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

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

RESULTS	**2014** *HK$'000*	2013 *HK$'000*	*+/(-)*
Revenue	**2,373,272**	1,472,488	+61%
Gross profit	**864,866**	541,129	+60%
EBITDA	**467,195**	269,920	+73%
Operating profit	**463,194**	266,190	+74%
Profit for the year (excluding the share option scheme expenses)	**420,413**	240,240	+75%
Profit for the year	**391,806**	226,540	+73%

	2014	2013	*+/(-)*
Earnings per share			
— Basic (HK$)	**0.363**	0.218	+67%
— Diluted (HK$)	**0.353**	0.211	+67%

KEY BALANCE SHEET ITEMS	**2014** *HK$'000*	2013 *HK$'000*	*+/(-)*
Total assets	**3,334,313**	2,832,808	+18%
Total liabilities	**786,133**	745,686	+5%
Total equity	**2,548,180**	2,087,122	+22%

* *For identification purpose only*

The board of directors (the "Board") of PAX Global Technology Limited (the "Company" or "PAX") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with comparative figures for the year ended 31 December 2013. The annual results have been reviewed by the Company's Audit Committee (the "Audit Committee").

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an electronic funds transfer point-of-sale ("E-payment Terminal") solutions provider principally engaged in the development and sale of E-payment Terminal products and provision of related services (collectively the "E-payment Terminal solutions business"). The Group is one of the leading suppliers in the E-payment Terminal solutions market in the People's Republic of China (the "PRC") and one of the most active international players. Our E-payment Terminal solutions are sold in over 80 overseas countries and regions including the United States, Canada, Singapore, Taiwan, Hong Kong, Japan, New Zealand, France, Italy, Finland, Saudi Arabia, South Africa, Nigeria, Brazil and Russia. Currently, we work with over 80 distributors and partners worldwide.

MARKET OVERVIEW

In recent years, active merger and acquisition activities within the industry presented PAX with enormous business opportunities in both mature and emerging markets. After years of effort, PAX's global market share has recorded notable growth. The PRC is still the Group's major source of income. Meanwhile, the contribution from overseas market (excluding Mainland China) to the Group's income gradually increases with the approximate percentage to the total turnover rising from 22% in 2010 to 42% in 2014. It is expected that the proportion of turnover from overseas market to the total turnover will continue to increase in the coming years. This trend has propelled us forward towards our goal: to become one of the leading E-payment Terminal solutions providers in the world.

CHINA MARKET

Continuing Improvement in Bank Card Acceptance Environment and Growth in Card Payment Transactions

According to The People's Bank of China, the number of in-network bank card merchants reached over 12.03 million by the end of 2014 (The end of 2013: 7.63 million) and in-network E-payment Terminals grew to over 15.94 million sets by the end of 2014 (The end of 2013: 10.63 million sets) in the PRC. Today, the penetration of E-payment Terminals in the PRC is still relatively low, creating vast potential growth opportunities within the industry. Consumers in the PRC are becoming accustomed to using bank cards in settling their payments and purchases. A total of 4.936 billion bank cards had been issued in the PRC as at the end of 2014, representing a growth of 19.13% as compared with the end of 2013 and each individual on average held approximately 3.64 bank cards as at the end of 2014. The habit of settlement and acceptance of payment and purchases with bank cards have been successfully extended to medical, education, transportation, insurance and telecommunication services from traditional commercial retail, food and beverage and hotels etc. The PRC has become one of the biggest bank card issuers, the fastest growing markets, and the countries with the most potential in the global bankcard business industry.

