>—</u>
Total revenues	<u>183,664</u>	<u>27,390</u>	<u>—</u>	<u>(14,833)</u>	<u>196,221</u>
Segmental EBITDA	31,468	2,150	(3,026)	—	30,592
Depreciation	(904)	(5)	(6)	—	(915)
Amortisation	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3)</u>
Segment operating profit/ (loss)	30,561	2,145	(3,032)	—	29,674
Finance costs					<u>(338)</u>
Profit before income tax . . .					29,336
Income tax expense					<u>(4,723)</u>
Profit for the period					<u>24,613</u>

Note (a): Revenue generated from Hong Kong mainly included sale of EFT-POS products to customers located in Singapore, Vietnam, Taiwan, Malaysia, Laos, New Zealand, Saudi Arabia, Fiji, South Africa, UAE, Austria, Middle East, Finland, France, South Korea, Japan and Russia.

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The segment assets and liabilities at 31 December 2007 and additions to non-current assets for the year ended 31 December 2007 are as follows:

As at 31 December 2007				
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	295,824	116,700	(54,885)	357,639
Segment liabilities	147,027	14,229	(26,815)	134,441
Year ended 31 December 2007				
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to non-current assets	565	42	—	607

The segment assets and liabilities at 31 December 2008 and additions to non-current assets for the year ended 31 December 2008 are as follows:

As at 31 December 2008					
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	418,453	140,941	349	(69,594)	490,149
Segment liabilities	162,971	28,437	1,818	(41,587)	151,639
Year ended 31 December 2008					
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to non-current assets	1,751	30	15	—	1,796

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

As at 31 December 2009					
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	485,777	146,144	1,843	(68,057)	565,707
Segment liabilities	143,299	28,267	11,009	(39,929)	142,646
Year ended 31 December 2009					
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to non-current assets	1,446	17	1,379	—	2,842

The segment assets and liabilities at 30 June 2010 and additions to non-current assets for the period ended 30 June 2010 are as follows:

As at 30 June 2010					
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	484,912	172,606	6,480	(78,616)	585,382
Segment liabilities	92,520	40,181	23,065	(49,347)	106,419
Six months ended 30 June 2010					
	PRC, other than Hong Kong, Macao and Taiwan	Hong Kong	US	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to non-current assets	1,912	19	954	—	2,885

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Segmental EBITDA represents operating profit before interest income, 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, trade and bills receivables, deposits and other receivables and cash and cash equivalents. Segment liabilities consist primarily of trade payables, accruals and other payables, amounts due to related parties and borrowings.

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

The revenues from external parties reported to the directors of the companies now comprising the Group is measured in a manner consistent with that in the combined income statements.

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

7 Expenses by nature

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

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Auditors' remuneration	463	562	557	278	321
Depreciation of property, plant and equipment (Note 14)	1,426	1,730	1,918	915	1,227
Amortisation of leasehold land (Note 15)	5	5	5	3	3
Employee benefit expenses (including directors' emoluments) (Note 9)	19,920	28,693	39,981	15,776	25,351
Costs of inventories sold (Note 16) . . .	199,659	293,039	286,685	121,243	152,929
Operating lease rentals in respect of buildings	1,711	1,938	3,264	1,383	2,057
Research and development costs	9,657	13,194	24,149	11,504	12,827
Loss on disposal of property, plant and equipment	—	14	6	6	284
Provision for impairment of trade receivables (Note 17)	730	476	422	—	374
Provision for obsolete inventories (Note 16)	1,419	244	—	—	—
	1,419	244	—	—	—

8 Net foreign exchange loss

The net foreign exchange loss recognised in administrative expenses for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 amounted to HK\$1,435,000, HK\$1,838,000, and HK\$668,000, HK\$212,000 and HK\$317,000, respectively.

9 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Wages and salaries	18,212	26,319	37,013	14,484	22,963
Social security and pension costs.	1,708	2,374	2,968	1,292	2,388
	<u>19,920</u>	<u>28,693</u>	<u>39,981</u>	<u>15,776</u>	<u>25,351</u>

(a) Directors' emoluments

The directors' emoluments during the Relevant Periods and the six months ended 30 June 2009 are equivalent to key management compensation.

The remuneration of each executive director of the Company during the Relevant Periods and the six months ended 30 June 2009 are set out below:

Name of Directors	Year ended 31 December 2007				
	Fees	Salary	Discretionary bonus	Employer's contribution to pension scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors					
Nie Guoming	—	515	—	5	520
Jiang Hongchun	—	—	—	—	—
Li Wenjin.	—	—	—	—	—
	<u>—</u>	<u>515</u>	<u>—</u>	<u>5</u>	<u>520</u>
Independent Non-Executive Directors					
Yip Wai Ming	—	—	—	—	—
Wu Min	—	—	—	—	—
Man Kwok Kuen, Charles	—	—	—	—	—
	<u>—</u>	<u>515</u>	<u>—</u>	<u>5</u>	<u>520</u>

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Year ended 31 December 2008

Name of Directors	Fees	Salary	Discretionary bonus	Employer's contribution to pension scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors					
Nie Guoming	—	616	—	6	622
Jiang Hongchun	—	—	—	—	—
Li Wenjin	—	—	—	—	—
	—	616	—	6	622
Independent Non-Executive Directors					
Yip Wai Ming	—	—	—	—	—
Wu Min	—	—	—	—	—
Man Kwok Kuen, Charles . .	—	—	—	—	—
	—	616	—	6	622

Year ended 31 December 2009

Name of Directors	Fees	Salary	Discretionary bonus	Employer's contribution to pension scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors					
Nie Guoming	—	661	—	6	667
Jiang Hongchun	—	—	—	—	—
Li Wenjin	—	—	—	—	—
	—	661	—	6	667
Independent Non-Executive Directors					
Yip Wai Ming	—	—	—	—	—
Wu Min	—	—	—	—	—
Man Kwok Kuen, Charles . .	—	—	—	—	—
	—	661	—	6	667

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Six months ended 30 June 2010

Name of Directors	Fees	Salary	Discretionary bonus	Employer's contribution to pension scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors					
Nie Guoming	—	308	—	3	311
Jiang Hongchun	—	—	—	—	—
Li Wenjin	—	—	—	—	—
	—	308	—	3	311
Independent Non-Executive Directors					
Yip Wai Ming	—	—	—	—	—
Wu Min	—	—	—	—	—
Man Kwok Kuen, Charles . .	—	—	—	—	—
	—	—	—	—	—
	—	308	—	3	311

Six months ended 30 June 2009 (unaudited)

Name of Directors	Fees	Salary	Discretionary bonus	Employer's contribution to pension scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors					
Nie Guoming	—	305	—	3	308
Jiang Hongchun	—	—	—	—	—
Li Wenjin	—	—	—	—	—
	—	305	—	3	308
Independent Non-Executive Directors					
Yip Wai Ming	—	—	—	—	—
Wu Min	—	—	—	—	—
Man Kwok Kuen, Charles . .	—	—	—	—	—
	—	—	—	—	—
	—	305	—	3	308

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(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 included 1, 1, 1 and 1 director, respectively. The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2010 did not include any directors.

The emoluments paid to the remaining 4, 4, 4, 4 and 5 individuals during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Wages and salaries	2,033	2,624	4,264	2,446	2,977
Social security and pension costs	12	12	12	6	—
	<u>2,045</u>	<u>2,636</u>	<u>4,276</u>	<u>2,452</u>	<u>2,977</u>

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, the emoluments of the highest paid individuals fall within the following band:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
Emolument bands					
Nil to HK\$1,000,000	4	4	2	3	5
HK\$1,000,001 - HK\$2,000,000	—	—	2	1	—
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>5</u>

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In addition to the directors' emoluments disclosed above, the following directors received emoluments from Hi Sun, part of which was in respect of their services to the companies now comprising the Group. No apportionment has been made as the directors consider that it is impracticable to apportion these amounts between their services to the companies now comprising the Group and their services to Hi Sun.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Li Wenjin (note i)	2,852	2,152	2,392	546	546
Nie Guoming	—	—	2,000	—	—
	<u>2,852</u>	<u>2,152</u>	<u>4,392</u>	<u>546</u>	<u>546</u>

Note (i): Li Wenjin will continue to receive emoluments from Hi Sun and the Group after the Listing.

During the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, Jiang Hongchun had received HK\$870,000, HK\$1,096,000, HK\$1,106,000, HK\$276,000 and HK\$279,000, respectively, from Hi Sun in relation to his capacity as director and employee of certain subsidiaries of Hi Sun. He has resigned from all such directorships and employment with these companies on or before the proposed listing.

During the Relevant Periods and the six months ended 30 June 2009, no directors or any of the five highest paid individuals of the companies now comprising the Group waived any emoluments and no emoluments were paid by the companies now comprising the Group to any of the directors or five highest paid individuals as an inducement to join or upon joining the companies now comprising the Group or as compensation for loss of office.

There was no arrangement under which a director or any of the five highest paid individuals agreed to waive any emolument during the Relevant Periods and the six months ended 30 June 2009.

10 Finance costs

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Interest expenses on bank borrowings	<u>1,579</u>	<u>835</u>	<u>429</u>	<u>338</u>	<u>—</u>

11 Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Current income tax					
- PRC enterprise income tax	4,796	10,174	14,532	4,423	6,763
- Hong Kong profits tax	—	530	1,000	300	3,000
Over provision in previous year	—	—	—	—	(1,274)
Income tax expense	<u>4,796</u>	<u>10,704</u>	<u>15,532</u>	<u>4,723</u>	<u>8,489</u>

Hong Kong profits tax has been provided at the rate of 17.5%, 16.5%, 16.5%, 16.5% and 16.5% on the estimated assessable profit for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively.

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

During the year ended 31 December 2007, PRC taxation has been provided on the profits of the companies now comprising the Group operating in the PRC and subject to Enterprise Income Tax (“EIT”) at a rate of 33%, unless preferential rates are applicable. Effective from 1 January 2008, the companies now comprising the Group are subject to EIT in accordance with the new PRC EIT Law as approved by the National People’s Congress on 16 March 2007. According to the new PRC EIT Law and the relevant regulations, the new EIT tax rate applicable to the subsidiaries now comprising the Group is 25% unless preferential rates are applicable in the cities where the subsidiaries are located.

Since Pax Computer Technology (Shenzhen) Co., Ltd. is located in the Shenzhen Special Economic Zone, it was eligible to enjoy preferential enterprise income tax rate of 15% prior to 1 January 2008. It was also eligible for the income tax holiday of “2-year exemption followed by 3-year 50% reduction” commencing from its first profit making year in 2004, pursuant to the Income Tax Law for Foreign Invested Enterprises and Foreign Owned Enterprise. After the implementation of the new PRC EIT in January 2008, the tax rate applicable to Pax Computer Technology (Shenzhen) Co., Ltd. was 18% during the year ended 31 December 2008. This will gradually increase to 25% in 2012 over a 5-year transition period. Pax Computer Technology (Shenzhen) Co., Ltd. was further accredited as a High and New Technology Enterprise in 2009 under the new PRC EIT Law and is eligible to enjoy a preferential tax rate of 15%. As such, the applicable enterprise income tax rate of Pax Computer Technology (Shenzhen) Co., Ltd. was 7.5%, 9%, 15%, 15% and 15% during the years ended 31 December 2007, 2008 and 2009 and during the six months ended 30 June 2009 and 2010, respectively.

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During the Relevant Periods and the six months ended 30 June 2009, Pax Technology, Inc. was operating at a net loss position and did not have any assessable profit.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the combined entities in the respective jurisdictions as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	69,011	116,766	100,083	29,336	58,662
Tax calculated at domestic rates applicable to profits of the combined entities in the respective jurisdictions	10,416	20,879	15,107	4,433	9,055
Income not subject to taxation.	(372)	(378)	(919)	(289)	(588)
Expenses not deductible for taxation purposes.	69	792	189	124	183
Utilisation of previously unrecognised tax losses.	(328)	(1,145)	—	—	—
Unrecognised tax losses.	—	244	1,155	455	1,113
Effect of tax holiday	(4,989)	(9,688)	—	—	—
Over provision in previous year.	—	—	—	—	(1,274)
	<u>4,796</u>	<u>10,704</u>	<u>15,532</u>	<u>4,723</u>	<u>8,489</u>

The weighted average applicable tax rate was 15.1%, 17.9% and 15.1%, 15.1% and 15.4% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively. The change is mainly caused by a change in the profitability of the companies now comprising the Group.

12 Earnings per share

Earnings per share information is not presented as its inclusion is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods and the six months ended 30 June 2009 on a combined basis as disclosed in Note 2 of this section.

13 Dividends

During the Relevant Periods and the six months ended 30 June 2009, no dividends were declared by the companies now comprising the Group to their then respective shareholders.

14 Property, plant and equipment

	Buildings	Leasehold improvements	Office furniture and equipment	Plant and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007						
Cost	6,034	835	3,458	998	499	11,824
Accumulated depreciation . . .	(680)	(84)	(2,154)	(598)	(249)	(3,765)
Net book amount	<u>5,354</u>	<u>751</u>	<u>1,304</u>	<u>400</u>	<u>250</u>	<u>8,059</u>
Year ended 31 December 2007						
Opening net book amount . . .	5,354	751	1,304	400	250	8,059
Additions	—	—	350	257	—	607
Depreciation	(552)	(173)	(370)	(228)	(103)	(1,426)
Exchange differences	346	54	82	32	14	528
Closing net book amount . . .	<u>5,148</u>	<u>632</u>	<u>1,366</u>	<u>461</u>	<u>161</u>	<u>7,768</u>
At 31 December 2007						
Cost	6,457	893	3,564	1,290	534	12,738
Accumulated depreciation . . .	(1,309)	(261)	(2,198)	(829)	(373)	(4,970)
Net book amount	<u>5,148</u>	<u>632</u>	<u>1,366</u>	<u>461</u>	<u>161</u>	<u>7,768</u>
Year ended 31 December 2008						
Opening net book amount . . .	5,148	632	1,366	461	161	7,768
Additions	—	—	531	31	1,234	1,796
Depreciation	(602)	(187)	(582)	(155)	(204)	(1,730)
Disposals (Note 25(b))	—	—	(14)	—	—	(14)
Exchange differences	272	45	70	25	18	430
Closing net book amount . . .	<u>4,818</u>	<u>490</u>	<u>1,371</u>	<u>362</u>	<u>1,209</u>	<u>8,250</u>
At 31 December 2008						
Cost	6,819	943	4,194	1,394	1,809	15,159
Accumulated depreciation . . .	(2,001)	(453)	(2,823)	(1,032)	(600)	(6,909)
Net book amount	<u>4,818</u>	<u>490</u>	<u>1,371</u>	<u>362</u>	<u>1,209</u>	<u>8,250</u>
Year ended 31 December 2009						
Opening net book amount . . .	4,818	490	1,371	362	1,209	8,250
Additions	—	—	1,952	—	890	2,842
Depreciation	(607)	(189)	(668)	(129)	(325)	(1,918)
Disposals (Note 25(b))	—	—	(6)	—	—	(6)
Closing net book amount . . .	<u>4,211</u>	<u>301</u>	<u>2,649</u>	<u>233</u>	<u>1,774</u>	<u>9,168</u>

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	Buildings	Leasehold improvements	Office furniture and equipment	Plant and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2009						
Cost	6,819	943	6,116	1,394	2,699	17,971
Accumulated depreciation . . .	<u>(2,608)</u>	<u>(642)</u>	<u>(3,467)</u>	<u>(1,161)</u>	<u>(925)</u>	<u>(8,803)</u>
Net book amount	<u>4,211</u>	<u>301</u>	<u>2,649</u>	<u>233</u>	<u>1,774</u>	<u>9,168</u>
Six months ended 30 June 2010						
Opening net book amount . . .	4,211	301	2,649	233	1,774	9,168
Additions	—	—	1,423	—	1,462	2,885
Depreciation	(306)	(95)	(489)	(57)	(280)	(1,227)
Disposals (Note 25(b))	—	—	(3)	—	(281)	(284)
Exchange differences	<u>61</u>	<u>15</u>	<u>26</u>	<u>4</u>	<u>37</u>	<u>143</u>
Closing net book amount . . .	<u>3,966</u>	<u>221</u>	<u>3,606</u>	<u>180</u>	<u>2,712</u>	<u>10,685</u>
At 30 June 2010						
Cost	6,939	960	7,581	1,419	3,747	20,646
Accumulated depreciation . . .	<u>(2,973)</u>	<u>(739)</u>	<u>(3,975)</u>	<u>(1,239)</u>	<u>(1,035)</u>	<u>(9,961)</u>
Net book amount	<u>3,966</u>	<u>221</u>	<u>3,606</u>	<u>180</u>	<u>2,712</u>	<u>10,685</u>

All depreciation of the Group's property, plant and equipment has been charged to administrative expenses.

As at 31 December 2007 and 2008, short-term bank borrowings of RMB8,400,000 (approximately HK\$8,988,000) and RMB8,400,000 (approximately HK\$9,492,000), respectively, were secured by certain property, plant and equipment with an aggregate net carrying value of HK\$5,780,000 and HK\$5,308,000, respectively. These bank borrowings were settled in 2009.

As at 31 December 2009 and 30 June 2010, certain property, plant and equipment of the Group with an aggregate net carrying value of HK\$4,512,000 and HK\$4,187,000, respectively, were secured for the banking facilities granted to the Group amounting to RMB 20,000,000 (approximately HK\$22,600,000) and RMB20,000,000 (approximately HK\$23,000,000) as at 31 December 2009 and 30 June 2010, respectively. As at 31 December 2009 and 30 June 2010, the Group did not utilise any of these banking facilities (Note 23).

15 Leasehold land

The Group's interests in leasehold land represent upfront payments for land and their net carrying values are analysed as follows:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net carrying value	212	222	230	225
Amortisation (Note 7)	(5)	(5)	(5)	(3)
Exchange differences	15	13	—	5
Closing net carrying value	<u>222</u>	<u>230</u>	<u>225</u>	<u>227</u>

All of the Group's leasehold land are located in the PRC and are held on leases of between 10 to 50 years. All amortisation of the Group's leasehold land has been charged to the administrative expenses.

As at 31 December 2007 and 2008, short-term bank borrowings of RMB8,400,000 (approximately HK\$8,988,000) and RMB8,400,000 (approximately HK\$9,492,000), respectively, were secured by leasehold land with an aggregate net carrying value of HK\$222,000 and HK\$230,000, respectively. These bank borrowings were settled in 2009.

As at 31 December 2009 and 30 June 2010, leasehold land of the Group with an aggregate net carrying value of HK\$225,000 and HK\$227,000 were secured for the banking facilities granted to the Group amounting to RMB 20,000,000 (approximately HK\$22,600,000) and RMB20,000,000 (approximately HK\$23,000,000) as at 31 December 2009 and 30 June 2010, respectively. As at 31 December 2009 and 30 June 2010, the Group did not utilise any of these banking facilities (Note 23).

16 Inventories

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	10,035	17,576	24,271	28,575
Work in progress	4,458	3,618	15,103	14,326
Finished goods	<u>41,091</u>	<u>80,996</u>	<u>71,184</u>	<u>80,536</u>
	<u>55,584</u>	<u>102,190</u>	<u>110,558</u>	<u>123,437</u>

The cost of inventories included in cost of sales during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 amounted to approximately HK\$199,659,000, HK\$293,039,000 and HK\$286,685,000, HK\$121,243,000 and HK\$152,929,000, respectively.

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The Group made provision of HK\$1,419,000, HK\$244,000, nil, nil and nil for obsolete inventories during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively, based on consideration of obsolescence of finished goods. The amount impaired has been included in cost of sales in the combined income statements.

17 Trade and bills receivables, deposits and other receivables

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (including retention money receivables) (Note (a))	86,831	111,850	95,554	213,153
Less: provision for impairment of receivables (Note (c))	<u>(1,616)</u>	<u>(2,186)</u>	<u>(2,608)</u>	<u>(2,573)</u>
Trade receivables, net	85,215	109,664	92,946	210,580
Bills receivables (Note (b))	<u>89,481</u>	<u>145,586</u>	<u>105,701</u>	<u>36,346</u>
Trade and bills receivables	174,696	255,250	198,647	246,926
Deposits and other receivables	<u>5,523</u>	<u>7,693</u>	<u>2,989</u>	<u>6,470</u>
Trade and bills receivables, deposits and other receivables	<u><u>180,219</u></u>	<u><u>262,943</u></u>	<u><u>201,636</u></u>	<u><u>253,396</u></u>

The carrying amounts of the Group's trade and bills receivables, deposits and other receivables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HKD	5,803	1,760	3,493	2,866
RMB	174,146	258,139	185,194	244,631
USD	<u>270</u>	<u>3,044</u>	<u>12,949</u>	<u>5,899</u>
	<u><u>180,219</u></u>	<u><u>262,943</u></u>	<u><u>201,636</u></u>	<u><u>253,396</u></u>

The fair values of trade and bills receivables (including retention money receivables), deposits and other receivables approximated their carrying values as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

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(a) Trade receivables (including retention money 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. The ageing analysis of the trade receivables is as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
Up to 90 days	72,483	62,700	61,009	114,720
91 to 180 days	7,657	33,175	20,862	31,917
181 to 365 days	4,001	5,935	8,960	58,600
Over 365 days	2,690	10,040	4,723	7,916
	<u>86,831</u>	<u>111,850</u>	<u>95,554</u>	<u>213,153</u>

The ageing analysis of retention money receivables included in the trade receivables is as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
Up to 90 days	1,857	6,937	3,040	6,036
91 to 180 days	—	3,132	1,379	5,008
181 to 365 days	—	359	7,648	5,965
Over 365 days	—	49	709	2,959
	<u>1,857</u>	<u>10,477</u>	<u>12,776</u>	<u>19,968</u>

The Group's sales are made to several major customers and there is concentration of credit risks. Sales of goods and services to the top five customers constituted approximately 79.8%, 85.4%, 74.3% and 62.5% of the Group's revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. They accounted for approximately 88.5%, 77.1%, 82.7% and 77.8% of the gross trade receivable balances as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

Receivables, including retention money receivables, that were neither past due nor impaired amounted to approximately HK\$84,771,000, HK\$108,890,000, HK\$92,946,000 and HK\$210,580,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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As at 31 December 2007, 2008 and 2009 and 30 June 2010, trade receivables of HK\$444,000, HK\$774,000, nil and nil were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
91 days to 180 days	444	—	—	—
181 days to 365 days	—	774	—	—
Over 365 days	—	—	—	—
	<u>444</u>	<u>774</u>	<u>—</u>	<u>—</u>

(b) Bills receivables

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

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

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Up to 90 days	27,173	69,527	86,504	5,889
91 days to 180 days	62,308	76,059	19,197	30,457
	<u>89,481</u>	<u>145,586</u>	<u>105,701</u>	<u>36,346</u>

Bank borrowings of RMB 9,367,000 (approximately HK\$10,023,000) and RMB 5,059,000 (approximately HK\$5,717,000) were secured by certain bills receivables totalling RMB 9,367,000 (approximately HK\$10,023,000) and RMB 5,059,000 (approximately HK\$5,717,000) as at 31 December 2007 and 2008, respectively (Note 23). These bank borrowings were settled during the year ended 31 December 2009. The Group had no borrowings as at 31 December 2009 and 30 June 2010.

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(c) Provision for impairment of trade receivables

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

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
At beginning of the year/period	873	1,616	2,186	2,608
Provision recognised in the combined income statements.	730	476	422	374
Receivables written-off as uncollectible	(74)	—	—	(444)
Exchange differences	87	94	—	35
At end of the year/period.	<u>1,616</u>	<u>2,186</u>	<u>2,608</u>	<u>2,573</u>

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivables mentioned above. The Group did not hold any collateral as security for these receivables as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

The other classes within trade and bills receivables, deposits and other receivables do not contain impaired assets.

18 Restricted cash

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
Restricted bank deposits.	<u>1,424</u>	<u>1,112</u>	<u>1,740</u>	<u>882</u>

Restricted cash represented bank deposits of the Group which were placed as guarantee deposits for tenders and as securities for sales of goods to customers and were denominated in RMB.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the effective interest rate on restricted bank deposits were 0.31%, 0.36%, 0.36% and 0.36% per annum, respectively. All restricted cash were kept in the bank accounts opened with banks in the PRC as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, where the remittance of funds is subject to foreign exchange control.

19 Cash and cash equivalents

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks and in hand	75,299	85,743	203,071	157,401
Short-term bank deposits	31,523	24,081	39,309	39,354
	<u>106,822</u>	<u>109,824</u>	<u>242,380</u>	<u>196,755</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, funds of the Group amounting to HK\$50,402,000, HK\$29,169,000, HK\$166,140,000 and HK\$81,069,000, respectively were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control.

The effective interest rate per annum on short-term bank deposits were 3.96%, 0.56%, 0.21% and 0.31% as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. These deposits have an average maturity of 19 days, 3 days, 11 days and 14 days, respectively. The carrying amounts of cash and cash equivalents were denominated in the following currencies:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HKD	17,764	12,493	14,405	50,064
RMB	39,840	29,244	162,503	80,687
USD.	48,269	65,668	64,432	64,943
Euro dollar	949	2,419	1,040	1,061
	<u>106,822</u>	<u>109,824</u>	<u>242,380</u>	<u>196,755</u>

The Group's maximum exposure to credit risk as at 31 December 2007, 2008 and 2009 and 30 June 2010 were HK\$106,609,000, HK\$109,294,000, HK\$242,143,000 and HK\$196,626,000, respectively.

20 Owners' equity

(i) Capital reserves

Capital reserves of the Group represent the paid-in capital of the companies now comprising the Group, after eliminating intra-group investments. The addition during the Relevant Periods represents capital contribution by Digital Investment (Note 28). As at 31 December 2007, 2008 and 2009 and 30 June 2010, capital reserves of the Group were HK\$113,125,000, HK\$113,125,000 and HK\$113,125,000 and HK\$113,125,000, respectively.

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(ii) Statutory reserves

PRC companies are required to allocate 10% of the companies' net profit to the statutory reserves fund until such fund reaches 50% of the companies' registered capital. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital. As at 31 December 2007, 2008 and 2009 and 30 June 2010, retained earnings comprised statutory reserves fund amounting to HK\$11,856,000, HK\$21,654,000, HK\$26,529,000 and HK\$26,529,000, respectively.

(iii) Adoption of Employee Incentive Plan of a subsidiary

On 27 April 2009, Pax Technology, a company now comprising the Group, adopted an employee incentive plan ("Pax HK Employee Incentive Plan") for the issuance of no more than 2,187,500 Pax Technology ordinary shares.

The Pax HK Employee Incentive Plan is designed to provide the directors, employees, advisers and consultants with the opportunity to acquire proprietary interests, which will encourage the grantees of such options to work towards enhancing the value of the Group and benefit the Group as a whole.

During the year ended 31 December 2009 and the six months ended 30 June 2010, no share option was granted under the Pax HK Employee Incentive Plan.

21 Trade payables, accruals and other payables

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	67,982	90,909	86,912	72,418
Other payables and accruals	28,234	25,137	41,322	24,836
	<u>96,216</u>	<u>116,046</u>	<u>128,234</u>	<u>97,254</u>

The ageing analysis of trade payables was as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Up to 90 days	49,168	74,562	79,190	65,630
91 to 180 days	12,877	8,346	2,379	3,846
181 to 365 days	3,929	204	103	2,942
Over 365 days	2,008	7,797	5,240	—
	<u>67,982</u>	<u>90,909</u>	<u>86,912</u>	<u>72,418</u>

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

22 Amounts due from/to related parties

These balances are interest free, unsecured, and are repayable on demand. The carrying amounts of amounts with related parties were denominated in the following currencies:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Amount due from a related party (Note 29(b))				
HKD	<u>5,600</u>	<u>5,600</u>	<u>—</u>	<u>—</u>
Amounts due to related parties (Note 29(b))				
RMB	<u>16,429</u>	<u>17,348</u>	<u>—</u>	<u>130</u>

The fair values of these balances approximate their carrying values. The outstanding balance as at 30 June 2010 represented administrative expenses incurred by the Company paid on behalf by Hi Sun, one of the shareholders of the Company. The directors confirmed that the outstanding balance as at 30 June 2010 has been fully settled before the date of this report.

23 Borrowings

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Short term bank borrowings, secured	<u>19,011</u>	<u>15,209</u>	<u>—</u>	<u>—</u>

As at 31 December 2007 and 2008, short term bank borrowings of RMB8,400,000 (approximately HK\$8,988,000) and RMB8,400,000 (approximately HK\$9,492,000), respectively, were secured by certain property, plant and equipment with an aggregate net carrying value of HK\$5,780,000 and HK\$5,308,000 of the Group (Note 14), respectively, and leasehold land with an aggregate net carrying value of HK\$222,000 and HK\$230,000 of the Group (Note 15), respectively, and guaranteed by an independent third party, 深圳市高新技術投資擔保有限公司 (“Shenzhen High and New Technology Investment Guarantee Company Limited”). These borrowings were settled in 2009.

As at 31 December 2007 and 2008, short term bank borrowings of RMB9,367,000 (approximately HK\$10,023,000) and RMB5,059,000 (approximately HK\$5,717,000), respectively, were secured by certain bills receivables of the Group (Note 17). These borrowings were settled in 2009.

As at 31 December 2007 and 2008, the Group had no undrawn banking facilities. As at 31 December 2009 and 30 June 2010, the Group had undrawn banking facilities of RMB20,000,000 (approximately HK\$22,600,000) and RMB20,000,000 (approximately HK\$23,000,000), respectively.

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The maturity of borrowings were as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Within 6 months	12,591	8,429	—	—
6 months to 1 year	6,420	6,780	—	—
	<u>19,011</u>	<u>15,209</u>	<u>—</u>	<u>—</u>

All the borrowings were at fixed interest rate. All the borrowings were denominated in RMB and the weighted average effective interest rates of borrowings at the balance sheet dates were as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Short term bank borrowings, secured	<u>7.35%</u>	<u>6.30%</u>	<u>—</u>	<u>—</u>

The carrying amounts of borrowings approximated their fair values as at 31 December 2007 and 2008 due to their short maturities.

24 Deferred income tax

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related benefits through future taxable profits is probable. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group had unrecognised tax losses of HK\$6,940,000, HK\$1,477,000, HK\$9,173,000 and HK\$16,592,000, respectively, to carry forward against future taxable income. These tax losses have not been recognised due to uncertainty of their future recoverability. The tax losses will expire according to the prevailing tax laws and regulations in the countries in which the Group operates.

Cai Shui [2008] Circular 1, which was jointly issued by the Ministry of Finance and the State Administration of Taxation, took effect on 22 February 2008. Under the circular, dividends declared by foreign investment enterprises (“FIEs”) to foreign investors out of their cumulative retained earnings as at 31 December 2007 shall be exempt from withholding income tax. For dividends declared out of profit earned after 1 January 2008, withholding income tax will be levied on the foreign investor at a tax rate of 10% unless the foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

Deferred income tax liabilities of HK\$4,384,000, HK\$8,527,000 and HK\$10,701,000 have not been recognised as at 31 December 2008 and 2009 and 30 June 2010, respectively for the withholding income tax that would be payable on the unremitted earnings of the subsidiaries now comprising the Group, amounting to HK\$87,672,000, HK\$170,550,000 and HK\$214,020,000 as at 31 December 2008 and 2009 and 30 June 2010, respectively, as the Group does not expect to pay out dividends arising from FIEs profit earned after 1 January 2008 in the foreseeable future.

25 Notes to combined cash flow statement

(a) Reconciliation of profit before income tax to cash (used in)/generated from operations

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before income tax	69,011	116,766	100,083	29,336	58,662
Adjustment for:					
Interest income (Note 6)	(1,156)	(841)	(271)	(122)	(369)
Finance costs (Note 10)	1,579	835	429	338	—
Depreciation of property, plant and equipment (Note 7)	1,426	1,730	1,918	915	1,227
Amortisation of leasehold land (Note 7)	5	5	5	3	3
Loss on disposal of property, plant and equipment (Note 7)	—	14	6	6	284
Provision for impairment of trade receivables (Note 17)	730	476	422	—	374
Provision for obsolete inventories (Note 7)	1,419	244	—	—	—
	73,014	119,229	102,592	30,476	60,181
Changes in working capital:					
Trade and bills receivables, deposits and other receivables	(117,244)	(83,294)	60,885	66,152	(52,099)
Inventories	(30,025)	(46,850)	(8,368)	(7,555)	(12,879)
Amounts due to/(from) related parties	2,119	919	(11,748)	(3,208)	130
Trade and other payables	35,392	19,830	12,188	(13,714)	(30,980)
Cash (used in)/generated from operations	<u>(36,744)</u>	<u>9,834</u>	<u>155,549</u>	<u>72,151</u>	<u>(35,647)</u>

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(b) In the combined cash flow statements, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net book amount (Note 14)	—	14	6	6	284
Loss on sale of property, plant and equipment	—	(14)	(6)	(6)	(284)
Proceeds from sale of property, plant and equipment	—	—	—	—	—

26 Contingent liabilities

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group had no contingent liabilities.

27 Operating lease commitments

The Group leases certain of its office premises under non-cancellable operating lease agreements. The leases have various terms and renewal rights. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	761	527	2,319	2,945
Later than one year and not later than five years	193	—	1,361	2,980
	<u>954</u>	<u>527</u>	<u>3,680</u>	<u>5,925</u>

28 Capital injection from a shareholder

On 4 April 2007, Pax Technology and Hi Sun entered into a subscription agreement with Digital Investment (the "Pax Subscriber"), in relation to the subscription by the Pax Subscriber of 8,750,000 preference shares of Pax Technology of HK\$1.00 each (the "Pax Preference Shares") issued and allotted by Pax Technology, at a cash consideration of approximately US\$10 million (approximately HK\$78,125,000) (the "Pax Subscription"). The Pax Preference Shares represented 20% of the issued share capital of Pax Technology as enlarged by the Pax Subscription. The Pax Subscription was completed on 23 May 2007. Pursuant to the Reorganisation, the Pax Subscriber is considered as one of the equity holders of the Company. Such contribution has been accounted for as "Capital injection from a shareholder" in "Capital reserves".

29 Related party transactions

Parties are considered to be related if one party has, directly or indirectly, the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Hi Sun, one of the shareholders of the Company, is incorporated in Bermuda with limited liability and listed on The Stock Exchange of Hong Kong Limited. The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Relevant Periods and the six months ended 30 June 2009:

<u>Name of the related party</u>	<u>Principal business activities</u>	<u>Relationship with the Group</u>
Beijing Hi Sunray Information Technology Limited ("Sunray")	Provision of telecommunication solutions and operation value-added services in the PRC	A fellow subsidiary of the Company
Hi Sun Technology Holding Limited ("HSTH")	Provision of financial services and related products in Hong Kong	A fellow subsidiary of the Company and a former holding company of Pax Technology until 29 May 2009 (Date of transfer of shareholding)
Beijing Hi Sun Electric Power Information Technology Limited	Provision of information technology solution services and related products for electric power industry in the PRC	A wholly-owned subsidiary of Hi Sun Limited, which is a substantial shareholder of Hi Sun
Beijing Hi Sun Advanced Business Solutions Information Technology Limited ("ABS")	Provision of financial and banking solutions and services in the PRC	A fellow subsidiary of the Company

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(a) Transactions with related parties during the Relevant Periods and the six months ended 30 June 2009

Other than the related party transactions disclosed in Note 9(b), the following transactions with related parties were undertaken by the Group with related parties during the Relevant Periods and the six months ended 30 June 2009.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Rental fees paid to Sunray, a wholly owned subsidiary of Hi Sun	248	266	329	134	242
Expenses paid by Hi Sun on behalf of the Group	—	—	—	—	130

The Directors of the Company have confirmed that the related party transactions set out in the above table will continue except for the expenses paid by Hi Sun on behalf of the Company. Such transaction would be discontinued upon the Listing.

Rentals paid to Sunray were charged at a fixed monthly fee subject to the terms mutually agreed by the relevant parties.

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related companies.

(b) Balances with related parties are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due from a related party				
Amount due from a fellow subsidiary				
- HSTH	5,600	5,600	—	—
Amounts due to related parties				
Amount due to a fellow subsidiary				
- ABS	15,827	16,715	—	—
Amounts due to related companies				
- Beijing Hi Sun Electric Power Information Technology Limited	602	633	—	—
- Hi Sun	—	—	—	130
	16,429	17,348	—	130

Other than the amount due to Hi Sun as at 30 June 2010 which arose from payment of expenses by Hi Sun Group on behalf of the Group, the remaining balances with related parties as at 31 December 2007 and 2008 arose from inter-company fund transfer.

(c) Key management compensation

Key management personnel are deemed to be the members of the board of directors of the companies now comprising the Group which has responsibility for planning, directing and controlling the activities of the Group. Details of key management compensation during the Relevant Periods and the six months ended 30 June 2009 have been disclosed in Note 9.

30 Financial information of the Company

The Company was incorporated on 15 February 2010. As at 30 June 2010, the Company had an amount due to a related company of HK\$130,000 and share capital of HK\$0.1 and accumulated loss of HK\$130,000. The Company had no other assets, liabilities or distributable reserve at that date.

31 Subsequent events

The following events took place subsequent to 30 June 2010:

- (a) Pursuant to resolutions from the board of directors and shareholder passed on 4 November 2010, the Company increased its authorised share capital from 1,000,000 shares to 800,000,000 shares.
- (b) On 4 November 2010, the Company entered into a share swap agreement with Hi Sun for the acquisition of the entire issued share capital of Grand Global in consideration of the Company crediting as fully paid the one nil paid share held by Hi Sun and allotting credited as fully paid 149,999,999 ordinary shares to Hi Sun.
- (c) On 5 November 2010, the Company entered into a share swap agreement with Digital Investment and Dream River for the acquisition of their entire shareholding in Pax Technology in consideration of allotting credited as fully paid 50,000,000 ordinary shares to each of Digital Investment and Dream River.
- (d) Pursuant to the written resolutions of the sole shareholder passed on 1 December 2010, the Company increased its authorised share capital from 800,000,000 shares to 2,000,000,000 shares.
- (e) Pursuant to the written resolution of the sole shareholder passed on 1 December 2010, conditional upon the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the Global Offering, the directors were authorised to capitalise HK\$49,000,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 490,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company, including Hi Sun, at the close of business on the business day immediately following the price determination date (or as they may direct) in proportion (as nearly as possible without involving the issue of fractions of Shares) to their respective shareholdings in the Company and the directors were authorised to allot and issue such shares as aforesaid and to give effect to the capitalisation issue and the shares to be allotted and issued shall rank *pari passu* with all shares in issue.

III. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2010. No dividend or distribution has been declared, made or paid by the Company in respect of any period subsequent to 30 June 2010.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the net tangible assets as at 30 June 2010 as if the Global Offering had taken place on that date. The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets had the Global Offering been completed as at 30 June 2010 or at any future date. The unaudited pro forma adjusted net tangible assets is based on the audited combined net tangible assets of the Group attributable to the equity holders as at 30 June 2010 as shown in the accountant's report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2010 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as at 30 June 2010	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on an Offer Price of HK\$2.53 per Share	478,963	583,242	1,062,205	1.06
Based on an Offer Price of HK\$3.23 per Share	478,963	758,219	1,237,182	1.24

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2010 is extracted from the accountant's report of the Company as set out in Appendix I, which is based on the audited combined net assets of the Group attributable to the equity holders as at 30 June 2010 of HK\$478,963,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$2.53 and HK\$3.23 per Share, respectively, after deduction of the underwriting commissions and related expenses payable by the Group and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 1,000,000,000 Shares were in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Global Offering but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, referred to the section headed the "Share Option Scheme" in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed the "Share Capital" or otherwise.
- (4) As at 30 September 2010, the Group's property interests were valued by Asset Appraisal Limited, an independent property valuer, and the relevant property valuation reports are set out in Appendix IV — Property Valuation. The net revaluation surplus, representing the excess of market value of the property interests over their book value, is approximately HK\$5.1 million. Such revaluation surplus has not been included in the Group's combined financial information as at 30 June 2010 and will not be included in the Group's financial statements for the year ending 31 December 2010. The above adjustment does not take into account the above revaluation surplus. Had the property interests been stated at such valuation, an additional depreciation of approximately HK\$1.0 million per annum would be charged against the consolidated profit and loss for the year ending 31 December 2010.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2010.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share prepared in accordance with Rule 4.29 of the Listing Rules is set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 ⁽¹⁾⁽²⁾not less than HK\$142.7 million ⁽²⁾⁽³⁾
Unaudited pro forma forecast earnings per Share ⁽⁴⁾not less than HK\$0.14

Notes:

- (1) *The forecast consolidated profit attributable to equity holders for the year ending 31 December 2010 is extracted from the section headed “Financial Information — Profit Forecast for the Year Ending 31 December 2010”. The basis on which the above profit forecast has been prepared is summarized in Appendix III. The forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 has been prepared based on the audited combined results for the six months ended 30 June 2010, the unaudited combined results based on the management accounts of the Group for the four months ended 31 October 2010 and a forecast of the consolidated results of the Group for the remaining two months ending 31 December 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of Section II of the Accountant’s Report, the text of which is set out in Appendix I.*
- (2) *The forecast consolidated profit attributable to equity holders for the six months ending 31 December 2010 is expected to increase from that for the six months ending 30 June 2010 due to the seasonal pattern in the business. Sales demand from the customers in the second half of the year is expected to be higher in anticipation of an increase in the volume of electronic payment transactions during the Chinese National Day and Christmas holidays. Besides, sales demand from the customers generally slows down during the first half of the year.*
- (3) *The calculation of the forecast consolidated profit attributable to equity holders for the year ending 31 December 2010 includes a value added tax refund of HK\$20.0 million of which HK\$16.1 million has been approved by the local tax bureau and received by the Group as at 31 October 2010.*
- (4) *The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010, on the basis that 1,000,000,000 Shares were in issue assuming that the Shares to be issued pursuant to the Reorganisation, the Capitalisation Issue and the Global Offering had been in issue since 1 January 2010, but takes no account of any shares which may be issued upon the exercise of Over-Allotment Option or any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme referred to the section headed “Share Option Scheme” in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed “Share Capital” or otherwise.*

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF PAX GLOBAL TECHNOLOGY LIMITED

We report on the unaudited pro forma financial information of PAX Global Technology Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the headings of "Unaudited Pro Forma Adjusted Net Tangible Assets" and "Unaudited Pro Forma Forecast Earnings Per Share" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 8 December 2010 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the combined net assets of the Group as at 30 June 2010 with the accountant's report as set out in Appendix I of the Prospectus, comparing the unaudited forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 with the profit forecast as set out in the section headed "Financial Information — Profit Forecast For the Year Ending 31 December 2010" in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future date; or
- the earnings per share of the Group for the year ending 31 December 2010 or any future periods.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 8 December 2010

The forecast of the consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 is set out in the section headed “Financial Information — Profit Forecast For the Year Ending 31 December 2010” in this prospectus.

(A) BASES AND ASSUMPTIONS

We have prepared our forecasted profits attributable to equity holders of the Company for the year ending 31 December 2010 based on the audited combined results of our Group for the six months ended 30 June 2010, the unaudited combined results of the Group for the four months ended 31 October 2010 and a forecast of the consolidated results for the remaining two months ending 31 December 2010. Our profit forecast has been presented on a basis consistent in all material respects with the accounting policies normally adopted by us as summarised in the Accountant’s Report in Appendix I. We have made the following principal assumptions in the preparation of our profit forecast:

- It is assumed that the Group will be able to continue in business and will not be materially interrupted by any unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes.
- It is assumed that there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal or economic conditions in the People’s Republic of China (the “PRC”) or any other territories in which the Group operates during the forecast period.
- It is assumed that there will be no significant changes in the bases and rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates.
- It is assumed that there will be no material changes in inflation or interest rates from those currently prevailing in the PRC and any other countries where our customers and suppliers operate during the forecast period.
- It is assumed that there will be no material changes in exchange rates during the forecast period.
- It is assumed that the Directors’ and key senior management’s will continue to involvement in the operations of the Group. In addition, it is assumed that the Group will be able to retain its key management and personnel during the forecast period.
- It is assumed that the Group will be able to recruit sufficient qualified personnel to achieve its planned expansion and that staffing level will be sufficient for the operation requirements of the Group during the forecast period.
- With effect from 1 January 2008, as a result of new PRC tax rules, the operating subsidiaries in the PRC are expected to withhold tax at 10% of the dividends to be remitted to overseas shareholders, unless the foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Under this new PRC tax rules, dividends distributed from profit earned before 1 January 2008 are exempted from such withholding tax. The Group does not expect to pay out dividends from its subsidiaries in the PRC in the foreseeable future.
- It is assumed that the Group’s operations, results, and financial position will not be adversely affected by the occurrence of any of the events described in the risk factors as mentioned in the Prospectus.

(B) LETTERS**(1) LETTER FROM THE REPORTING ACCOUNTANT ON THE PROFIT FORECAST**

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

8 December 2010

The Directors
PAX Global Technology Limited
CITIC Securities Corporate Finance (HK) Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of PAX Global Technology Limited (the “Company”) for the year ending 31 December 2010 (the “Profit Forecast”) as set out in the subsection headed “Profit Forecast for the Year Ending 31 December 2010” in the section headed “Financial Information” in the prospectus of the Company dated 8 December 2010 (the “Prospectus”).

We conducted our work in accordance with Auditing Guideline 3.341 on “Accountants’ report on profit forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Company and its subsidiaries (hereinafter collectively referred to as “the Group”) for the six months ended 30 June 2010, the unaudited combined results of the Group based on management accounts for the four months ended 31 October 2010 and a forecast of the consolidated results of the Group for the remaining two months ending 31 December 2010 on the basis that the current group structure had been in existence throughout the whole financial year ending 31 December 2010.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on page III-1 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of section II of the Financial Information section in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(2) LETTER FROM THE SPONSOR



26/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

8 December 2010

The Directors
PAX Global Technology Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to equity holders of PAX Global Technology Limited (the “**Company**”, together with its subsidiaries, hereinafter collectively referred to as the “**Group**”) for the year ending 31 December 2010 (the “**Profit Forecast**”) as set out in the subsection headed “Profit Forecast for the Year Ending 31 December 2010” in the section headed “Financial Information” in the prospectus issued by the Company dated 8 December 2010 (the “**Prospectus**”).

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Group for the six months ended 30 June 2010, the unaudited combined results of the Group based on management accounts for the four months ended 31 October 2010 and a forecast of the consolidated results of the Group for the remaining two months ending 31 December 2010 on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2010.

We have discussed with you the bases and assumptions made by the Directors as set out on page III-1 of the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated 8 December 2010 addressed to yourselves and ourselves from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, we are of the opinion that the Profit Forecast, for which you are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
CITIC Securities Corporate Finance (HK) Limited
Raymond Lee
Managing Director

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 September 2010 of the Properties held by the Group.



Asset Appraisal Limited
資產評值顧問有限公司

Rm 802, 8/F., On Hong Commercial Building
No. 145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號安康商業大廈
安康商業大廈8樓802室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

8 December 2010

The Board of Directors
PAX Global Technology Limited
CITIC Securities Corporate Finance (HK) Limited

Dear Sirs,

Re: Valuation of various properties in Hong Kong, the People's Republic of China (the "PRC") and the USA.

In accordance with the instructions from PAX Global Technology Limited (the "Company") to value the property interests (the "Properties") of the Company and its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong, the People's Republic of China ("the PRC") and the USA, we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 September 2010 (the "date of valuation").

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect its ownership.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely King & Wood (the "PRC Legal Opinion"), to the Company on the relevant laws and regulations in the PRC, on the nature of the Group's land use rights in the Properties. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

We have valued the property interests in Group I by the direct comparison approach where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

We have attributed no commercial value to the property interests in Groups II to IV, which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

As the Properties are held by the owner by means of long term Land Use Rights granted by the Government, we have assumed that the owners have free and uninterrupted rights to use the Properties for the whole of the unexpired term of the land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, tenancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We must point out that we have not carried out site investigations to determine the suitability of the ground conditions or the services for the development site of the Properties. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Remarks

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB), Hong Kong Dollars (HK\$) and US Dollars (USD).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Sandra Lau
MFin MHKIS AAPI RPS(GP)
Director

Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC. TSE Wai Leung a member of the Royal Institute of Chartered Surveyors, Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, the USA and the PRC.

SUMMARY OF VALUATION

<u>Property</u>	<u>Market value in existing states as at 30 September 2010</u>
	<u>RMB</u>
Group I — Property interest owned and occupied by the Group in the PRC	
1. Unit Nos. 401 and 402 on Level 4 of Block 3, Software Park, Keji Central 2 Road, High-Tech Industrial Park District, Nanshan District, Shenzhen City, Guangdong Province, The PRC.	7,920,000
Sub-Total	7,920,000
Group II — Property interest leased and occupied by the Group in Hong Kong	
2. Unit 17 on 9th Floor, New City Centre, No. 2 Lei Yue Mun Road, Kowloon, Hong Kong.	No Commercial Value
3. Rooms 2416-20 on the 24th Floor, Sun Hung Kai Centre, No. 30 Harbour Road, Wan Chai, Hong Kong.	No Commercial Value
Group III — Property interest leased and occupied by the Group in the PRC	
4. Unit No. 202 on Level 2, Block 3, Software Park, Keji Central 2 Road, High-Tech Industrial Park District, Nanshan District, Shenzhen City, Guangdong Province, The PRC.	No Commercial Value
5. 13 units on Level 4 East Wing of Block 8 and Portion of Level 1 and Whole of Level 4 of Block 7, Haowei Industrial Park, No. 8 Songshan Road, Shilou Town, Panyu District, Guangzhou City, The PRC.	No Commercial Value

<u>Property</u>	<u>Market value in existing states as at 30 September 2010</u> RMB
6. Unit Nos. 1601, 1602A, 1603 and 1608 on Level 16, Yindu Building, No. 67 Fu Cheng Road, Haidian District, Beijing City, The PRC.	No Commercial Value
7. Unit 14K, No. 728 Yan'an West Road, Changning District, Shanghai City, The PRC.	No Commercial Value
8. Unit 705, Level 7, Kexun Building, No. 60 Jianzhong Road, Tianhe District, Guangzhou City, Guangdong Province, The PRC.	No Commercial Value
9. Unit 904, Level 10, Jintaifeng Building, No. 133 Nan Guang Ji Street, Beilin District, Xi'an City, Shaanxi Province, The PRC.	No Commercial Value
10. Unit 905, Level 9, North Building, Jinjiang Shidai Garden, No. 107 Jinli West Road, Qingyang District, Chengdu City, Sichuan Province, The PRC.	No Commercial Value
11. Unit 8-4, Bei Zhan East Road Second Street, Shenhe District, Shenyang City, The PRC.	No Commercial Value
12. Unit 1210 on Level 12, No. 383 Tianmu Zhong Road, Zhabei District, Shanghai City, The PRC.	No Commercial Value

<u>Property</u>	<u>Market value in existing states as at 30 September 2010</u> RMB
13. Unit 5A, Block 1, Financial Services, Technology and Innovation Station, No.8 Kefa Road, Nanshan District, Shenzhen City, Guangdong Province, The PRC.	No Commercial Value
Sub-Total	No Commercial Value
Group IV — Property interest leased and occupied by the Group in the USA	
14. Suite 100 and 18 undesignated parking spaces 560 Broad Hollow Road, Melville, New York 11747, The USA.	No Commercial Value
Sub-Total	No Commercial Value
Grand Total	<u><u>RMB7,920,000</u></u>

VALUATION CERTIFICATE

Group I — Property interest owned and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
1. Unit Nos. 401 and 402 on Level 4 of Block 3, Software Park, Keji Central 2 Road High-Tech Industrial Park District, Nanshan District, Shenzhen City, Guangdong Province, The PRC. 深圳南山區高新技術產業園區科技中二路軟件園3棟4層401室及402室	The property comprises 2 industrial units on Level 4 of a 6-storey industrial building completed in 2005. The gross floor area of the property is 1,584.55 square metres. The property is held for a land use rights term expiring on 25 August 2052.	The property is occupied by the Group as an office.	7,920,000

Notes:

1. As stipulated in the Building and Land Ownership Certificates (ref. no. Shen Fang Di Zi Di 4000248962 and 4000248963 (深房地字第4000248962 and 4000248963號)) dated 27 December 2005, the property is held by Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司), a wholly owned subsidiary of the Company upon completion of the Reorganisation, for a term of 50 years commencing on 26 August 2002 and expiring on 25 August 2052 for industrial use.
2. Pursuant to the Sale and Purchase Agreement dated 29 August 2005, the property was acquired by Pax Computer Technology (Shenzhen) Co., Ltd. at a consideration of RMB5,942,062.50.
3. The property is subject to a mortgage in favour of China Merchants Bank — Shenzhen High-Tech Industrial Park Sub-Branch (招商銀行股份有限公司深圳高新園支行).
4. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pax Computer Technology (Shenzhen) Co., Ltd. acquired the property from 深圳高新區開發建設公司 on 29 August 2005. Pax Computer Technology (Shenzhen) Co., Ltd. currently holds the Building and Land Ownership Certificates (Ref. no. Shen Fang Di Zi Di 4000248962 and 4000248963, 深房地字第4000248962 and 4000248963號) of Unit Nos. 401 and 402 of the property with a gross floor area of 800.54 and 784.01 square metres respectively. The property is currently occupied as an office;
 - ii. Pursuant to a mortgage contract signed in 2009, the property is subject to a mortgage in favour of China Merchants Bank — Shenzhen High-Tech Industrial Park Sub-Branch (招商銀行股份有限公司深圳高新園支行) as security for the banking facility of RMB20,000,000. The registration of the mortgage was completed on 7 December 2009; and
 - iii. Pax Computer Technology (Shenzhen) Co., Ltd. legally owns the building ownership rights of the property. Pax Computer Technology (Shenzhen) Co., Ltd. has the right to use the property. Since the property is a non-market commodity property (非市場商品房), approval has to be obtained from the Office of Leading Group of Shenzhen High-Tech Industrial Park before the property can be mortgaged, leased or transferred. The mortgage is valid and it does not affect the Group's use of the property. Within the mortgage period, Pax Computer Technology (Shenzhen) Co., Ltd. shall not transfer the property without the consent from the mortgagee. Save for the aforesaid mortgage, the property is free from any other mortgages, seizures or restriction from any third party's interests.
5. Our valuation has been arrived on the basis that such approval from the Office of Leading Group of Shenzhen High-Tech Industrial Park shall not be unreasonably withheld.

VALUATION CERTIFICATE

Group II — Property interest leased and occupied by the Group in Hong Kong.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
2. Unit 17 on 9th Floor, New City Centre, No. 2 Lei Yue Mun Road, Kowloon, Hong Kong.	<p>The property comprises an industrial unit on the 9th floor of a 14-storey industrial building completed in 1983.</p> <p>The total gross floor area of the property is approximately 400 square feet.</p> <p>The property is leased to the Group from an independent third party for a term of two years commencing from 6 April 2009 and expiring on 5 April 2011 at a monthly rent of HK\$4,500 inclusive of Government Rates and Government Rent and management fees.</p>	The property is occupied by the Group as a warehouse.	No Commercial Value

Notes:

1. According to the records in the Land Registry, the registered owner of the property is Chow Pui Ying.
2. The tenant of the property is Pax Technology Limited, which is a wholly-owned subsidiary of the Company upon completion of the Reorganisation.
3. The property falls within an area zoned "Other Specified Uses (Business)" under Cha Kwo Ling, Yau Tong & Lei Yue Mun Outline Zoning Plan No. S/K15/18.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
3. Rooms 2416-20 on the 24th Floor, Sun Hung Kai Centre, No. 30 Harbour Road, Wan Chai, Hong Kong.	<p>The property comprises five adjoining office units on 24th floor of a 56-storey office building completed in about 1980.</p> <p>The property has a total lettable area of approximately 2,260 square feet.</p> <p>The property is leased to the Group from an independent third party for a term commencing from 20 September 2010 and expiring on 12 March 2012 at a monthly rent of HK\$92,660.00 exclusive of rates, service and management fee.</p>	The property is occupied by the Group as office.	No Commercial Value

Notes:

1. According to the records in the Land Registry, the registered owner of the property is Speedway Assets Limited. Sun Hung Kai Real Estate Agency Limited acts as the agent of Speedway Assets Limited to lease the property to Pax Technology Limited.
2. Pursuant to a tenancy agreement dated 11 March 2009 and a novation agreement dated 7 September 2010, the property is let to Pax Technology Limited, a wholly owned subsidiary of the Company upon completion of the Reorganisation, for a term commencing from 20 September 2010 and expiring on 12 March 2012 at a monthly rent of HK\$92,660.00 exclusive of rates, service and management fee.
3. The property falls within an area zoned "Commercial" under Wan Chai North Outline Zoning Plan No. S/H25/2.