Extensive adoption of Near Field Communication ("NFC") Applications such as UnionPay's "Quick Pass"

According to the statistics released by UnionPay China, the inter-bank card transaction amount increased by 27.3% to RMB 41,100 billion in 2014. Bankcard has become one of the major tools for payment in domestic markets. Nationwide, the number of merchants which accept UnionPay cards increased by 58%. The number of POS terminal increased by 50%, among which one quarter of the 4 million POS terminals support UnionPay's "Quick Pass". Worldwide, more than 30 million merchants accept UnionPay in 150 countries and regions and its acceptance scale ranked third in the world. As NFC payment provides great convenience, the growth potential is expected to be huge. In addition, the People's Bank of China and China UnionPay are currently driving for rapid development of NFC E-payment Terminal network that fuels the demand for related products.

Second and Third Tier Cities and Rural Areas as Another Point of Growth Driven by Government Policy

Regionally, the penetration rate of E-payment Terminals in the second and third tier cities and rural areas at the county level is far below that of first-tier cities. With further development of the domestic economy, demand for bank cards has become increasingly stronger in small- and medium-sized merchants in those areas, which just recently met the basic requirements for further promoting bank cards. The People's Bank of China encouraged financial institutions to promote non-cash payment in rural areas to bring E-payment Terminal payment systems to the vast markets in central and western regions.

New Market Patterns Created by Third-Party Payment Service Operators

As of 31 December 2014, the People's Bank of China issued payment licences to 269 third-party payment service operators (the "Operators"). 53 of them obtained bank card acceptance licences. Those licensed Operators have commenced installing E-payment Terminals in merchants. Most of those merchants were a customer group previously neglected by financial institutions. We anticipate that the Operators will still strengthen the expansion for rolling out their E-payment Terminals networks and brought more growth to the industry for coming years.

OVERSEAS MARKET

Significant Room for Growth in Emerging Markets

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

Mass Opportunities from New Certifications' Requirements and Technology Advancement such as Apple Pay

Some countries in Organisation for Economic Co-operation and Development ("OECD") have started to adopt the newest and highest PCI certifications. PAX's new series of products has already passed the highest international certifications to reckon this opportunity. The tendency towards wide usage of NFC was related to the popularization of contactless cards by Visa and MasterCard. As a result of vigorous promotion of contactless cards such as PayPass and payWave, demand for NFC products will significantly increase, especially in the mature markets. Since Apple Pay made its debut in October 2014, two thirds of contactless transactions on Visa, MasterCard and American Express were made by Apple Pay service in the fourth quarter of 2014. Currently, more than 500 banks and credit institutions throughout the United States have signed an agreement with Apple for supporting Apple Pay. Also, more than 200,000 stores have partnership with Apple. Adoption of mobile payment is gaining popularity in major retailers. Along with the rapid growth of mobile payment by Apple Pay, the development of global NFC industry will accelerate. Similar model may be extended to the PRC and other emerging markets.

Expansion Opportunities from Europay, MasterCard and Visa ("EMV") Migration and Industry Consolidation

The United States is going through the EMV migration process now. According to the estimations of industry experts, the annual demand for E-payment Terminals in the United States will increase significantly from the current level in the next three years. By the end of 2015, MasterCard and Visa will force an upgrade to all the United States retail POS terminals to adopt chip-and-pin or NFC in replacement of traditional swipe-and-sign model. Over the past five years, there were busy mergers and acquisitions in the industry. To date, PAX has become one of the few international mainstream E-payment Terminal solutions providers. PAX has a high global ranking with a complete product line and it has basically achieved "GLOBAL PRESENCE". Our products can be sold to all major global markets and we can provide service support to our partners. Capitalising on PAX's solid international reputation, we are confident in our ability to seize expansion opportunities from industry consolidation.