VALUATION CERTIFICATE

Group III — Property interest leased and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
4. Unit No. 202 on Level 2, Block 3, Keji Central 2 Road, Software Park, High-Tech Industrial Park District, Nanshan District, Shenzhen City, Guangdong Province, The PRC. 深圳南山區高新技術產業園區科技中二路軟件園3棟2層202	The property comprises an industrial unit on Level 2 of a 6-storey industrial building completed in 2005. The gross floor area of the property is 784 square metres. The property is leased to the Group from an independent third party for a term of two years commencing from 3 March 2009 and expiring on 31 March 2011 at a monthly rent of RMB49,392 exclusive of management fee.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

1. As stipulated in the Building and Land Ownership Certificate (ref. No. Shen Fang Di Zi Di 4000252129 (深房地字第4000252129號)) dated 16 January 2006, the property is held by Shenzhen San Bi Special Technology Limited Company (深圳市三比特技術有限公司) for a term of 50 years commencing from 26 August 2002 and expiring on 25 August 2052 for industrial use.
2. Pursuant to a tenancy agreement dated 3 March 2009, Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司), a wholly owned subsidiary of the Company upon completion of the Reorganisation, rented the property from Shenzhen San Bi Special Technology Limited Company for a term of two years commencing from 3 March 2009 and expiring on 31 March 2011 at a monthly rent of RMB49,392 exclusive of management fee.
3. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司) signed a tenancy agreement with Shenzhen San Bi Special Technology Limited Company (深圳市三比特技術有限公司) on 3 March 2009. Shenzhen San Bi Special Technology Limited Company leased to Pax Computer Technology (Shenzhen) Co., Ltd. the property with a gross floor area of 784 square metres for a term commencing from 3 March 2009 and expiring on 31 March 2011 at a monthly rent of RMB49,392;
 - ii. Shenzhen San Bi Special Technology Limited Company acquired the property from 深圳高新區開發建設公司處 on 19 April 2005 and the Building and Land Ownership Certificate (ref. No. Shen Fang Di Zi Di 4000252129 (深房地字第4000252129號)) of the property was issued on 16 January 2006;
 - iii. Since the property is non-market commodity property, it requires the approval from the relevant authority in order to let the property. As such approval has not been obtained, there is a risk that the tenancy will be declared null and void. The declaration from Shenzhen San Bi Special Technology Limited Company states: "We are currently applying for registration and approval of the tenancy of this non-market commodity property. We are responsible for any risk arising from these irregularities during the period before the approval has been obtained". Thus, the defect of this property does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd.; and
 - iv. Although the aforesaid tenancy agreement has not been registered in the relevant authority, it does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd. or its use of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
5. 13 units on Level 4 East Wing of Block 8 and Half of Level 1 and Whole of Level 4 of Block 7, Haowei Industrial Park, No. 8 Songshan Road, Shilou Town, Panyu District, Guangzhou City, The PRC. 廣州市番禺區石樓鎮嵩山路8號顯偉工業園7棟首層(半層)和4層整層、8棟第4層東面13間	<p>The property comprises various workshop units on Levels 1 and 4 of a 4 storey industrial building and 13 dormitory units on Level 4 of a 6-storey dormitory building completed in 2008.</p> <p>The gross floor area of the property is 3714 square metres as follows:</p> <p>Workshop 3,168 square metre Dormitory 546 square metre</p> <p>The property is leased to the Group from an independent third party for a term of three years commencing from 1 March 2009 and expiring on 28 February 2012 at a monthly rent of RMB39,015 inclusive of management fee.</p>	The property is occupied by the Group as a warehouse and a dormitory.	No Commercial Value

Notes:

1. As stipulated in the State-owned Land Use Rights Certificate (ref. no. G09-000251) dated 4 June 2003 and Building and Land Ownership Certificate (ref. no. Yue Fang Di Quan Zheng Sui Zi Di 0210010941 (粵房地權証穗字第0210010941號)) dated 15 May 2009, the property is held by Guangzhou Chaotian Metal Industrial Limited Company (廣州市潮田五金工業有限公司) for a term expiring on 13 April 2053 for industrial use.
2. Pursuant to a tenancy agreement dated 16 January 2009, Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司), a wholly owned subsidiary of the Company upon completion of the Reorganisation, rented the property from Guangzhou Chaotian Metal Industrial Limited Company for a term of three years commencing from 1 March 2009 and expiring on 28 February 2012 at a monthly rent of RMB39,015 inclusive of management fee.
3. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司) signed a tenancy agreement with Guangzhou Chaotian Metal Industrial Limited Company (廣州市潮田五金工業有限公司) on 16 January 2009. Guangzhou Chaotian Metal Industrial Limited Company leased to Pax Computer Technology (Shenzhen) Limited the property with a gross floor area of 3,714 square metres for a term commencing from 1 March 2009 and expiring on 28 February 2012 at a total monthly rent of RMB39,015;
 - ii. 廣州市潮田五金工業有限公司 has been issued the Building and Land Ownership Certificate (ref. no. Yue Fang Di Quan Zheng Sui Zi Di 0210010941) of the property and has the right to let the property to Pax Computer Technology (Shenzhen) Co., Ltd.. After verification, there is a discrepancy between the registered address stipulated in the Building and Land Ownership Certificate and the address stipulated in the tenancy agreement. As confirmed by Pax Computer Technology (Shenzhen) Co., Ltd., the discrepancy was caused by the change of street numbers during the re-planning stage of Shilou Town;
 - iii. the tenancy agreement is legal and valid and Pax Computer Technology (Shenzhen) Co., Ltd. has the right to use the property legally during the term of the tenancy. The aforesaid discrepancy does not impair the validity of the tenancy agreement and does not have material adverse effect on the tenant's occupation of the property; and
 - iv. Although the aforesaid tenancy agreement has not been registered in the relevant authority, non-registration will not affect the validity of the tenancy agreement and it does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd. or its use of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
6. Unit Nos. 1601, 1602A, 1603 and 1608 on Level 16, Yindu Building, No. 67 Fu Cheng Road, Haidian District, Beijing City, The PRC. 北京市海澱區阜成路67號銀都大廈16層1601, 1062A, 1603和1608室.	The property comprises four office units on Level 16 of a 17 storey office building completed in 2005. The gross floor area of the property is 368 square metres. The property is leased to the Group from a connected party for a term commencing from 1 January 2010 and expiring on 31 December 2011 at a monthly rent of RMB35,328 exclusive of management fee.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

1. As stipulated in the Building Ownership Certificate (ref. no. Jing Fang Quan Zheng Hai She Yi Zi Di 0096552 (京房權證海涉移字第0096552號) dated 14 December 2008, the building ownership rights of the property are held by 北京高陽聖思園信息技術有限公司 (Beijing Hi Sunray Information Technology Limited).
2. Pursuant to a tenancy agreement dated 11 February 2010 and another tenancy agreement dated 15 November 2010, Pax Computer Technology (Shenzhen) Limited Beijing Representative Office (百富計算機技術(深圳)有限公司北京辦事處), a wholly owned subsidiary of the Company upon completion of the Reorganisation, rented the property with an area of 368 square metres from Beijing Hi Sunray Information Technology Limited (北京高陽聖思園信息技術有限公司) for a term commencing on 1 January 2010 and expiring on 31 December 2011 at a monthly rent of RMB35,328 exclusive of management fee.
3. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pax Computer Technology (Shenzhen) Limited (百富計算機技術(深圳)有限公司) and Beijing Hi Sunray Information Technology Limited signed a tenancy agreement on 11 February 2010 and another tenancy agreement dated 15 November 2010. Pax Computer Technology (Shenzhen) Limited rented the property with an area of 368 square metres from Beijing Hi Sunray Information Technology Limited for a term commencing on 1 January 2010 and expiring on 31 December 2011 at a monthly rent of RMB35,328 exclusive of management fee;
 - ii. Beijing Hi Sunray Information Technology Limited (北京高陽聖思園信息技術有限公司) has been issued the Building Ownership Certificate (ref. no. Jing Fang Quan Zheng Hai She Yi Zi Di 0096552 (京房權證海涉移字第0096552號)) of the property and has the right to let the property to Pax Computer Technology (Shenzhen) Limited;
 - iii. the tenancy agreement is legal and valid and Pax Computer Technology (Shenzhen) Limited has the right to use the property legally during the term of the tenancy; and
 - iv. Although the aforesaid tenancy agreement has not been registered in the relevant authority, non-registration will not affect the validity of the tenancy agreement and it does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Limited or its use of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
7. Unit 14K, No. 728 Yan'an West Road, Changning District, Shanghai City, The PRC. 上海市長寧區 延安西路728號 14K室	The property comprises an office unit on Level 14 of a 28-storey office building completed in 2004. The gross floor area of the property is 309.67 square metres. The property is leased to the Group from an independent third party for a term commencing from 6 May 2010 and expiring on 5 May 2013 at a monthly rent of RMB39,560 exclusive of management fee.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

1. As stipulated in the Shanghai Certificate of Real Estate Ownership (ref. no. Hu Fang Di Chang Zi (2008) Di No. 007907 (滬房地長字(2008)第007907號) dated 26 May 2008, the property is held by Kunshan Zhang Recorded Hardware Co., Ltd. (昆山璋錄五金製品有限公司).
2. Pursuant to a tenancy agreement made in 2010, Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司), a wholly-owned subsidiary of the Company upon completion of the Reorganisation, rented the property with an area of 309.67 square metres from Kunshan Zhang Recorded Hardware Co., Ltd. (昆山璋錄五金製品有限公司) for a term commencing on 6 May 2010 and expiring on 5 May 2013 at a monthly rent of RMB39,560 exclusive of management fee.
3. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司) and Kunshan Zhang Recorded Hardware Co., Ltd. (昆山璋錄五金製品有限公司) signed a tenancy agreement for the property. Pax Computer Technology (Shenzhen) Co., Ltd. rented the property with an area of 309.67 square metres from Kunshan Zhang Recorded Hardware Co., Ltd. (昆山璋錄五金製品有限公司) for a term from 6 May 2010 to 5 May 2013 at a monthly rent of RMB39,560 for office use;
 - ii. Kunshan Zhang Recorded Hardware Co., Ltd. (昆山璋錄五金製品有限公司) has been issued the Shanghai Certificate of Real Estate Ownership (ref. no. Hu Fang Di Chang Zi (2008) Di No. 007907 (滬房地長字(2008)第007907號)) of the property and has the right to let the property to Pax Computer Technology (Shenzhen) Co., Ltd.;
 - iii. the tenancy agreement is legal and valid and Pax Computer Technology (Shenzhen) Co., Ltd. has the right to use the property legally during the term of the tenancy; and
 - iv. Although the aforesaid tenancy agreement has not been registered in the relevant authority, non-registration will not affect the validity of the tenancy agreement and it does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd. or its use of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
8. Unit 705, Level 7, Kexun Building, No. 60 Jianzhong Road, Tianhe District, Guangzhou City, Guangdong Province, The PRC. 廣州市天河區 建中路60號 科訊大廈七樓705房	<p>The property comprises an industrial unit on Level 7 of a 7-storey industrial building completed in 1998.</p> <p>The gross floor area of the property is 123 square metres.</p> <p>The property is leased to the Group from an independent third party for a term commencing from 1 December 2009 and expiring on 30 November 2011 at a monthly rent of RMB5,289 for the period from 1 December 2009 to 30 November 2010 and RMB5,553 for the period of 1 December 2010 to 30 November 2011 exclusive of management fee.</p>	The property is occupied by the Group as an office.	No Commercial Value

Notes:

1. As stipulated in the Building and Land Ownership Certificate (ref. no. Yue Fang Di Quan Zheng Sui Zi Di 0940005823 (粵房地權證穗字第0940005823號)) dated 11 February 2009, the property is held by 廣東科技出版社有限公司.
2. Pursuant to a tenancy agreement dated 18 November 2009, Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司), a wholly-owned subsidiary of the Company upon completion of the Reorganisation, rented the property with an area of 123 square metres from 廣東科技出版社有限公司 for a term commencing from 1 December 2009 and expiring on 30 November 2011 at a monthly rent of RMB5,289 for the period from 1 December 2009 to 30 November 2010 and RMB5,553 for the period from 1 December 2010 to 30 November 2011 for factory use. By a Certificate dated 13 October 2010, 廣東科技出版社有限公司 confirms that the property is for office use.
3. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司) and 廣東科技出版社有限公司 signed a tenancy agreement for the property. Pax Computer Technology (Shenzhen) Co., Ltd. rented the property with an area of 123 square metres from 廣東科技出版社有限公司 for a term commencing from 1 December 2009 and expiring on 30 November 2011 at a monthly rent of RMB5,289 for the period from 1 December 2009 to 30 November 2010 and RMB5,553 for the period from 1 December 2010 to 30 November 2011;
 - ii. By a Certificate dated 13 October 2010, 廣東科技出版社有限公司 confirms that the property is for office use;
 - iii. 廣東科技出版社有限公司 has been issued the Building and Land Ownership Certificate (ref. no. Yue Fang Di Quan Zheng Sui Zi Di 0940005823 (粵房地權證穗字第0940005823號)) of the property and has the right to let the property to Pax Computer Technology (Shenzhen) Co., Ltd.;
 - iv. the tenancy agreement has been registered and is legal and valid;
 - v. The user clause in the Building and Land Ownership Certificate stipulates that the property is for factory use. As Pax Computer Technology (Shenzhen) Co., Ltd. uses the property as an office, there is a risk of violating the permitted user of the property. Pax Computer Technology (Shenzhen) Co., Ltd. may be requested to change the user of the property or to move out from the property; and
 - vi. Pursuant to a Deed of Indemnity issued by Hi Sun Technology (China) Limited on 1 December 2010, it shall indemnify the Company for all damages and loss arising from the renting of the property by Pax Computer Technology (Shenzhen) Co., Ltd.. As the property can be substituted and given the issue of the aforesaid Deed of Indemnity, the inconsistency between the permitted use and the actual use of the property shall not have any material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd..

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
9. Unit 904, Level 10 Jintaifeng Building, No. 133 Nan Guang Ji Street, Beilin District, Xi'an City, Shaanxi Province, The PRC. 西安市碑林區 南廣濟街133號 金泰豐大廈10層 904室	<p>The property comprises an office unit on Level 10 of a 11-storey office building completed in about 2004.</p> <p>The gross floor area of the property is 136.78 square metres.</p> <p>The property is leased to the Group from an independent third party for a term of 5 years commencing from 15 September 2009 and expiring on 14 September 2014 at a monthly rent of RMB4,580 exclusive of management fee, electricity and water charges.</p>	<p>The property is occupied by the Group as an office.</p>	<p>No Commercial Value</p>

Notes:

1. As stipulated in the Building Ownership Certificate (ref. no. Bei Lin Qu Zi Di 064295 (碑林區字第064295號)) dated 9 May 2006, the building ownership rights of the property are held by Zhou Wen Lan (周文蘭).
2. Pursuant to a tenancy agreement dated 28 August 2009, Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司), a wholly-owned subsidiary of the Company upon completion of the Reorganisation, rented the property with an area of 136.78 square metres from Liang Dong (梁棟) (a representative of Zhou Wen Lan (周文蘭)) for a term commencing from 15 September 2009 and expiring on 14 September 2014 at a monthly rent of RMB4,580 for office use.
3. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司) and Liang Dong (梁棟) signed a tenancy agreement for the property. Pax Computer Technology (Shenzhen) Co., Ltd. rented the property with an area of 136.78 square metres from Liang Dong (梁棟) for a term commencing from 15 September 2009 and expiring on 14 September 2014 at a monthly rent of RMB4,580;
 - ii. Zhou Wen Lan (周文蘭) is the owner of the property and has been issued the Building Ownership Certificate (ref. no. Bei Lin Qu Zi Di 064295 (碑林區字第064295號)) of the property. Liang Dong has been authorised by the owner of the property to handle all matters in relation to the leasing of the property;
 - iii. Liang Dong has the right to lease the property to Pax Computer Technology (Shenzhen) Co., Ltd. and the tenancy agreement is legal and valid and Pax Computer Technology (Shenzhen) Co., Ltd. has the right to use the property legally during the term of the tenancy; and
 - iv. Although the aforesaid tenancy agreement has not been registered in the relevant authority, non-registration will not affect the validity of the tenancy agreement and it does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd. or its use of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
10. Unit 905, Level 9, North Building, Jinjiang Shidai Garden, No. 107 Jinli West Road, Qingyang District, Chengdu City, Sichuan Province, The PRC. (成都市青羊區 錦里西路107號 錦江時代花園 北樓905室)	<p>The property comprises a residential unit on Level 9 of an 18-storey residential building completed in about 2000.</p> <p>The gross floor area of the property is 177.26 square metres.</p> <p>The property is leased to the Group from an independent party for a term of 36 months commencing from 26 April 2010 and expiring on 25 April 2013 at a monthly rent of RMB6,500 exclusive of management fee, electricity, water and gas charges.</p>	<p>The property is occupied by the Group as office.</p>	No Commercial Value

Notes:

1. As stipulated in the Building Ownership Certificate (ref. no. Cheng Fang Quan Zheng Jian Zheng Zi Di 145342 (成房權証監証字第145342號)), the building ownership rights of the property are held by Ye Da Yong (葉大勇)
2. Pursuant to a tenancy agreement dated 20 April 2010 and a supplementary agreement dated 17 May 2010, Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司), a wholly-owned subsidiary of the Company upon completion of the Reorganisation, rented the property with an area of 177.26 square metres from Ye Da Yong (葉大勇) for a term of 36 months commencing from 26 April 2010 and expiring on 25 April 2013 at a monthly rent of RMB6,500 exclusive of management fee, electricity, water and gas charges.
3. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司) and Ye Da Yong (葉大勇) signed a tenancy agreement for the property. Pax Computer Technology (Shenzhen) Co., Ltd. rented the property with an area of 177.26 square metres from Ye Da Yong (葉大勇) for a term commencing from 26 April 2010 and expiring on 25 April 2013 at a monthly rent of RMB6,500;
 - ii. Ye Da Yong (葉大勇) has been issued the Building Ownership Certificate (ref. no. Cheng Fang Quan Zheng Jian Zheng Zi Di 145342 (成房權証監証字第145342)) of the property and has the right to let the property to Pax Computer Technology (Shenzhen) Co., Ltd.;
 - iii. The user clause in the Building Ownership Certificate stipulates that the property is for residential purpose. As Pax Computer Technology (Shenzhen) Co., Ltd. uses the property as an office, there is a legal risk of violating the permitted user of the property. According to the stipulations in the Property Rights of the People's Republic of China (中華人民共和國物權法), the owner has the right to request Pax Computer Technology (Shenzhen) Co., Ltd. to move out from the property if no consent is obtained from the owner to change the user of the property;
 - iv. Pursuant to a Deed of Indemnity issued by Hi Sun Technology (China) Limited on 1 December 2010, it shall indemnify the Company for all damages and losses arising from the renting of the property by Pax Computer Technology (Shenzhen) Co., Ltd.;
 - v. As the property can be substituted and given the issue of the aforesaid Deed of Indemnity, the issue of inconsistency between permitted use and actual use of the property does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co. Ltd.;
 - vi. the tenancy agreement is legal and valid; and
 - vii. Although the aforesaid tenancy agreement has not been registered in the relevant authority, non-registration will not affect the validity of the tenancy agreement and it does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd. or its use of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
11. Unit 8-4, Bei Zhan East Road Second Street, Shenhe District, Shenyang City, The PRC. 瀋陽市沈河區 北站東路二街 8-4號	The property comprises a residential unit on Level 8 of a 25-storey residential building completed in 1998. The gross floor area of the property is 160 square metres. The property is leased to the Group from an independent third party for a term of 2 years commencing from 15 September 2009 and expiring on 14 September 2011 at a monthly rent of RMB3,000 exclusive of electricity, water, gas and telephone charges.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