FINANCIAL REVIEW

The key financial figures for the year ended 31 December 2014 are extracted as follows:

	For the year ended 31 December		
	2014	2013	
	HK$'000	*HK$'000*	*+/(-)*
Revenue	**2,373,272**	1,472,488	+61%
Gross profit	**864,866**	541,129	+60%
Other income	**70,445**	50,075	+41%
Other gains — net	**–**	303	–
Selling expenses	**(218,568)**	(131,124)	+67%
Administrative expenses	**(253,549)**	(194,193)	+31%
Operating profit	**463,194**	266,190	+74%
Income tax expense	**(71,388)**	(39,650)	+80%
Profit for the year attributable to equity holders of the Company	**391,806**	226,540	+73%
EBITDA	**467,195**	269,920	+73%
Research and development expenses (included in administrative expenses)	**(113,841)**	(94,480)	+20%

	As at 31 December		
	2014	2013	
	HK$'000	*HK$'000*	*+/(-)*
Total current assets	**3,322,664**	2,824,424	+18%
Total non-current assets	**11,649**	8,384	+39%
Total assets	**3,334,313**	2,832,808	+18%
Total liabilities	**786,133**	745,686	+5%
Net current assets	**2,536,531**	2,078,738	+22%
Total equity	**2,548,180**	2,087,122	+22%

	For the year ended 31 December		
	2014	2013	*+/(-)*
PER SHARE DATA			
Earnings per share for the profit attributable to equity holders of the Company			
— Basic (HK$)	**0.363**	0.218	+67%
— Diluted (HK$)	**0.353**	0.211	+67%

	For the year ended 31 December	
	2014	2013
FINANCIAL RATIOS		
Gross profit margin	**36.4%**	36.7%
EBITDA margin	**19.7%**	18.3%
Net profit margin	**16.5%**	15.4%

Revenue

Turnover increased by 61% or HK$900.8 million to HK$2,373.3 million for the year ended 31 December 2014 from HK$1,472.5 million for the year ended 31 December 2013. Turnover from the China market grew by 33% year on year or HK$339.9 million to HK$1,386.0 million. Similarly, turnover from overseas market grew by HK$560.9 million to HK$987.3 million, representing a growth of 132%.

	For the year ended 31 December		
	2014	2013	
	HK$'000	*HK$'000*	*+/(-)*
E-payment Terminals	**2,221,605**	1,366,580	+63%
Consumer activated devices	**91,733**	48,348	+90%
Contactless devices	**11,537**	16,407	-30%
Services	**26,435**	20,687	+28%
Others*	**21,962**	20,466	+7%
	2,373,272	1,472,488	+61%

* Amount mainly represented accessory items sold to customers. Examples of such accessory items were download cable, telephone line, thermal paper, sticker and barcode scanning gun etc.

E-payment Terminals

Turnover from the sale of E-payment Terminals increased by 63% to HK$2,221.6 million for the year ended 31 December 2014 from HK$1,366.6 million for the year ended 31 December 2013. Turnover growth has been driven by the increase in both China and overseas sale during the year.

Meanwhile, bankcard payment has been gaining popularity in the PRC. Besides UnionPay Merchant Services Co. Ltd. ("UMS"), financial institutions and the Operators have been aggressively building their E-payment Terminal networks in order to capture the benefits from the rising usage of electronic payment and high levels of retail consumption in the PRC. Furthermore, due to the consideration of revenue tax control and speeding up economic flow, state policies in the recent years have supported building of electronic transaction networks and deducted commission charges to encourage merchants to accept electronic payment, which further fuels the fast growth of E-payment Terminals demand.

Consumer Activated Devices

Turnover from the sale of consumer activated devices increased by 90% to HK$91.7 million for the year ended 31 December 2014 from HK$48.3 million for the year ended 31 December 2013. Since 2014, there has been increasing demand in pin pads in emerging markets such as China and Latin America and Commonwealth Independent States ("LACIS").

Contactless Devices

Turnover from the sale of contactless readers decreased to HK$11.5 million for the year ended 31 December 2014, and by 30% from HK$16.4 million for the year ended 31 December 2013. The fall in demand was mainly because that our upgraded E-payment Terminals generally have built-in contactless card reader.

Services

Turnover from the provision of services increased by 28% to HK$26.4 million for the year ended 31 December 2014 as compared to HK$20.7 million for the year ended 31 December 2013. Maintenance services made up the bulk of service income and were mainly generated in Hong Kong, and contributed a main portion of the service income growth.