1. As stipulated in the Building Ownership Certificate (ref. no. Shen He Zi Di 141508 (沈河字第141508號)) dated 23 February 2004, the building ownership rights of the property are held by Zhang Cun Zhu (張存柱).
2. Pursuant to a tenancy agreement dated 15 September 2009, Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司), a wholly-owned subsidiary of the Company upon completion of the Reorganisation, rented the property with an area of 160 square metres from Zhang Cun Zhu (張存柱) for a term commencing on 15 September 2009 and expiring on 14 September 2011 at a monthly rent of RMB3,000 for office use.
3. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司) and Zhang Cun Zhu (張存柱) signed a tenancy agreement for the property. Pax Computer Technology (Shenzhen) Co., Ltd. rented the property with an area of 160 square metres from Zhang Cun Zhu (張存柱) for a term commencing from 15 September 2009 and expiring on 14 September 2011 at a monthly rent of RMB3,000 for office use;
 - ii. Zhang Cun Zhu (張存柱) has been issued the Building Ownership Certificate (ref. no. Shen He Zi Di 141508 (沈河字第141508號)) of the property and has the right to let the property to Pax Computer Technology (Shenzhen) Co., Ltd.;
 - iii. The user clause in the Building Ownership Certificate stipulates that the property is for residential purpose. As Pax Computer Technology (Shenzhen) Co., Ltd. uses the property as an office, there is a legal risk of violating the permitted user of the property. According to the stipulations in the Property Rights of the People's Republic of China (中華人民共和國物權法), the owner has the right to request Pax Computer Technology (Shenzhen) Co., Ltd. to move out from the property if no consent is obtained from the owner to change the user of the property;
 - iv. Pursuant to a Deed of Indemnity issued by Hi Sun Technology (China) Limited on 1 December 2010, it shall indemnify the Company for all damages and losses arising from the leasing of the property by Pax Computer Technology (Shenzhen) Co., Ltd.;
 - v. As the property can be substituted and given the issue of the aforesaid Deed of Indemnity, the issue of inconsistency between permitted use and actual use of the property does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd.;
 - vi. the tenancy agreement is legal and valid; and
 - vii. Although the aforesaid tenancy agreement has not been registered in the relevant authority, non-registration will not affect the validity of the tenancy agreement and it does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd. or its use of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
12. Unit 1210 on Level 12, No. 383 Tianmu Zhong Road, Zhabei District, Shanghai City, The PRC. 上海市閘北區天目中路383號1210室	<p>The property comprises an office unit on Level 12 of an 18-storey office building completed in 1999.</p> <p>The gross floor area of the property is 75 square metres.</p> <p>The property is leased to the Group from an independent third party for a term commencing from 1 January 2010 and expiring on 31 March 2011 at a monthly rent of RMB4,020 exclusive of management fee, electricity, water gas and other charges.</p>	The property is occupied by the Group as storage area.	No Commercial Value

Notes:

1. As stipulated in the Shanghai Certificate of Real Estate Ownership (ref. no. Hu Fang Di Zha Zi (2006) Di 014653 (滬房地開字(2006)第014653號) dated 15 August 2006, the property is held by Shanghai Haiwen Real Estate Company Limited (上海海文房地產有限公司).
2. Pursuant to two tenancy agreements entered into between Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司) and Shanghai Haiwen Real Estate Company Limited (上海海文房地產有限公司) and an authorisation letter issued by Shanghai Haiwen Real Estate Company Limited, Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司), a wholly owned subsidiary of the Company upon completion of the Reorganisation, rented the property from Shanghai Haiwen Real Estate Company Limited for a term commencing from 1 January 2010 to 31 March 2011 at a monthly rent of RMB4,020 (exclusive of management fee, electricity, water gas and other charges) for storage use.
3. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pursuant to two tenancy agreements entered into between Pax Computer Technology (Shenzhen) Co., Ltd. and Shanghai Haiwen Real Estate Company Limited and an authorisation letter issued by Shanghai Haiwen Real Estate Company Limited, Pax Computer Technology (Shenzhen) Co., Ltd. rented the property with an area of 75 square metres from Shanghai Haiwen Real Estate Company Limited for a term commencing on 1 January 2010 and expiring on 31 March 2011 at a monthly rent of RMB4,020 for storage use;
 - ii. Shanghai Haiwen Real Estate Company Limited has been issued the Shanghai Certificate of Real Estate Ownership (ref. no. Hu Fang Di Zha Zi (2006) Di 014653 (滬房地開字(2006)第014653號) of the property and has the right to let the property to Pax Computer Technology (Shenzhen) Co., Ltd.;
 - iii. the tenancy agreement is legal and valid and Pax Computer Technology (Shenzhen) Co., Ltd. has the right to use the property legally during the term of the tenancy; and
 - iv. Although the aforesaid tenancy agreement has not been registered in the relevant authority, non-registration will not affect the validity of the tenancy agreement and it does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd. or its use of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
13. Unit 5A, Block 1, Financial Services, Technology and Innovation Station, No.8 Kefa Road, Nanshan District, Shenzhen City, Guangdong Province, The PRC. 深圳市南山區科發路8號 金融服務技術創新基地1 棟5A	The property comprises an industrial unit on Level 5 of a 12-storey office building completed in 2008. The gross floor area of the property is 651.76 square metres. The property is leased to the Group from an independent third party for a term commencing from 20 April 2010 and expiring on 30 April 2013 at a monthly rent of RMB48,882 exclusive of management fee, electricity, water and other charges.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

1. As stipulated in a Supplementary Agreement (土地使用權出讓合同書補充協議書) dated 15 March 2006, Shenzhen Municipal Bureau of Land Resources and Housing Management (深圳市國土資源和房產管理局) has agreed to grant to Shenzhen Science Industrial Park Group Limited (深圳科技工業園總公司) the land use rights of the property.
2. Pursuant to a tenancy agreement dated 20 April 2010, Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司), a wholly owned subsidiary of the Company upon completion of the Reorganisation, rented the property from Shenzhen Technology Industrial Park Company Limited (深圳科技工業園有限公司) for a term commencing from 20 April 2010 and expiring on 30 April 2013 at a monthly rent of RMB48,882 (exclusive of management fee, electricity, water and other charges) for factory (廠房) use.
3. Opinion of the PRC legal advisers on the property is summarized as follows:
 - i. Pax Computer Technology (Shenzhen) Co., Ltd. (百富計算機技術(深圳)有限公司) and Shenzhen Technology Industrial Park Company Limited (深圳科技工業園有限公司) signed a tenancy agreement for the property. Pax Computer Technology (Shenzhen) Co., Ltd. rented the property with an area of 651.76 square metres from Shenzhen Technology Industrial Park Company Limited for a term commencing on 20 April 2010 and expiring on 30 April 2013 at a monthly rent of RMB48,882 for factory (廠房) use;
 - ii. Shenzhen Technology Industrial Park Company Limited has been issued a Planning Permit for Construction Work (建設工程規劃許可證) (ref. no. Shen Gui Jian Xu Zi 2006004 (深規建許字2006004號)) of the property but the Building Ownership Certificate of the property has not yet been issued. Shenzhen Technology Industrial Park Company Limited may not have the legal right to lease the property to Pax Computer Technology (Shenzhen) Co., Ltd. and there is a risk that Pax Computer Technology (Shenzhen) Co., Ltd. may be evicted by the true owner of the property or any third party making claims of ownership of the property. In that case, Pax Computer Technology (Shenzhen) Co., Ltd. will be entitled to sue Shenzhen Technology Industrial Park Company Limited for any economic losses caused by the landlord's failure to obtain title certificate;
 - iii. The user clause in the tenancy agreement stipulates that the property is for factory (廠房) purpose. As Pax Computer Technology (Shenzhen) Co., Ltd. uses the property as an office, Pax Computer Technology (Shenzhen) Co., Ltd. violates the terms of the tenancy agreement and the landlord has a right to sue Pax Computer Technology (Shenzhen) Co., Ltd. for breach of contract or even terminate the tenancy agreement;
 - iv. Pursuant to a Deed of Indemnity dated 1 December 2010, Hi Sun Technology (China) Limited (高陽科技(中國)有限公司) shall indemnify the Company for all damages and losses arising from the renting of the property by Pax Computer Technology (Shenzhen) Co., Ltd.. The issues in Notes ii and iii do not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd.; and
 - v. Although the aforesaid tenancy agreement has not been registered in the relevant authority, non-registration will not affect the validity of the tenancy agreement and it does not have material adverse effect on the business operation of Pax Computer Technology (Shenzhen) Co., Ltd. or its use of the property.

VALUATION CERTIFICATE

Group IV — Property interest leased and occupied by the Group in the USA

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2010 RMB
14. Suite 100 and 18 undesignated parking spaces 560 Broad Hollow Road, Melville, New York 11747, The USA.	<p>The property comprises an office unit within a 3-storey office building completed in about 1970 and 18 undesignated parking spaces.</p> <p>The rentable floor area of the property is approximately 3,588 square feet.</p> <p>The property is leased to the Group from an independent third party for a term of 5 years and 6 months commencing from 1 August 2010 and expiring on 31 January 2016 at an annual rent as set out in note 2 below.</p>	The office unit of the property is occupied by the Group as offices.	No Commercial Value

Notes:

1. According to a site history report from Town of Huntington, the registered owner of the property is Caspian Group LLC.
2. Pursuant to a tenancy agreement dated 2 July 2010, the property is rented from the registered owner to Pax Technology, Inc. (a wholly-owned subsidiary of the Company upon completion of the Reorganisation) for general and administrative office use for 5 years and 6 months commencing from 1 August 2010 and expiring on 31 January 2016 at an annual rent of US\$71,964 for the 1st year, US\$74,124 for the 2nd year, US\$76,344 for the 3rd year, US\$78,636 for the 4th year, US\$80,988 for the 5th year, and at a monthly rent of US\$6,952 for the period from 1 August 2015 to 31 January 2016 (exclusive of electric charges, taxes and other outgoings). The tenant has an option to renew the tenancy for a further term of 5 years.

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Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “board”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 1 December 2010. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

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Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

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Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

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- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

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(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

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two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Bye-laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

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(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

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(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

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The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

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(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

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(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
 - (aa) the preliminary expenses of the company; or

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- (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as

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treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

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Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the

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relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

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(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company’s certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company’s memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company’s audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the

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company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

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The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrars of Companies and available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP**1. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES****1.1 Key changes in our Group's ownership structure before the commencement of the Track Record Period****(a) *Changes to the shareholding of Pax Technology, a group company***

Pax Technology was the first subsidiary in our Group. It was incorporated in Hong Kong on 8 March 2000. It was initially privately owned as to 70% by Hi Sun Limited and as to 30% by Magic Systems Limited, an Independent Third Party. In July and August 2000, in order to provide funding to Pax Technology, it issued for cash at par a total of 34,493,000 new shares to Hi Sun Limited and 497,000 new shares to Magic Systems Limited, raising HK\$34.99 million in total. As a result, the shareholding of Hi Sun Limited in Pax Technology increased from 70.00% to 98.57%.

On 8 September 2000, as part of a reorganisation of the business interests of Hi Sun Limited, Hi Sun Technology acquired (i) the entire issued share capital of Pax Technology from Hi Sun Limited (as to 98.57%) and Magic Systems Limited (as to 1.43%) and (ii) the entire issued share capital of three companies which do not form part of our Group, namely, Autocare Limited, Turbo Speed Technology Limited and Emerging Technology Limited (all of which were then engaged in the provision of customised information system consultancy and integration services to its customers in the banking, insurance and telecommunications industry in Hong Kong and the PRC) from Hi Sun Limited and a total of 5 minority shareholders of those companies being Super Vision Enterprises Ltd., Superior Idea Holdings Ltd., Lam Hong Keung, He Yi and Xu Shu Shan. In consideration of such acquisition, Hi Sun Technology issued and allotted an aggregate of 156 million shares credited as fully paid at HK\$1 per share to the vendors of the relevant shares, of which 35 million shares were ascribed to the acquisition of Pax Technology and were issued as to 34.5 million shares to Hi Sun Limited and 0.5 million shares to Magic Systems Limited. Please see below for the effect of such share issue on the share capital structure and shareholding in Hi Sun Technology. The consideration for such acquisition was determined by reference to the share capital contribution made by each of the vendors to each company being sold, all of them being in early stages of their development. Upon completion of this acquisition on 8 September 2000, Pax Technology became a wholly-owned subsidiary of Hi Sun Technology.

In order to capture the increasing business opportunities in the PRC, Pax Technology established Pax Technology (Shenzhen) on 13 July 2001 with a registered capital of HK\$3,000,000 as a wholly-foreign owned enterprise in Shenzhen, China, and it has become the flagship of our Group's EFT-POS terminal solutions business since then.

(b) *Changes to the ownership structure of members of the Hi Sun Group and Hi Sun Limited****Hi Sun Technology (since it acquired its interest in Pax Technology and before it became a wholly-owned subsidiary of Hi Sun)***

Hi Sun Technology was incorporated on 28 June 2000. Until 8 September 2000 it was an investment holding company indirectly wholly-owned by Hi Sun Limited.

On 8 September 2000, as a result of (i) the acquisition of (amongst other companies) Pax Technology described above; and (ii) subscription for 2 million shares in Hi Sun Technology for cash at HK\$2 million by Mr. Yuan Bo an individual Independent Third Party (who became a director of

Hi Sun Technology after such subscription and remained in office until 31 August 2003), Hi Sun Technology became owned as to approximately 64.34% by Hi Sun Limited, approximately 34.4% in aggregate by the six parties who were the minority shareholders of Pax Technology immediately before the reorganisation of the business interests of Hi Sun Limited in September 2000 and approximately 1.26% by Mr. Yuan Bo.

On 23 October 2000, Hi Sun Technology issued and allotted an aggregate of 39.134 million new shares and paid HK\$16.201 million cash consideration to four companies, all of which were Independent Third Parties, for the shareholders of those companies themselves or together with others to join Hi Sun Technology or its subsidiaries as employees, for Hi Sun Technology group's customized information systems consultancy and integration services businesses. Immediately after completion of this transaction, Hi Sun Technology was owned as to approximately 19.76% by the four companies which were parties to the transactions, as to approximately 51.63% by Hi Sun Limited and as to approximately 28.61% by the minority shareholders that arose from the acquisition and subscription in September 2000 referred to above.

On 3 February 2001, Hi Sun Limited was issued and allotted 50 million new shares in Hi Sun Technology for cash at HK\$1 per share in return for the acquisition of a company in the PRC which is engaged in the provision of information systems consultancy and integration services. The shareholding of Hi Sun Limited in Hi Sun Technology increased to 61.38%.

On 31 August 2001, there were transfers of shares between a number of the shareholders of Hi Sun Technology that resulted in two of the parties who acquired minority shareholdings in Hi Sun Technology in October 2000 exiting the company and three other shareholders (including Hi Sun Limited) and Mr. Chan Yiu Kwong acquiring further shares in Hi Sun Technology Limited. At the time, Mr. Chan Yiu Kwong (currently our Company Secretary) was a director of Hi Sun Limited and various subsidiaries including his position as a director and chief financial officer of Hi Sun Technology. Later that year, on 17 December 2001, Hi Sun Technology repurchased an aggregate of 80,000,000 shares from its shareholders at HK\$1.00 per share. Immediately after these transactions, Hi Sun Technology was owned as to approximately 62.10% by Hi Sun Limited and as to approximately 37.90% by the minority shareholders which arose from the acquisition and subscription in September and October 2000 and February and August 2001 referred to above (apart from the two which exited in August 2001 as mentioned above) and Mr. Chan Yiu Kwong.

Hi Sun Technology became a wholly-owned subsidiary of Hi Sun in February 2002, and has since then remained wholly-owned by Hi Sun. As it has remained an investment holding company which held certain other business interests of Hi Sun, it has not been considered part of our Group.

Hi Sun (since Hi Sun Limited became its substantial shareholder and until it come to wholly-own Hi Sun Technology, the holding company of Pax Technology)

Hi Sun Limited acquired 82.39% of Guangdong Building Industries Limited (subsequently known as "Hi Sun Holdings Limited"), a Hong Kong company listed on the Stock Exchange with stock code 818 in April 2001 as a result of an unconditional cash offer for all the shares of Guangdong Building Industries Limited (other than shares already owned by Hi Sun Limited or parties acting in concert with it).

On 4 June 2001, the then directors of Guangdong Building Industries Limited (then to be renamed "Hi Sun Holdings Limited") announced their intention to put before shareholders of that company a proposal to be implemented by way of a scheme of arrangement. On the implementation of that scheme of arrangement, the entire issued share capital of Guangdong Building Industries

Limited were transferred by its shareholders to a BVI incorporated subsidiary of Hi Sun (then known as Hi Sun (BVI) Limited), in consideration of which those shareholders received new shares of Hi Sun (then known as Hi Sun Group Limited) on a one for one basis and Hi Sun's shares became listed on the Stock Exchange by way of introduction. At the same time, the listing of the shares of Guangdong Building Industries Limited (then renamed "Hi Sun Holdings Limited") on the Stock Exchange was withdrawn.

Pursuant to a sale and purchase agreement dated 24 January 2002 by which Hi Sun (then indirectly owned as to 62.45% by Hi Sun Limited) acquired through its wholly-owned subsidiary the entire issued share capital of Hi Sun Technology (which held, amongst other things, the Pax Technology, Autocare Limited, Turbo Speed Limited and Emerging Technology Limited and their respective subsidiaries) for a total cash consideration of HK\$9.6 million. The consideration was determined by reference to the unaudited consolidated net tangible asset value of Hi Sun Technology and its subsidiaries as at 31 December 2001. Since the completion of that acquisition in February 2002, Hi Sun Technology became and remained a wholly-owned subsidiary of Hi Sun.

Hi Sun Limited

Hi Sun Limited was and still is an investment holding company. In March 2000 it was owned as to 51% by Mr. Li Wenjin (one of our Directors) and 49% by Mr. Chen Xiaoqi. Through a subscription of new shares and the purchase of Mr. Chen Xiaoqi's entire interest in Hi Sun Limited, Mr. Kui Man Chun has since 19 December 2000 been a 99.16% owner of Hi Sun Limited. Mr. Li Wenjin continued to hold 0.84% of Hi Sun Limited.

1.2 Incorporation of our Company

Our Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 15 February 2010. Our Company has established a principal place of business in Hong Kong on 25 February 2010 and is registered in Hong Kong under Part XI of the Companies Ordinance on 15 March 2010, with Mr. Li Wenjin being appointed as the authorized representative of our Company to accept service of legal process and notices in Hong Kong on behalf of the Company. The address for service of legal process and notices in Hong Kong is Room 2416, 24/F, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong. As our Company was incorporated in Bermuda, it operates subject to the Companies Act and to its constitution. Its constitution comprises the Memorandum of Association and the Bye-Laws. A summary of various parts of its constitution and relevant aspects of the Companies Act is set out in Appendix V to this prospectus.