Sales by Geographical Region

	For the year ended 31 December		
	2014	2013	+/(-)
	HK$'000	*HK$'000*	
China market	**1,385,986**	1,046,095	+33%
Overseas market	**987,286**	426,393	+132%
	2,373,272	1,472,488	+61%

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

Turnover generated from the China market increased by 33% to HK$1,386.0 million for the year ended 31 December 2014, from HK$1,046.1 million for the year ended 31 December 2013. Turnover generated from China market accounted for 58% of total revenue compared with 71% for the fiscal year of 2013. The growth was mainly attributable to the Operators and vertical application sectors. Among the sectors, the increase of shipment volume to the Operators achieved the most prominent growth.

The PRC has experienced rapid economic growth in recent years. However, the overall E-payment Terminal penetration ratio is still relatively low compared with mature markets. The bankcard issuance and transaction volume continue to grow. The demand growth for POS terminals is still significant. As the Unionpay's Quick Pass becomes one of the major tools for payment, the demand for E-payment Terminals with built-in NFC and wire-less communication functions recorded significant growth.

Turnover generated from the overseas market increased by 132% to HK$987.3 million for the year ended 31 December 2014 from HK$426.4 million in last accounting year. Turnover generated from overseas markets accounted for 42% of total revenue, growing from 29% in fiscal year 2013. All overseas business units recorded explosive growth especially in Middle East and Africa ("EMEA") and LACIS business units. North Africa, Middle East and South America become new focal points for business growth of PAX in the near future. As of the end of 2014, we had over 80 overseas distributors and partners worldwide.

Gross Profit Margin

Gross profit margin for the year ended 31 December 2014 was 36.4%, slightly decreased by 0.3 points as compared with 36.7% in last accounting year. The decrease was mainly due to dynamic pricing strategy in order to expand market share. We consider that our gross profit margin maintains at a healthy level.

Other Income

Other income comprised primarily value added tax refund, interest income from time deposit and subsidy income. It increased by 41% to HK$70.4 million for the year ended 31 December 2014 from HK$50.1 million in last accounting year. The increase was mainly due to the increase of value added tax refund and interest income.

Selling Expenses

Selling expenses increased by 67% to HK$218.6 million for the year ended 31 December 2014, from HK$131.1 million for the year ended 31 December 2013. The expenses grew in line with the turnover growth and mainly attributable to the increase of sales and after-sales force and increase of service charges.

Administrative Expenses

Administrative expenses increased by 31% to HK$253.5 million for the year ended 31 December 2014 from HK$194.2 million in the preceding financial year, mainly reflecting the expansion of research and development team and increase of share option scheme. Also, due to upgrade for product type, old models occurred one-off provision for obsolete inventories.

Net Profit and Net Profit Margin

As a result of the foregoing, the net profit for the year attributable to the equity holders of the Company increased by 73% to HK$391.8 million for the year ended 31 December 2014 from HK$226.5 million for the year ended 31 December 2013.

The net profit margin improved to 16.5% for year ended 31 December 2014 from 15.4% in the preceding financial year mainly as a result of improved operating efficiency and thus decrease in the proportion of selling and administrative expenses.

OUTLOOK

To date, PAX has sold more than 7 million E-payment Terminals in over 80 countries and regions and worked with over 80 distributors and partners worldwide since the establishment of the Group. In a report issued by The Nilson Report in June 2014, PAX was ranked number 3 globally in terms of the volume of E-payment Terminals shipped in 2013.