1.3 Changes in share capital of our Company

The following changes in the share capital of our Company have taken place since the date of its incorporation up to the date of this prospectus:

- (a) As at the date of incorporation of our Company on 15 February 2010, its authorized share capital was HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. On 25 February 2010, one nil paid share of the Company was issued and allotted to Hi Sun.
- (b) On 4 November 2010, our Company acquired 100% issued share capital of Grand Global from Hi Sun (BVI) and in consideration therefor, our Company credited as fully paid the one nil paid Share issued to Hi Sun and allotted and issued 149,999,999 Shares credited as fully paid to Hi Sun. On 4 November 2010, Hi Sun issued a promissory note for the amount of HK\$316,861,709 in favour of Hi Sun (BVI).

- (c) Pursuant to the written resolutions of the sole Shareholder of our Company passed on 4 November 2010, the authorised share capital of our Company was increased from HK\$100,000 to HK\$80,000,000 by the creation of an additional 799,000,000 Shares to rank pari passu in all respects with the Shares then in issue.
- (d) Pursuant to the written resolutions of the sole Shareholder of our Company passed on 1 December 2010, the authorised share capital of our Company was increased from HK\$80,000,000 to HK\$200,000,000 by the creation of an additional 1,200,000,000 Shares to rank pari passu in all respects with the Shares then in issue.

For purposes of rationalising the corporate structure in preparation for the Listing, our Company has entered into the Hao Share Swap Agreement and in consideration therefor, Digital Investment and Dream Driver are to be issued new Shares representing 20% and 20% of the issued share capital of our Company fully diluted by the issue of such new Shares immediately after completion of this share swap agreement and taking into account the effect of the Capitalisation Issue (but excluding Shares which may fall to be issued pursuant to the Global Offering).

Completion of the Hao Share Swap Agreement is conditional upon, among others, the following conditions:

- (a) unconditional approval from the Stock Exchange of Hi Sun's spin-off application which forms the subject matter of the announcement of Hi Sun dated 19 August 2010 (other than any condition regarding the Listing);
- (b) Digital Investment and/or Dream River having entered into one or more underwriting agreements in respect of the Global Offering; and
- (c) the Offer Price and the number of Public Offer Shares being acceptable to Digital Investment and Dream River.

Immediately following completion of the Global Offering (subject to the completion of the Hao Share Swap Agreement) without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the issued share capital of the Company will be HK\$100,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid and 1,000,000,000 Shares will remain unissued.

Further details of the Reorganisation are set out under paragraph 1.5 headed "Reorganisation" below.

Save as aforesaid and those mentioned under paragraph 1.5 headed "Reorganisation" below in this Appendix, there has been no alteration in the Company's share capital since the incorporation of the Company.

1.4 Written resolutions of the sole Shareholder of our Company

Pursuant to the written resolutions of our sole Shareholder passed on 4 November 2010, the authorised share capital of the Company was increased from HK\$100,000 to HK\$80,000,000 by the creation of an additional 799,000,000 Shares to rank pari passu in all respects with the Shares then in issue

Pursuant to the written resolutions of our sole Shareholder passed on 1 December 2010, the allotment and issue of 50,000,000 and 50,000,000 new Shares credited as fully paid to Digital Investment and Dream River respectively as contemplated under the Hao Share Swap Agreement was approved.

Pursuant to the written resolutions of our sole Shareholder passed on 1 December 2010:

- (a) the increase in authorised share capital of our Company from HK\$80,000,000 to HK\$200,000,000 by the creation of an additional 1,200,000,000 Shares to rank pari passu in all respects with the Shares then in issue was approved;
- (b) conditional upon all the conditions set out in “Structure of the Global Offering — Conditions of the Public Offer and the Preferential Offer” in this prospectus being fulfilled:
 - (1) the Global Offering was approved and our Directors were authorized to determine the Offer Price for, and to approve the issue and allotment of Offer Shares, pursuant to the Global Offering on and subject to the terms and conditions stated herein and in the relevant Application Forms;
 - (2) the Over-allotment Option was approved and our Directors were authorized to approve the issue and allotment of Shares pursuant to the exercise of the Over-allotment Option;
 - (3) conditional upon the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme, the Share Option Scheme was approved and adopted and our Directors were authorized to make such further changes to the Share Option Scheme as may be required by the Stock Exchange and which they deem necessary and/or desirable and to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted thereunder and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Share Option Scheme; and
 - (4) conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to capitalise HK\$49,000,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 490,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company, including Hi Sun, at the close of business on Business Day immediately following the Price Determination Date (or as they may direct) in proportion (as nearly as possible without involving the issue of fractions of Shares) to their respective shareholdings in our Company and our Directors were authorised to allot and issue such Shares as aforesaid and to give effect to the Capitalisation Issue and the Shares to be allotted and issued shall rank pari passu with all Shares in issue;
- (c) a general mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with the Shares or securities convertible into Shares and to make an offer or agreement or to grant an option which would or might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or an allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-Laws, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Share which may be allotted and issued pursuant to the exercise of the Over-allotment Option);

- (d) a general mandate was given to our Directors to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option);
- (e) the general mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above provided that such extended amount shall not exceed 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and
- (f) our Company adopted the Bye-Laws.

Each of the general mandates referred to in paragraphs (c) and (d) above will remain in effect until whichever is the earliest of: (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Companies Act or the Bye-Laws; or (3) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

1.5 Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise the corporate structure in preparation for the Listing, and as a result of which our Company became the holding company of our Group. The Reorganisation involved the following steps:

- (a) On 15 February 2010, our Company was incorporated in Bermuda by Hi Sun.
- (b) On 4 November 2010, the authorised share capital of our Company was increased from HK\$100,000 divided into 1,000,000 Shares to HK\$80,000,000 divided into 800,000,000 Shares by the creation of an additional 799,000,000 Shares.
- (c) On 4 November 2010, our Company and Hi Sun entered into a share swap agreement pursuant to which Hi Sun procured Hi Sun (BVI) to sell its entire interest in Grand Global (being 1 share of US\$1.00 representing 100% issued share capital of Grand Global) to the Company and in consideration therefor, our Company credited as fully paid the one nil paid Share issued to Hi Sun and allotted and issued 149,999,999 Shares credited as fully paid to Hi Sun. On 4 November 2010, Hi Sun issued a promissory note for the amount of HK\$316,861,709 in favour of Hi Sun (BVI).
- (d) On 5 November 2010, our Company entered into the Hao Share Swap Agreement with Digital Investment and Dream River pursuant to which Digital Investment and Dream River have agreed to sell 8,750,000 series A preference shares of HK\$1.00 each and 8,750,000 series B preference shares of HK\$1.00 each of (representing in aggregate 40% issued share capital in) Pax Technology respectively to our Company (or its nominee) for HK\$211,241,140, to be satisfied by the allotment and issue of, credited as fully paid, 50,000,000 new Shares and 50,000,000 new Shares to Digital Investment and Dream River respectively and Grand Global will in turn issue one share in Grand Global to our Company;
- (e) On 1 December 2010, the authorised share capital of our Company was increased from HK\$80,000,000 to HK\$200,000,000 by the creation of an additional 1,200,000,000 Shares.

Subject to the conditions for the Completion of the Hao Share Swap Agreement set out under paragraph 1.3 “Changes in share capital of the Company” above being fulfilled, completion of the Hao Share Swap Agreement is expected to take place on the Price Determination Date.

For the corporate structures of the Group (i) immediately prior to the Reorganisation; (ii) on the date of the Prospectus; (iii) immediately after completion of the Hao Share Swap Agreement and (iv) upon completion of the Global Offering (without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option) and the Capitalisation Issue, please refer to the “History, Reorganisation and Corporate Structure — Reorganisation” section in this prospectus.

1.6 Changes in share capital of subsidiaries

The Company’s subsidiaries are referred to in the accountant’s report, the text of which is set out in Appendix I to this prospectus.

In addition to those disclosed in the paragraph headed “Changes in share capital of the Company” and “Reorganisation” above in this Appendix, the following alterations in the share capital of the Company’s subsidiaries have taken place within the two years preceding the date of this prospectus.

(a) Grand Global

On 8 May 2009, Grand Global was incorporated in the BVI with an authorised share capital of US\$50,000 shares divided into 50,000 ordinary shares of US\$1.00 per share.

On 22 May 2009, Grand Global allotted and issued one subscriber’s share to Hi Sun (BVI) for cash at par.

(b) Pax Technology (Shenzhen)

On 28 April 2007, the registered capital of Pax Technology (Shenzhen) was increased to HK\$32,000,000, the entire amount of which was paid up on 31 May 2007.

On 16 August 2007, the registered capital of Pax Technology (Shenzhen) was further increased to HK\$50,000,000, the entire amount of which was paid up on the same date.

(c) Pax Technology

On 23 May 2007, the authorised share capital of Pax Technology was increased to HK\$52,500,000 divided into (i) 43,750,000 ordinary shares of HK\$1.00 per share, and (ii) 8,750,000 preference shares of HK\$1.00 per share. Pax Technology allotted and issued 8,750,000 preference shares to Digital Investment thereafter on the same date for a consideration of US\$10,000,000 (at a premium of HK\$69,387,500), as a result of which the issued share capital of Pax Technology was increased from HK\$35,000,000 to HK\$43,750,000 and such 8,750,000 preference shares were re-designated as series A preference shares on 27 April 2009.

On 27 April 2009, the authorised share capital of Pax Technology was further increased to HK\$63,450,000 divided into (i) 45,950,000 ordinary shares of HK\$1.00 per share, (ii) 8,750,000 series A preference shares of HK\$1.00 per share, and (iii) 8,750,000 series B preference shares of HK\$1.00 per share.

On 29 April 2009, the 8,750,000 ordinary shares of HK\$1.00 per share transferred from Hi Sun Technology to Dream River on the same date were re-designated as series B preference shares on a one-to-one basis.

*Rights attaching to the series A and series B preference shares (“Pax Preference Shares”)**(i) Voting rights*

Each holder of Pax Preference Shares has full voting rights at general meetings and each Pax Preference Share carries the number of votes equal to the number of ordinary shares in the capital of Pax Technology then issuable upon its conversion at the relevant record date for the determination of members entitled to vote on such matters, and is also entitled to vote as a separate class at general meetings of Pax Technology in relation to matters which affects the rights attaching to Pax Preference Shares.

(ii) Conversion rights

Each holder of Pax Preference Shares has the right to convert Pax Preference Shares into ordinary shares in the capital of Pax Technology on the basis of one Pax Preference Share to one ordinary share in the capital of Pax Technology, subject to adjustments: (i) upon consolidation, reclassification or sub-division of the ordinary shares in the capital of Pax Technology in customary manner; and (ii) if and when Pax Technology issues any shares or equity securities convertible into shares (save for the issue of any shares or equity securities convertible into shares by Pax Technology or any of its subsidiaries to its directors, employees, consultants and advisers pursuant to any of the share option schemes of Pax Technology or its subsidiaries) at a price per share below the relevant subscription price, such that the number of ordinary shares in the capital of Pax Technology which falls to be issued on conversion would be increased by the same proportion the subscription price bore to such lower price.

(iii) Liquidation/capital preference

On return of capital on a winding-up or otherwise of Pax Technology, Pax Preference Shares would rank in priority to any other class of shares in the capital of Pax Technology to the return of an amount equal to the aggregate initial subscription price of the relevant Pax Preference Shares and any dividends accumulated on such Pax preference Shares then in arrears (if any). After the above aggregate sum is satisfied, any remaining funds and assets of Pax Technology legally available for distribution to its shareholders would be distributed on a pro rata basis among holders of Pax Preference Shares (on an as-converted basis) together with the holders of the ordinary shares in the capital of Pax Technology.

(iv) Right to income

Each holder of Pax Preference Shares is entitled to receive, at the same time as a dividend or distribution is paid on the ordinary shares in the capital of Pax Technology, a dividend or other distribution at the same rate for each ordinary share in the capital of Pax Technology which Pax Preference Shares are to be converted at the same time.

(v) Redemption

Pax Preference Shares are not subject to redemption, purchase and acquisition by Pax Technology except upon the exercise of the conversion rights by the holders of Pax Preference Shares.

For purposes of rationalising the corporate structure in preparation for the Listing, our Company, pursuant to the Hao Share Swap Agreement, has agreed with Digital Investment and Dream River to acquire all the Pax Preference Shares (representing 40% equity interest in Pax Technology) and in consideration therefor, the Company has agreed to allot and issue

50,000,000 and 50,000,000 Shares credited as fully paid to Digital Investment and Dream River respectively. Upon completion of the Hao Share Swap Agreement, Digital Investment and Dream River will cease to enjoy the rights attaching to Pax Preference Shares as holders of Pax Preference Shares.

Share Option Scheme of Pax Technology (“Pax Share Option Scheme”)

On 27 April 2009, Hi Sun approved the share option scheme for the issuance of such number of ordinary shares in the capital of Pax Technology representing no more than 5% of the total number of shares in issue in the capital of Pax Technology. On 6 December 2010, the board of directors of Pax Technology terminated the Pax Share Option Scheme in accordance with its scheme rules. No options were granted during the life of the Pax Share Option Scheme. For details of the Pax Share Option Scheme, please refer to the circular of Hi Sun dated 8 April 2009.

Save as disclosed above, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

1.7 Details of the PRC Subsidiary of the Company

Set out below are the details of Pax Technology (Shenzhen), the PRC subsidiary of the Company, as at the Latest Practicable Date.

百富計算機技術(深圳)有限公司

Registered Owner(s)	Pax Technology
Scope of business	Research and development of computer software and hardware system and the related external equipment, financial electronic equipment, automatic control system and the relevant equipment, new electronic assemblies and intelligent modems; integrated computer system; sale of self-developed technical products; relevant technological consultancy services; economic and technological information consultancy; establishment of representative office in Beijing (研究、開發計算機軟、硬件系統及其外部設備、金融電子設備、自動控制系統及其相關設備、新型電子器件、智能調制解調器設備；計算機系統集成；銷售自行開發的技術成果產品；相關技術諮詢服務；經濟、科技信息諮詢；在北京設立辦事機構)
Total investment	HK\$88,000,000
Registered Capital	HK\$50,000,000
Company’s attributable interest	60% as at the date of this prospectus (and subject to the completion of the Hao Share Swap Agreement, 100%)
Term of operation	25 years (13 July 2001 to 13 July 2026)
Legal representative	Nie Guoming

2. REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

2.1 Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities that are listed on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(1) *Shareholders' Approval*

The Listing Rules provide that all repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders of such company in general meeting, either by way of a general mandate or by a specific approval in relation to specific transactions.

(2) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Bye-Laws and the applicable laws of Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as in effect from time to time. Subject to the foregoing, any repurchases by the Company may be made by funds otherwise available for dividend or distribution or out of an issue of new Shares made for the purpose of the repurchase or out of capital, and, in the case of any premium payable on the repurchase out of funds otherwise available for dividend or distribution or from sums standing to the credit of the share premium account of the Company.

The Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

However, there might be a material adverse impact on the working capital requirements of the Company as set out in this prospectus in the event that the repurchase mandate is exercised in full.

(3) *Status of Repurchased Securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled upon repurchase and the relative certificates must be cancelled and destroyed. Under the Bermuda law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(4) *Connected Persons*

The Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the company, on the Stock Exchange.

2.2 Reasons for Repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from Shareholders to enable the Company to repurchase Shares on the market.

Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

2.3 Exercise of the Repurchase Mandate

Exercise in full of the repurchase mandate on the basis of 1,000,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised) could accordingly result in up to 100,000,000 Shares being repurchased by the Company during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Bye-Laws or the Companies Act; or (iii) the revocation and variation of the repurchase mandate by an ordinary resolution of the Shareholders in a general meeting of our Company.

2.4 General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company or its subsidiaries if the repurchase mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the repurchase mandate may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Bye-Laws and the applicable laws of Bermuda.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Assuming no exercise of the Over-allotment Option, Hi Sun will hold approximately 44.4% of the voting rights in our Company. On the basis of such shareholding of Hi Sun, if the repurchase mandate is exercised in full, Hi Sun's voting rights will increase to approximately 49.3% which in the absence of a waiver from the Executive (as defined in the Takeovers Code) will result in Hi Sun incurring an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors do not intend to exercise the repurchase mandate in such a manner that will trigger such an obligation of Hi Sun.

No connected person of the Company has notified the Company that he has a present intention to sell Shares to the Company, nor has he undertaken not to do so if the repurchase mandate is exercised.

3. FURTHER INFORMATION ABOUT THE BUSINESS

3.1 Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) subscription agreement dated 4 April 2007 between Pax Technology, Hi Sun and Digital Investment relating to the subscription of 8,750,000 preference shares in the capital of Pax Technology by Digital Investment and Hi Sun as warrantor for a consideration of US\$10,000,000;








- (b) shareholders' agreement relating to Pax Technology dated 23 May 2007 between Hi Sun, Digital Investment and Pax Technology governing the relationship among the parties thereto;
- (c) conditional sale and purchase agreement dated 30 March 2009 between Pax Technology, Dream River, Hi Sun and Hi Sun Technology relating to the sale of 8,750,000 ordinary shares in the capital of Pax Technology from Hi Sun Technology to Dream River for a consideration of US\$20,000,000;
- (d) amended and restated shareholders' agreement relating to Pax Technology dated 27 April 2009 between Hi Sun, Digital Investment, Dream River and Pax Technology governing the relationship among the parties thereto;
- (e) trademark licence agreement dated 27 April 2009 between Hi Sun Limited and Pax Technology relating to the non-exclusive licence of certain trademarks in Hong Kong, Korea and PRC granted by Hi Sun Limited to Pax Technology for a consideration of HK\$1.00;
- (f) sale and purchase agreement dated 29 May 2009 between Hi Sun Technology and Hi Sun relating to the transfer of 60% issued share capital of Pax Technology from Hi Sun Technology to Hi Sun, or its direct or indirect wholly-owned subsidiary, for a consideration of HK\$225,000,000;
- (g) promissory note dated 29 May 2009 for an amount of HK\$225,000,000 issued and delivered by Grand Global in favour of Hi Sun;
- (h) letter agreement dated 29 May 2009 between Grand Global and Hi Sun relating to (under the directions of Hi Sun) the transfer to Grand Global of 26,250,000 ordinary shares of HK\$1.00 each in Pax Technology from Hi Sun Technology to Grand Global;
- (i) trademark assignment dated 22 April 2010 between Pax Technology (Shenzhen) and Hi Sun Limited relating to the assignment of certain US trademark application from Pax Technology (Shenzhen) to Hi Sun Limited;
- (j) share swap agreement dated 4 November 2010 between the Company and Hi Sun relating to the procurement of the acquisition of 100% issued share capital of Grand Global from Hi Sun (BVI) to the Company and in consideration therefor, the Company credited as fully paid the one nil paid Share issued to Hi Sun and allotted and issued 149,999,999 Shares credited as fully paid to Hi Sun;
- (k) promissory note dated 4 November 2010 for the amount of HK\$316,861,709 issued and delivered by Hi Sun in favour of Hi Sun (BVI);
- (l) Hao Share Swap Agreement;
- (m) trademark licence agreement dated 1 December 2010 between Hi Sun Limited and the Company relating to the licence of certain non-PRC trademarks from Hi Sun Limited to the Company for a consideration of HK\$1.00;
- (n) PRC trademark licence agreement dated 1 December 2010 between Hi Sun Limited and the Company relating to the licence of certain PRC trademarks from Hi Sun Limited to the Company for a consideration of HK\$1.00;
- (o) deed of indemnity dated 1 December 2010 between the Company and the Indemnifier (as defined in paragraph 7.1 headed "Estate Duty, Tax and Other Indemnities" below);

- (p) deed of non-competition dated 1 December 2010 between the Company and Hi Sun; and
- (q) Public Offer Underwriting Agreement.