INDUSTRY TREND

Offline Payment Remains Dominant

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

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

Application of New Technology

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

CHINA MARKET

PAX is one of the leading players in E-payment Terminal solutions market in the PRC. UMS, financial institutions and the Operators are some of our largest customers. The PRC is one of the fastest growing economies in the world with huge commercial growth potential yet to be tapped. Over the past several years the surge in Chinese consumer spending and the public's increasing demand for safer and more secure payment methods have formed the foundation upon which the E-payment Terminal solutions industry can flourish. Research has indicated that the number of E-payment Terminals installed in the PRC is less than 11 terminals per 1,000 inhabitants in 2014 as compared to an average of 23 installed E-payment Terminals per 1,000 inhabitants in certain mature markets. With such a low E-payment Terminal penetration rate, the increasing acceptance of card payment transactions, the ease of obtaining credit cards by consumers and the PRC government's support in developing the country's electronic payment infrastructure are just a few factors expected to continually drive demand for E-payment Terminals in the PRC.

Operators are the main driver of market growth. According to the available data, in 2014, over 50% of the supplies were provided by Operators, who spared no effort in identifying middle-sized and smallsized merchants. The low market penetration rate in second and third tiers cities as well as the Great North-west Region provided them with enormous room for business growth. The support from the state policies aimed at facilitating the economic development in backward regions through the accelerated economic flow of electronic payment. In the meantime, taking into consideration of the deducted commission charge, tax control and management, transaction cost and safety concern, offline electronic payment became the first choice. It is expected that the demand for middle-class model among middle-sized and small-sized merchants will experience significant growth. Alongside the promotion of Intelligent Card transition and contactless UnionPay's NFC standard "Quick Pass" carried forward by the People's Bank of China and UnionPay respectively, the demand for the high-end built-in contactless function and mobile model will also grow. The strategy of PAX is to focus on three particular customer groups (UMS, Financial Institutions and Operators) by offering various integrated services.

In the coming year, we will continue to identify other strategic business partners to enter other subdivided markets with mixed products.

OVERSEAS MARKET

Overseas market including Hong Kong, Macau and Taiwan accounts for more than 80% of global market share. Therefore, this is clearly a huge market for PAX. Overseas market provides additional business growth and diversifies our business risk. Since 2000, PAX has invested extensively in research and development ("R&D") to ensure that our mainstream products comply with, if not exceed, most international industrial standards and are accredited with international industrial recognized certifications. For more than ten years, we have invested significant resources in building our sales network, worked tirelessly with our international partners and formed specialized teams to focus on individual markets, including EMEA, LACIS, Asia Pacific except for the PRC ("APAC") and the United States of America and Canada Region ("USCA"). At the same time, we also set up after-sales supporting team for international sales. In recent years, our significant sales growth in overseas market has attested to our efforts.

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

In addition, we succeed to gain market share in Italy in 2014. Our products were also certified in the United Kingdom, Portugal, Germany and other major European Union countries. Management team are confident that the European market will bring substantial, long-lasting market share in the next few years.

OVERALL MANAGEMENT STRATEGIES

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

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

By leveraging on our strong position in E-payment Terminal solutions market in the PRC and consolidated international market experience, we believe that we will capture the rapid development of the PRC and emerging markets as well as other important international markets. We believe that we are on the path to becoming one of the leading global multi-formula E-payment Terminal solutions providers.

Liquidity and Capital Resources

During the years of 2013 and 2014, the main source of funding to the Group was the proceeds generated from operating activities in the usual course of business of the Company. Certain financial data are summarised as follows:

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Cash at bank and on hand	**1,918,729**	1,698,407
Net current assets	**2,536,531**	2,078,738
Net cash generated from operating activities	**154,341**	291,517
Net cash generated from financing activities	**74,109**	8,350

	As at 31 December	
	2014	2013
Current ratio (times)	**4.2**	3.8
Quick ratio (times)	**3.6**	3.2

As at 31 December 2014, the Group had cash at bank and on hand and short-term bank deposits of HK$1,918.7 million (2013: HK$1,698.4 million) and no short-term borrowings (2013: Nil). As at 31 December 2014, the Group reported net current assets of HK$2,536.5 million, as compared with HK$2,078.7 million as at 31 December 2013. For the year ended 31 December 2014, net cash generated from operating activities was HK$154.3 million, as compared with net cash generated from operating activities of HK$291.5 million for the year ended 31 December 2013. For the year ended 31 December 2014, net cash generated from financing activities of HK$74.1 million (2013: HK$8.4 million).

Capital Structure and Details of Charges

As at 31 December 2014, the Group did not have any borrowings or charge on Group assets, and the gearing ratio is not applicable (2013: Nil). As at 31 December 2014, approximately HK$891.5 million, HK$726.7 million, HK$300.4 million and HK$0.1 million (2013: HK$892.4 million, HK$591.9 million, HK$214.0 million and HK$0.03 million) of the Group's cash balances were denominated in Renminbi ("RMB"), Hong Kong dollar ("HK$"), US dollar ("US$") and Euro ("EUR") respectively.

Significant Investment

Save as disclosed in this announcement, the Group held no significant investment as at 31 December 2014.

Material Acquisition and Disposal of Subsidiaries

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries during the year ended 31 December 2014 (2013: Nil).

Use of Proceeds

The net proceeds raised from the Global Offering received by the Company were approximately HK$805.9 million.

As at 31 December 2014, the planned and utilized amounts of usage of total net proceeds are as follows:

	Planned amount *HK$ million*	**Utilized amount** *HK$ million*
Enhancing research and development effort	322.4	314.9
Expanding distribution network	120.8	120.8
Potential merger and acquisition	282.1	–
General working capital	80.6	80.6
	805.9	516.3

Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2014.

Exchange Rates Exposure

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

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

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2014.

Human Resources and Remuneration Policies

The total number of employees of the Group as at 31 December 2014 was 807. The following table shows a breakdown of employees of the Group by functions as at 31 December 2014:

Management	14
Sales and after-sales services and marketing	297
Research and development	418
Quality assurance	23
Administration and human resources	16
Accounting	15
Production, procurement and inventory control	24
	807

The Group ensures that its remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. Share options are granted to employees of the Group to reward their contributions under the share option scheme of the Company, details of which are set out in the Company's 2014 annual report. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's businesses.

Disclaimer:

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as EBITDA, are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non – GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**2,373,272**	1,472,488
Cost of sales	*5*	**(1,508,406)**	(931,359)
Gross profit		**864,866**	541,129
Other income	*3*	**70,445**	50,075
Other gains — net		**–**	303
Selling expenses	*5*	**(218,568)**	(131,124)
Administrative expenses	*5*	**(253,549)**	(194,193)
Operating profit/profit before income tax		**463,194**	266,190
Income tax expense	*6*	**(71,388)**	(39,650)
Profit for the year attributable to equity holders of the Company		**391,806**	226,540
		HK$ per share	*HK$ per share*
Earnings per share for the profit attributable to equity holders of the Company:			
— Basic	*7(a)*	**0.363**	0.218
— Diluted	*7(b)*	**0.353**	0.211

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**391,806**	226,540
Other comprehensive (loss)/income, net of tax		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**(33,464)**	27,698
Total comprehensive income for the year attributable to equity holders of the Company, net of tax	**358,342**	254,238

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December **2014** ***HK$'000***	 2013 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**11,428**	8,152
Leasehold land		**221**	232
Total non-current assets		**11,649**	8,384
Current assets			
Inventories		**475,461**	465,114
Trade and bills receivables	*8*	**898,278**	637,966
Deposits and other receivables	*8*	**14,084**	6,324
Restricted cash		**16,112**	16,613
Cash at bank and on hand		**1,918,729**	1,698,407
Total current assets		**3,322,664**	2,824,424
Total assets		**3,334,313**	2,832,808
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**110,081**	104,452
Reserves		**2,438,099**	1,982,670
Total equity		**2,548,180**	2,087,122
LIABILITIES			
Current liabilities			
Trade payables	*9*	**423,754**	445,541
Other payables and accruals	*9*	**284,864**	275,072
Taxation payable		**77,515**	25,073
Total current liabilities and total liabilities		**786,133**	745,686
Total equity and liabilities		**3,334,313**	2,832,808
Net current assets		**2,536,531**	2,078,738
Total assets less current liabilities		**2,548,180**	2,087,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 5 March 2015.