4. INTELLECTUAL PROPERTY OF THE GROUP

4.1 Trademarks

As at the Latest Practicable Date, Hi Sun Limited had granted to the Company an exclusive licence with respect to the following registered trademarks:

Trademark	Country of Registration	Class	Registration Number	Term
	Hong Kong	9 (Note 3)	2002B13143	15 January 2018 (Note 2)
	Hong Kong	42 (Note 4)	2002B13144	15 January 2018 (Note 2)
	Korea	42 (Note 5)	0009419	4 March 2014 (Note 2)
	PRC	9 (Note 6)	1916398	20 September 2012 (Note 2)
	PRC	42 (Note 7)	1967816	13 October 2014 (Note 2)
 (Note 1)	USA	9 (Note 8)	3769836	6 April 2020 (Note 2)
 (Note 1)	USA	42 (Note 9)	3769836	6 April 2020 (Note 2)

Notes:

- On 28 August 2008, Pax Technology (Shenzhen) filed an application to register this trademark for classes 9 and 42 with Hi Sun Limited's consent. On 22 April 2010, Pax Technology (Shenzhen) entered into a trademark assignment with Hi Sun Limited for the assignment of this trademark application to Hi Sun Limited, which was completed on 7 May 2010.
- The license will expire on the respective expiry date of the trademark with automatic renewal upon each successive renewal of the trademark by Hi Sun Limited.
- Smart card devices, automatic payment terminals, apparatus and devices; apparatus for use with cards and data carriers for monetary transactions; apparatus for receiving cash payments and recording and/or crediting cash payments onto memory devices, cards and data carriers; machine readable devices, cards and data carriers, all for cashless payment apparatus and instruments; coin, counter and ticket freed apparatus; apparatus for sorting, identifying, verifying, quantifying, testing, dispensing, or rejecting of coins, counters, tickets, bank notes, paper money; apparatus for setting and changing the number and classification of coins, counters, tickets, bank notes, paper money; apparatus and instruments for the storage, handling, processing, retrieval and transmission of data; apparatus and instruments for converting digital values into graphic information; visual display units and printers for use with the aforesaid apparatus; programme carriers for electronic data processing apparatus in the form of magnetic tapes, discs or wires; punched (encoded) cards, punched (encoded) tapes; encoded cards carrying electronically readable data for operating electronic and electrical apparatus and instruments; automatic dispensing and vending machines; computers; calculators; electrical and electronic apparatus and instruments; electric and electronic devices for data acquisition, processing, transmission, storage and output; parts and fittings for all the aforesaid goods.
- Product design, product development, engineering consulting and technical consulting relating to electronic and electrical apparatus and instruments; preparation of engineering drawings, technical documentation and reports; design of equipment for use in industrial processes; professional advisory services relating to maintenance of engines and machinery; professional consultancy services in relation to data processing needs; consultancy, advisory, planning, survey, technical and scientific research, design services, all relating to industry, engineering and computers; planning and design services relating to retail industry; computer programming and hiring of computer system, computer software design, project management of computer system, rental of electrical and electronic apparatus and instruments; design of web sites and software applications on global computer networks and local and internal business computer networks; consultation in the field of computer system integration; graphic art design and development of multimedia software applications; updating of computer software; maintenance of computer software; design services for retail and wholesale outlets; exploitation of industrial and intellectual property rights; professional consultancy relating to franchising in retail industry; provision of information, advisory and consultancy services relating to all the aforesaid services.

5. *Product design, product development, engineering consulting and technical counselling relating to electronic and electrical apparatus and instruments; preparation of engineering drawings, technical documentation and reports; design of equipment for use in industrial processes; professional consultancy in relation to data processing needs; consultancy services relating to technical assistance for electronic payment; technical assistance relating to electronic payment; technical research relating to electronic payment; computer programming; hiring of computer system, computer software design, maintenance and management of computer software, computer system analysis, computer hardware consultancy; rental of electrical and electronic apparatus instruments; design of web sites and software application on global computer networks and local and internal business computer networks; consultation in the field of computer system integrations; graphic art design and development of multimedia software applications; updating of computer software; maintenance of computer software; design services of interior decoration for retail and wholesale outlets; exploitation of industrial and intellectual property; retail franchising services in connection with computer system and computer software design; provision of information, advisory and consultancy services relating to design of equipment for use in industrial processes and computer programming.*
6. *Laptop computers; disk drive (computer); magnetic data medium; batteries; electric welding equipment; electronic calendar; electronic signal generators; electronic dictionaries; modem; integrated circuit; integrated circuit cards (smart cards); computers; computer programmes (pre-recorded); computer keyboards; computer software (pre-recorded); computer mouses; computer peripheral devices; soft disk; data processing apparatus; central processing units; pre-recorded computer-operated programmes; machinery for computer-operated equipment; CD-ROM (end of commodities)*
7. *Provision of facilities for exhibitions; professional consultancy service for non-trading activities; technology study; research on technical projects; engineering; research and development (on behalf of other persons); exterior design of industrial products; rental of computers; computer programming; computer software design; computer software upgrading; computer hardware consultancy service; rental of computer database storage time; rental of computer software; computer data recovery; computer software maintenance; computer system analysis; rental of storage time for data controlling computers; design relating to computer and computer network; website hosting; website design; design and development of computer hardware and software; email encryption service (computer service); provision of technical information relating to computer, computer network, provision of technical consultancy service through internet and extranet on computer, computer network, internet and extranet (end of commodities)*
8. *Smart card devices, automatic payment terminals, apparatus and devices; apparatus for use with cards and data carriers for monetary transactions; apparatus for receiving cash payments and recording and/or crediting cash payments onto memory devices, cards and data carriers; machine readable devices, cards and data carriers, all for cashless payment apparatus and instruments; coin, counter and ticket freed apparatus; apparatus for sorting, identifying, verifying, quantifying, testing, dispensing, or rejecting of coins, counters, tickets, bank notes, paper money; apparatus for setting and changing the number and classification of coins, counters, tickets, bank notes, paper money; apparatus and instruments for the storage, handling, processing, retrieval and transmission of data; apparatus and instruments for converting digital values into graphic information; visual display units and printers for use with the aforesaid apparatus; program carriers for electronic data processing apparatus in the form of magnetic tapes, discs or wires; punched (encoded) cards, punched (encoded) tapes; encoded cards carrying electronically readable data for operating electronic and electrical apparatus and instruments; automatic dispensing and vending machines; computer hardware and software; calculators; electrical and electronic apparatus and instruments; electric and electronic devices for data acquisition processing, transmission, storage and output; parts and fittings for all of the aforesaid goods.*
9. *Product design and development; engineering consulting and technical consulting relating to electronic and electrical apparatus and instruments; preparation of engineering drawings, technical documentation and reports; design of equipment for use in industrial processes; professional advisory services relating to maintenance of engines and machinery; consulting services in relation to data processing needs; consulting services relating to technical assistance for electronic payments; technical assistance and technical research for electronic payment; advisory planning, survey, technical and scientific research and design services, all relating to industry, engineering and computers; planning and design services relating to retail industry; computer programming; hiring of computer system, computer software design, and project management; rental of electrical and electronic apparatus and instruments; design of web sites and software applications on global computer networks and local and internal business computer networks; consulting services in the field of computer system integration; graphic art design and development of multimedia software applications; updating of computer software; maintenance of computer software; design services for retail and wholesale outlets; consulting services relating to franchising in retail industry; exploitation of industrial and intellectual property rights; advisory and consulting services relating to all of the aforesaid services.*

4.2 Patents

As at the Latest Practicable Date, the Group, through Pax Technology (Shenzhen), was the registered owner of the following patents:

Type of patent	Patent description	Date of registration	Date of expiry	Territory of registration	Patent number
Layout Patent	金融POS終端(S80)	2008.6.11	2017.7.22	PRC	ZL200730171397.1
Layout Patent	密碼鍵盤 (SP30)	2008.6.11	2017.7.22	PRC	ZL200730171464.X
Invention Right	安全保護盒	2009.2.25	2027.9.20	PRC	ZL200710077207.9
Invention Right	安全保護蓋	2009.12.30	2027.9.20	PRC	ZL200710077205.X
Layout Patent	手持POS終端(S90)	2009.7.22	2018.7.8	PRC	ZL200830104854.X
Layout Patent	電話POS機(SP30)	2009.8.5	2018.7.8	PRC	ZL200830104853.5
Practical New Model	一種電源綫連接裝置	2009.5.6	2018.7.27	PRC	ZL200820095942.2
Layout Patent	POS終端(P80)	2009.9.2	2018.9.18	PRC	ZL200830154980.6
Layout Patent	POS終端(P60-S1)	2009.9.23	2018.9.18	PRC	ZL200830154981.0
Layout Patent	POS終端(P78)	2009.10.14	2018.9.18	PRC	ZL200830154983.X
Layout Patent	POS終端(P90)	2008.12.23	2018.9.18	PRC	ZL200830154982.5
Practical New Model	多頻段非接觸卡讀寫設備	2009.12.23	2019.3.23	PRC	ZL200920008593.0
Layout Patent	非接觸卡讀寫設備(R50不帶屏)	2010.4.21	2019.3.23	PRC	ZL200930003966.0
Practical New Model	一種顯示器的檢測裝置	2010.4.28	2019.4.14	PRC	ZL200920008170.9
Layout Patent	金融支付終端 (P59)	2010.6.30	2019.9.4	PRC	ZL200930209854.0
Layout Patent	非接觸卡讀寫設備 (R50帶屏)	2010.9.29	2019.3.23	PRC	ZL200930003965.6
Practical New Model	一種帶有非接觸卡射頻天綫的金融支付終端	2010.7.28	2019.8.25	PRC	ZL200920177404.2
Practical New Model	一種安全保護裝置	2010.7.21	2019.9.2	PRC	ZL200920162831.3
Practical New Model	一種帶有非接觸卡讀卡器的金融支付終端	2010.7.28	2019.9.24	PRC	ZL200920177569.X
Practical New Model	一種提高銀行卡網上交易安全性的設備	2010.7.28	2019.11.5	PRC	ZL200920266198.2
Practical New Model	一種磁頭支架	2010.11.2	2019.12.26	PRC	ZL200920351082.9
Practical New Model	一種防窺罩的卡扣結構	2010.9.1	2019.12.26	PRC	ZL200920351083.3

As at the Latest Practicable Date, the Group, through Pax Technology (Shenzhen), had filed applications for registration of the following patents:

Type of patent	Patent description	Date of application	Territory of registration	Application number
Invention Right	安全保護裝置	2007.9.21	PRC	200710077206.4
Invention Right	一種文件自動簽名的方法和裝置	2009.2.10	PRC	200910105332.5
Invention Right	一種顯示器的檢測機制	2009.4.15	PRC	200910134187.3
Invention Right	一種POS機生產中的自動測試控制系統及方法	2009.11.21	PRC	200910225383.1
Practical New Model	一種非接觸卡讀卡設備	2010.1.8	PRC	201020002620.6
Practical New Model	一種帶無綫模塊的終端	2010.1.15	PRC	201020002080.1
Invention Right	一種非接觸卡讀卡設備	2010.5.25	PRC	201020201736.2
Invention Right	一種電話POS機	2010.6.11	PRC	201020222991.5
Invention Right	手持POS終端 (T90)	2010.5.5	PRC	201030155410.6
Practical New Model	一種防窺罩的固定結構	2010.1.8	PRC	201020002612.1
Invention Right	一種金融POS終端	2010.8.19	PRC	201020297099.3
Invention Right	一種鍵盤保護裝置	2010.8.19	PRC	201020297100.2

4.3 Computer Software Copyrights

As at the Latest Practicable Date, the Group, through Pax Technology (Shenzhen), was the holder of the following computer software copyrights in the PRC:

Computer software description	Date of grant	Date of expiry	Registration number
百富ProTims遠程終端管理軟件V2.0 (簡稱: ProTims)	2004.8.16	2054.12.31	2004SR07879
百富PaxMe嵌入式開發平台軟件V2.5 (簡稱: PaxMe)	2004.9.24	2052.12.31	2004SR09342
(百富PaxMeM嵌入式開發平台軟件V2.3 (簡稱: PaxMeM)	2004.9.24	2054.12.31	2004SR09344
百富ProPay應用開發仿真系統軟件V2.0 (簡稱: ProPay)	2004.9.24	2054.12.31	2004SR09343
百富應用自動測試工具軟件V1.00	2009.2.17	2058.12.31	2009SR06082
百富接觸式&非接觸式IC卡發卡軟件V1.00	2009.2.17	2058.12.31	2009SR06083
會員卡POS前置系統軟件1.00 (簡稱: 會員卡前置)	2009.2.17	2058.12.31	2009SR06084
百富終端開發者輔助工具軟件V3.10 (簡稱: 百富PDA軟件)	2009.2.17	2058.12.31	2009SR06085
百富POS本地下載工具軟件V1.3.12 (簡稱: PC-LOADER)	2009.2.17	2057.12.31	2009SR06086
TellerLoyalty金融POS收銀員積分系統 軟件V2.0 (簡稱: TellerLoyalty)	2009.2.17	2058.12.31	2009SR06087

4.4 Domain names

As at the Latest Practicable Date, the Group, through Pax Technology (Shenzhen), had registered the following domain names:

Domain name	Expiry date
百富.公司	2018.8.27
百富.網絡	2018.8.27
百富.NET	2018.8.27
百富公司.中國	2018.3.20
百富公司.公司	2018.3.20
百富公司.網絡	2018.3.20
百富公司.COM	2018.3.20
百富公司.NET	2018.3.20
paxsz.com	2019.12.1

As at the Latest Practicable Date, the Group, through Pax Technology, had registered the following domain name:

Domain name	Registered owner	Expiry date
www.pax.com.hk	Pax Technology Limited	N/A (Note 1)

Note:

- The domain name, www.pax.com.hk, was registered with the Hong Kong domain name authority in June 2000 under the "old registration contract", pursuant to which there is no expiry date for the domain name. Therefore, no renewal is necessary.

4.5 General websites

As at the Latest Practicable Date, the Group, through Pax Technology (Shenzhen), had registered the following general websites:

Website name	Expiry date
百富	2018.8.5
PAX	2019.10.27
Pos終端	2018.3.20

4.6 Wireless website

As at the Latest Practicable Date, the Group, through Pax Technology (Shenzhen), had registered the following wireless website:

Website name	Expiry date
百富	2018.8.27

5. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDER AND EXPERTS

5.1 Interests and Short Positions of Directors and chief executive in the Share Capital of the Company and Its Associated Corporations Following the Global Offering

Based on the information available on the Latest Practicable Date, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), none of the Directors or chief executives of the Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules once our Shares are listed.

5.2 Substantial Shareholders

So far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), will, immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position and short position

Name of Shareholder	Nature of Interest	Class of securities (Note 1)	Total number of Shares	Approximate percentage of issued Shares immediately after the Global Offering and the Capitalisation Issue (Note 2)
Hi Sun	Beneficial owner	Ordinary (L)	444,000,000	44.4%
Digital Investment (Note 3)	Beneficial owner	Ordinary (L)	118,400,000	11.8%
HAO Capital China Fund L.P. (Note 3).	Interest in controlled corporation	Ordinary (L)	118,400,000	11.8%
891 Venture Limited (Note 4)	General partner of a fund	Ordinary (L)	118,400,000	11.8%
Dream River (Note 5)	Beneficial owner	Ordinary (L)	118,400,000	11.8%
HAO Capital Fund II L.P. (Note 5)	Interest in controlled corporation	Ordinary (L)	118,400,000	11.8%
HAO Partners L.P. (Note 6)	General partner of a fund	Ordinary (L)	118,400,000	11.8%
Hao Partners (Holdings) Limited (Note 7).	General partner of a fund	Ordinary (L)	118,400,000	11.8%
Liu Yangsheng (Note 8)	Interest in controlled corporation	Ordinary (L)	236,800,000	23.7%

Notes:

1. The letter "L" denotes the person's long position in such Shares.
2. Assuming the Over-allotment Option is not exercised.
3. Digital Investment is owned as to 95% by HAO Capital China Fund L.P. and 5% by Mr. Max Burger. As such, HAO Capital China Fund L.P. is deemed to be interested in the 118,400,000 Shares owned by Digital Investment by virtue of the SFO.
4. 891 Venture Limited is incorporated in the Cayman Islands and is the general partner of HAO Capital China Fund L.P. As such, 891 Venture Limited is deemed to be interested in 118,400,000 Shares owned by Digital Investment by virtue of the SFO.
5. Dream River is wholly owned by HAO Capital Fund II L.P. As such, HAO Capital Fund II L.P. is deemed to be interested in 118,400,000 Shares owned by Dream River by virtue of the SFO.
6. HAO Partners L.P. is the general partner of HAO Capital Fund II L.P. As such, HAO Partners L.P. is deemed to be interested in 118,400,000 Shares owned by Dream River by virtue of the SFO.
7. Hao Partners (Holdings) Limited is incorporated in the Cayman Islands and is the general partner of HAO Partners L.P. As such, HAO Capital L.P. is deemed to be interested in 118,400,000 Shares owned by Dream River by virtue of the SFO.
8. As Mr. Liu Yangsheng controls more than one-third of the voting power at the general meetings of 891 Venture Limited and Hao Partners (Holdings) Limited respectively, he is deemed to be interested in an aggregate of 236,800,000 Shares owned by Digital Investment and Dream River by virtue of the SFO.

5.3 Directors' Service Contracts and Letters of Appointment and Remuneration

Particulars of Service Contracts and Letters of Appointment

- (a) Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date which shall be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The annual salaries of the executive Directors from the Listing Date are as follows:

	<u>HK\$</u>
Nie Guoming	1,000,000
Jiang Hongchun	900,000
Li Wenjin	800,000

After each completed year of service, the salary of all executive Directors under their service contracts (which is conditional on the Listing) shall be reviewed by the Board (except that no review shall be made by the Board for the first year after commencement of the appointment). All executive Directors will also be entitled to an annual management bonus of a sum to be determined by the Board at its absolute discretion having regard to the operating results of the Group and the performance of the Director, provided that the aggregate amount of management bonuses payable to all the executive directors of the Company in respect of any financial year of the Group shall not exceed 20% of the consolidated net profits after taxation and minority interests but before extraordinary items as shown in the Group's audited consolidated accounts for the relevant financial year.