2 BASIS OF PREPARATION

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

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

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group's financial statements.

Amendments to HKAS 36,'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13.

Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS/HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKAS 15.

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

3 REVENUE AND OTHER INCOME

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

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Turnover		
Sales of electronic payment products	**2,346,837**	1,451,801
Provision of electronic payment services	**26,435**	20,687
	2,373,272	1,472,488
Other income		
Interest income	**23,198**	14,805
Value added tax refund *(note (i))*	**41,770**	32,788
Subsidy income	**3,934**	535
Others	**1,543**	1,947
	70,445	50,075
	2,443,717	1,522,563

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

4 SEGMENT INFORMATION

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

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

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

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

	Year ended 31 December 2014				
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	**Hong Kong** *HK$'000*	**US** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Turnover from external customers	**1,708,104**	**611,848**	**53,320**	**–**	**2,373,272**
Inter-segment turnover	**566,826**	**41,981**	**–**	**(608,807)**	**–**
Total turnover	**2,274,930**	**653,829**	**53,320**	**(608,807)**	**2,373,272**
Segmental earnings/(loss) before interest expense, taxes, depreciation and amortisation ("EBITDA")	**331,097**	**145,429**	**(11,245)**	**1,914**	**467,195**
Depreciation	**(3,289)**	**(177)**	**(529)**	**–**	**(3,995)**
Amortisation	**(6)**	**–**	**–**	**–**	**(6)**
Segmental operating profit/(loss)/profit/(loss) before income tax	**327,802**	**145,252**	**(11,774)**	**1,914**	**463,194**
Income tax expense					**(71,388)**
Profit for the year					**391,806**

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

The segment assets and liabilities at 31 December 2014 and additions to non-current assets for the year ended 31 December 2014 are as follows:

	As at 31 December 2014				
	PRC, other than Hong Kong, Macau and Taiwan	**Hong Kong**	**US**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**2,415,257**	**1,142,449**	**38,297**	**(261,690)**	**3,334,313**
Segment liabilities	**884,063**	**99,881**	**59,781**	**(257,592)**	**786,133**

	Year ended 31 December 2014				
	PRC, other than Hong Kong, Macau and Taiwan	**Hong Kong**	**US**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Additions to non-current assets	**6,439**	**826**	**228**	**–**	**7,493**

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

	As at 31 December 2013				
	PRC, other than Hong Kong, Macau and Taiwan *HK$'000*	Hong Kong *HK$'000*	US *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment assets	1,997,637	859,728	23,455	(48,012)	2,832,808
Segment liabilities	714,081	43,376	33,206	(44,977)	745,686

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

Segmental EBITDA represents segmental operating profit/loss before finance costs, income tax expense, depreciation of property, plant and equipment and amortisation of leasehold land. Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, deposits and other receivables, trade and bills receivables, restricted cash and cash at bank and on hand. Segment liabilities consist primarily of trade payables, other payables and accruals and taxation payable.

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

In 2014, revenue of approximately HK$255,850,000 is derived from the largest customer, representing 10.8% of the total revenue, which is attributable to the HK operating segment; HK$222,171,000 is derived from the second largest customer, representing 9.4% of the total revenue, which is attributable to the PRC operating segment. In 2013, revenue of approximately HK$178,153,000 is derived from the largest customer, representing 12.1% of the total revenue, which is attributable to the PRC operating segment; HK$141,163,000 is derived from the second largest customer, representing 9.6% of the total revenue, which is attributable to the PRC operating segment.