- (b) Each of Dr. Wu Min, Mr. Yip Wai Ming and Mr. Man Kwok Kuen, Charles has been appointed as an independent non-executive Director pursuant to a letter of appointment for a term of one year commencing on the Listing Date and either the Company or the independent non-executive Director may terminate the appointment by giving at least two months' notice. The annual fees of the independent non-executive Directors are as follows:

	<u>HK\$</u>
Wu Min	100,000
Yip Wai Ming	100,000
Man Kwok Kuen, Charles	100,000

Directors' Remuneration

Remuneration and benefits in kind of approximately HK\$520,000, HK\$622,000, HK\$667,000 and HK\$311,000 in aggregate were paid and granted by the Group to the Directors in respect of the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2010 respectively.

Under the current arrangements presently in force, the Directors will be entitled to receive remuneration which, for the year ending 31 December 2010, is expected to be approximately HK\$7.7 million, excluding the discretionary bonuses payable to the executive Directors.

Mr. Nie Guoming received in the financial year ended 31 December 2009 discretionary bonuses from Hi Sun (our listed holding company) in recognition of his contribution to the disposal by Hi Sun of its interests in Pax Technology in 2009. Mr. Jiang Hongchun had received during the Track Record Period and thereafter until July 2010 emoluments from Hi Sun in relation to his capacity as director and employee of certain companies in the Hi Sun Group. He has resigned from all such directorships and employment with companies in the Hi Sun Group on or before 31 August 2010. Mr. Li Wenjin received emoluments from Hi Sun during the Track Record Period in his capacity of a director of Hi Sun. It is expected that Mr. Li Wenjin will receive emoluments from Hi Sun and the Company after Listing.

Save as disclosed in this prospectus, no Director in the promotion of the Company has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

5.4 Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (b) none of the Directors or the experts named in the paragraph 7.7 headed “Consents of Experts” below in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) no commissions, discounts, brokerages or other special terms have been granted to any Directors, promoter of our Company or the experts named in paragraph 7.7 headed “Consents of Experts” below in this Appendix in connection with the issue or sale of any capital in or debentures of any member of our Group within the two years ended on the date of this prospectus;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) assuming the Over-allotment Option is not exercised and without taking into account Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering and the Capitalisation Issue and exercise of the Over-allotment Option (if any), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to

be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon;

- (g) during the Track Record Period, none of the Directors or their associates or the Shareholders, who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, has any interest in any of our five largest customers; and
- (h) During the Track Record Period, none of the Directors or their associates or the Shareholders, who, to best knowledge of the Directors, owns more than 5% of the Company's issued share capital, has any interest in any of the five largest suppliers of the Company.

6. Share Option Scheme

For the purpose of this section only, unless the context otherwise requires the following words shall have the following meanings:

“Adoption Date”	1 December 2010, the date on which the Share Option Scheme was conditionally adopted by written resolutions of the sole shareholder of the Company and which has been approved by shareholders of Hi Sun;
“Auditors”	the auditors of the Company for the time being;
“Board”	the board of Directors of the Company for the time being or a duly authorized committee thereof;
“Business Day”	any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“Date of Grant”	in respect of an Option, the Business Day on which the Board resolves to make an Offer to a Participant, whether or not the Offer is subject to Shareholders' approval on the terms of the Share Option Scheme;
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the legal personal representative of such person;
“Offer”	the offer of the grant of an Option;
“Option”	an option to subscribe for Shares pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;

“Participants”	directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group;
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company, or, if there has been a sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, the shares forming part of the ordinary equity share capital of the Company or such nominal amount as shall result from any such sub-division, reduction, consolidation, reclassification or reconstruction; and
“Supplementary Guidance”	Supplementary Guidance on Rule 17.03(13) of the Listing Rules issued by the Stock Exchange dated 5 September 2005.

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the sole Shareholder passed on 1 December 2010 and adopted by a resolution of the Board on 1 December 2010. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

6.1 Purpose

The purpose of the Share Option Scheme is to reward Participants who have contributed or will contribute to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

6.2 Who May Join

On and subject to the terms of the Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to take up an Option pursuant to which such Participant may, during the Option Period, subscribe for such number of Shares as the Board may determine at a price calculated in accordance with paragraph 6.4 below. An Offer shall remain open for acceptance by the Participant concerned for a period of 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Share Option Scheme has been terminated or after the Participant to whom the Offer is made has ceased to be a Participant. An Offer is deemed to be accepted when the Company receives from the Grantee the offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to the Company of \$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances.

The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include, among other things, (i) the minimum period for which an Option must be held before it can be exercised; and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

6.3 Grant of Options to Connected Persons or any of their Associates

Any grant of Options to any Director, chief executive or substantial Shareholder (as such term is defined in the Listing Rules) of the Company, or any of their respective associates shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial Shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant:

- (1) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and
- (2) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll) on which all connected persons of the Company shall abstain from voting in favor of the relevant resolution at such general meeting of the Shareholders (except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith). The Company shall send a circular to the Shareholders in accordance with the Listing Rules.

6.4 Subscription Price

The subscription price for the Options shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

- (1) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;
- (2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and
- (3) the nominal value of the Shares.

6.5 Maximum Number of Shares

- (1) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Listing Date (the "Scheme Mandate Limit"), representing 100,000,000 Shares. Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewal of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

- (2) Notwithstanding the foregoing, the Company may grant Options beyond the Scheme Mandate Limit to Participants if:
 - (i) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before such Shareholders' approval is sought; and
 - (ii) the Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.
- (3) Subject to paragraph (4) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed one per cent. of the Shares in issue for the time being.
- (4) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over one per cent. of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules.

6.6 Maximum Number of Options

At any time, the maximum number of Shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the Shares in issue from time to time.

6.7 Time of Exercise of Option

Subject to any restrictions applicable under the Listing Rules and notwithstanding the terms of grant thereof, an Option may be exercised by the Grantee in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to each Grantee, at the time of making an offer of the grant of an Option which shall not expire later than ten years from the Date of Grant. The Share Option Scheme does not specify the minimum period for which an Option must be held before it can be exercised nor does it specify the performance targets that must be achieved before the Options can be exercised. However, such restrictions may be imposed on a case by case basis as terms of the grant of each Option.

6.8 Rights Are Personal to Grantees

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Option.

6.9 (1) Rights on Termination of Employment by Dismissal

- (i) If the Grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangement or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily, his Option shall lapse automatically (to the extent not already exercised).
- (ii) If the Grantee who is an employee or a Director of the Company or another member of the Group ceases to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified above, the Option shall lapse (to the extent not already exercised) on the date of cessation or termination of such employment (which date shall be the Grantee's last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable.

(2) Rights on death

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph 6.9(1)(i) above has arisen, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of twelve months following the date of his death provided that where any of the events set out in paragraphs 6.11, 6.12, 6.13 and 6.14 occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the Option only within such of the various periods respectively set out in such paragraphs provided further that if within a period of 3 years prior to the Grantee's death, the Grantee had committed any of the acts specified in paragraph 6.9(1)(i) which would have entitled the Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the Option (to the extent not already exercised) by written notice to the Grantee's legal personal representative(s) and/or to the extent the Option has been exercised in whole or in part by his legal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such Option and the Company shall return to him the amount of the subscription price for the Shares received by the Company in respect of the purported exercise of such Option.

6.10 Effect of Alterations to Share Capital

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of Shares or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party). Adjustments (if any) shall be made to (a) the number or nominal amount of Shares subject to the Option so far as unexercised; (b) the subscription price ; or (c) the method of exercise of the Option, or any combination thereof provided that (i) any such adjustments give a Grantee the same proportion of the equity capital of the Company as that to which that Grantee was previously entitled; and (ii) notwithstanding paragraph 6.10(i) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or

capitalisation issue, shall be made in accordance with the Supplementary Guidance and all such other relevant guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time, but no such adjustments shall be made pursuant to paragraphs 6.10(i) and 6.10(ii) if and to the extent that as a result a Share would be issued at less than its nominal value.

The capacity of the Auditors or the independent financial adviser to the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

6.11 Rights on a General Offer by Way of Takeover

In the event of a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) being made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith notify the Grantee and the Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company.

6.12 Rights on a General Offer by Way of Scheme of Arrangement

In the event of a general offer by way of scheme of arrangement being made and approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith notify the Grantee and the Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent specified in such notice.

6.13 Rights on Winding Up

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of fully paid Shares to the Grantee which fall to be issued on exercise of such Option.

6.14 Rights on a Compromise or Arrangement

In the event a compromise or arrangement (other than a scheme of arrangement) between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such compromise or arrangement, and the Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

6.15 Ranking of Shares

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the Memorandum of Association and Bye-Laws of the Company for the time being in force and shall rank pari passu in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders voting rights, transfer rights and rights to participate in all dividends or other distributions paid or made after the date on which the Shares are allotted other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date on which the Shares are allotted.

6.16 Period of the Share Option Scheme

Subject to paragraph 6.18, the Share Option Scheme was adopted for a period of ten years commencing on the Adoption Date. The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of the Share Option Scheme.

6.17 Alterations to the Share Option Scheme

Those provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, and any change to the terms of Options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

6.18 Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to:

- (1) the passing of a resolution by the Shareholders to approve and adopt the Share Option Scheme and to authorize the Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options;
- (2) the passing of a resolution by the shareholders of Hi Sun to approve the Share Option Scheme;
- (3) the Listing Committee (as defined in the Listing Rules) of the Stock Exchange granting approval of the Listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the Listing Date); and
- (4) the commencement of dealing in the Shares on the Main Board of the Stock Exchange.

6.19 Lapse of Option

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (1) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);
- (2) the expiry of the periods referred to in paragraphs 6.9, 6.13 or 6.14 above respectively;
- (3) the expiry of the period referred to in paragraph 6.11 above, subject to any court of competent jurisdiction not making an order to prohibit or prevent the offeror from acquiring the remaining Shares in the offer;
- (4) subject to the scheme of arrangement becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 6.12 above;
- (5) the date of the commencement of the winding-up of the Company;
- (6) the date on which the Grantee ceases to be a Participant as referred to in paragraph 6.9(1)(i) above;
- (7) the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favor of any third party over or in relation to any Option; and
- (8) subject to paragraph 6.9(1)(ii) above, the date the Grantee ceases to be a Participant for any other reason.

6.20 Termination of the Share Option Scheme

The Company by ordinary resolution in general meeting, or the Board, may at any time terminate the Share Option Scheme and in such event no further Options may be granted but in all other respects the Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Share Option Scheme.

6.21 Restriction on Grant of Option

In addition, a grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers or in such other manner prescribed by the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or, any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for the Company to publish an announcement for its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules);

and ending on the date of the results announcement, no Option may be granted.

6.22 Cancellation

Any Options granted but not exercised may be cancelled if the Grantee so agrees.

6.23 Present Status of the Share Option Scheme

As at the date of this prospectus, no Option has been granted or agreed to be granted pursuant to the Share Option Scheme.

7. OTHER INFORMATION

7.1 Estate Duty, Tax and Other Indemnities

Hi Sun (the “Indemnifier”) has given indemnities in favour of our Company (for itself and on behalf of other members of the Group) in connection with, inter alia,

- (a) any liability for Hong Kong estate duty which is or might be payable by any member of the Group by reasons of any transfer of property (within the meaning of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) to any member of the Group;
- (b) any liability in respect of land appreciation tax which is or might be payable by any member of the Group arising out of or in connection with any sale or transfer of property held by the Group;
- (c) any other tax liabilities (including all fines, penalties, costs, charges, expenses and interest related to taxation) which might be payable by any member of the Group in respect of any income, profit or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional;
- (d) all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, and fines of whatever nature suffered or incurred by any member of the Group as a result of or in connection with any legal proceedings instituted by or against any member of the Group in relation to events on or before the date the Global Offering becomes unconditional;
- (e) any liability in respect of the failure by Pax Technology (Shenzhen) to make contributions to the housing provident funds for its employees with registered residence in Shenzhen as at 30 June 2010;
- (f) any liability in respect of the failure by Pax Technology (Shenzhen), for the term of the relevant tenancy agreement, to comply with the specified user under the tenancy agreements relating to property no. 13 in the Valuation Report;
- (g) any liability in respect of the failure by Pax Technology (Shenzhen), for the term of the relevant tenancy agreement, to comply with the designated user under the title certificates relating to properties no. 8, no. 10 and no. 11 in the Valuation Report;
- (h) any liability in respect of the failure by Pax Technology (Shenzhen), for the term of the relevant tenancy agreement, to comply any requirements under the Measures of Administration of the Leasing of Urban Premises (城市房屋租賃管理辦法) to register with relevant housing authorities the lease in respect of properties no. 4, no. 5, no. 6, no. 7, no. 9, no. 10, no. 11, no. 12 and no. 13 in the Valuation Report; and

- (i) any liability in respect of the failure by the relevant landlord for the term of the relevant tenancy agreement, to obtain a title certificate in respect of the lease of property no. 13 in the Valuation Report.

Indemnities in relation to taxation in (a), (b) and (c) do not cover any taxation claims in the following circumstances:

- (i) to the extent where provision, reserve or allowance has been made for such taxation liabilities in the Accountant's Report in Appendix I to this prospectus;
- (ii) taxation falling on the Company in respect of any accounting period commencing on or after the 30 June 2010 (the "Relevant Date") unless liability for such taxation would not have arisen but for some act or omission of, or transaction entered into by the covenantor with any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the course of normal day to day trading operations after 1 December 2010;
- (iii) to the extent where such taxation liabilities arose or were incurred as a consequence of any change in the law having retrospective effect coming into force after 1 December 2010 or to the extent that such taxation arises or is increased by an increase in rates of taxation after the Relevant Date with retrospective effect;
- (iv) to the extent any over-provision or excessive reserve has been made in the Accountant's Report in Appendix I to this prospectus, the Indemnifier's liability will be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifier's liability shall not be available in respect of any such liability arising thereafter;
- (v) to the extent where the taxation claim is discharged by another person other than the Company or member of the Group and the Company or the member of the Group was not required to reimburse such person in respect of the discharge; and
- (vi) to the extent where the Company is primarily liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business after the Relevant Date.

7.2 Litigation

As at the Latest Practicable Date, we were not parties to any legal claims in the ordinary course of our business.

7.3 Sponsor

CITIC Securities Corporate Finance (HK) Limited has, as the sponsor, made an application on behalf of the Company to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

7.4 Preliminary Expenses

The preliminary expenses of our Company are estimated to be approximately US\$6,500 and are payable by our Company.

7.5 Promoter

The promoter of our Company is Hi Sun. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to, any promoter in connection with the Global Offering or the related transactions described in this prospectus.

7.6 Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
CITIC Securities Corporate Finance (HK) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
Asset Appraisal Limited	Property valuer
Conyers Dill & Pearman	Bermuda Barristers & Attorneys
King & Wood	PRC Attorneys-at-law
Richards Butler in association with Reed Smith LLP	Solicitors, Hong Kong
Reed Smith LLP	US legal adviser

7.7 Consents of Experts

Each of the experts set out above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or opinion and/or data (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named in the paragraph above has any shareholding interests in the Group or the right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group.

7.8 Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

7.9 Miscellaneous

- (a) Save as disclosed in this prospectus:
- (1) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and

- (2) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Since 30 June 2010, there has been no material adverse change in the financial or trading position or prospects of the Group.
- (c) The Company has no founder shares, management shares or deferred shares in the capital of the Company.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (e) None of the equity and debt securities of the Company is listed or dealt in any other Stock Exchange nor is any listing or permission to deal being or proposed to be sought.
- (f) There was no interruptions in the business of our Group which have had a significant effect on our financial position in the 12 months preceding the date of this prospectus.

8. GENERAL

8.1 Share Registers

The register of members of the Company will be maintained in Bermuda by Codan Services Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's branch share registrars in Hong Kong and may not be lodged in Bermuda.

8.2 Taxation of Holders of Shares

(1) *Bermuda*

Under the present Bermuda Law, transfers and other disposals of Shares are not subject to the Bermuda stamp duty.

(2) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax for persons who carry on a business of trading or dealing in securities in Hong Kong.

The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong). The Legislative Council passed the Revenue (Abolition of Estate Duty) Bill 2005 on 2 November 2005 and the relevant ordinance came into effect on 11 February 2006. The Hong Kong estate of an investor who passes away on or after the commencement date of such ordinance will not be subject to Hong Kong estate duty. However, the estate duty chargeable in respect of deaths occurring on or after 15 July 2005 but before the commencement date of such ordinance would be reduced with retrospective effect to a nominal amount of HK\$100 for estates of assessed value exceeding HK\$7.5 million.

(3) Generally

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and disposing of, or dealing in Shares. It is emphasized that none of the Company, the Directors or the other parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, persons resulting from the application for, or purchasing, holding and disposal of, or dealing in Shares.

8.3 Bilingual Prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

8.4 Particulars of the Selling Shareholders

<u>Name</u>	<u>Address</u>	<u>Description</u>	<u>Number of Sale Shares</u>
Digital Investment	Level 2, Nia Mall, Vaea Street, Apia, Samoa	Company	29,600,000
Dream River	Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Company	29,600,000

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES AND AVAILABLE FOR INSPECTION

A. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration include:

- (a) a copy of each of the **WHITE, YELLOW, GREEN** and **BLUE** Application Forms;
- (b) the written consents referred to in the paragraph 7.7 Headed “Consents of Experts” in Appendix VI to this prospectus;
- (c) a copy of each of the material contracts referred to in the paragraph 3.1 headed “Summary of Material Contracts” in Appendix VI to this prospectus; and
- (d) a statement of the names, addresses and descriptions of the Selling Shareholders.

The documents attached to the copy of this prospectus has been delivered, or will as soon as reasonably practicable after the date of this prospectus be delivered, to the Registrar of Companies in Bermuda for filing include a copy of each of the **WHITE, YELLOW, GREEN** and **BLUE** Application Forms.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Richards Butler in association with Reed Smith LLP of 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours up to and including 22 December 2010, being the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Bye-Laws;
- (b) the accountant’s report of our Company from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of companies comprising the Group for each of the two years ended 31 December 2009;
- (d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letters from PricewaterhouseCoopers and the Sponsor relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter, summary of valuation and valuation certificates relating to the property interests of the Group prepared by Asset Appraisal Limited, the texts of which are set out in Appendix IV to this prospectus;
- (g) the letter prepared by Conyers Dill & Pearman, summarising certain aspects of the Bermuda Companies Act, the texts of which are set out in Appendix V to this prospectus;
- (h) the letter from Richards Butler in association with Reed Smith LLP dated 8 December 2010 relating to certain aspects of the Group’s business and operations;
- (i) the letter from Reed Smith LLP dated 8 December 2010 relating to certain aspects of the Group’s business and operations;

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRARS OF
 COMPANIES AND AVAILABLE FOR INSPECTION**

- (j) the PRC legal opinion dated 8 December 2010 issued by King & Wood, the legal advisers to the Company on PRC law, relating to certain aspects of the Group’s business and operations;
- (k) the material contracts referred to in the paragraph 3.1 headed “Summary of Material Contracts” in Appendix VI to this prospectus;
- (l) the service contracts and letters of appointment referred to in the paragraph 5.3 headed “Directors’ Service Contracts and Letters of Appointment and Remuneration”;
- (m) the rules of the Share Option Scheme;
- (n) the written consents referred to in the paragraph 7.7 headed “Consents of Experts” in Appendix VI to this prospectus; and
- (o) a statement of the names, addresses and descriptions of the Selling Shareholders.



PAX

PAX Global Technology Limited

百富環球科技有限公司*