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

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

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

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Non-current assets		
PRC, other than Hong Kong, Macau and Taiwan	**10,283**	7,366
Hong Kong	**906**	257
US	**460**	761
	11,649	8,384
Current assets		
PRC, other than Hong Kong, Macau and Taiwan	**2,204,392**	1,974,671
Hong Kong	**1,081,991**	828,434
US	**36,281**	21,319
	3,322,664	2,824,424

5 EXPENSES BY NATURE

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

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Auditors' remuneration — audit services	**1,949**	1,581
Depreciation of property, plant and equipment	**3,995**	3,724
Amortisation of leasehold land	**6**	6
Employee benefit expenses (including Directors' emoluments)	**215,943**	155,968
Costs of inventories sold	**1,480,103**	910,549
Operating lease rentals in respect of buildings	**15,828**	12,821
Research and development costs	**113,841**	94,480
Sales commission	**48,911**	11,978
Provision of trade receivables	**632**	–
Loss on disposal of property, plant and equipment	**37**	–
Provision for obsolete inventories	**18,687**	10,955
Donation	**1,256**	10

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax	**54,407**	29,263
— Hong Kong profits tax	**26,578**	10,175
(Over)/under provision in prior year	**(9,597)**	212
Income tax expense	**71,388**	39,650

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year ended 31 December 2014.

Pax Computer Shenzhen is being recognised as a key software enterprise for the financial years 2013 and 2014 by the National Development and Reform Commission, the Ministry of Industry and Information Technology of the People's Republic of China, the Ministry of Finance of the People's Republic of China, the Ministry of Commerce of the People's Republic of China and the State Administration of Taxation under the National Plan (國家規劃佈局).

Pursuant to the Notice on Enterprise Income Tax Policy to Further Promote the Development of Software and Integrated Circuit Industry (《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》) issued by the Ministry of Finance of the People's Republic of China and the State Administration of Taxation, key software enterprises (重點軟件企業) which have not yet enjoyed tax-free concessions for the relevant financial years will be subject to enterprise income tax at the reduced rate of 10%.

Pax Computer Shenzhen obtained the requisite approval from the relevant applicable tax authorities in late March 2014 and is eligible for a reduced tax rate at 10% for the financial years 2013 and 2014. The over provision of income tax accrued by Pax Computer Shenzhen in financial year 2013, which was calculated at the tax rate of 15%, was credited to the profit and loss in the current year.

7 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**391,806**	226,540
Weighted average number of ordinary shares in issue (thousand shares)	**1,079,975**	1,039,126
Basic earnings per share (HK$ per share)	**0.363**	0.218

(b) Diluted

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

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**391,806**	226,540
Weighted average number of ordinary shares in issue (thousand shares)	**1,079,975**	1,039,126
Adjustments for share options (thousand shares)	**30,914**	34,386
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**1,110,889**	1,073,512
Diluted earnings per share (HK$ per share)	**0.353**	0.211

8 TRADE AND BILLS RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**662,703**	478,027
Amount due from related parties	**–**	69,964
Less: provision for impairment of receivables	**(660)**	(28)
Trade receivables, net	**662,043**	547,963
Bills receivables *(note (b))*	**236,235**	90,003
Trade and bills receivables	**898,278**	637,966
Deposits and other receivables	**14,084**	6,324
Trade and bills receivables, deposits and other receivables	**912,362**	644,290

The fair values of trade and bills receivables, deposits and other receivables approximated their carrying values as at 31 December 2013 and 2014.

(a) **Trade receivables**

The Group's credit terms to trade debtors range generally from 0 to 180 days. However, credit terms of more than 180 days may be granted to customers on a case-by-case basis upon negotiation. As at 31 December 2013 and 2014, the ageing analysis of the trade receivables is as follows:

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Up to 90 days	**425,205**	377,726
91 to 180 days	**121,188**	79,905
181 to 365 days	**54,135**	45,825
Over 365 days	**62,175**	44,535
	662,703	547,991

(b) **Bills receivables**

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

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

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Up to 90 days	**97,600**	42,397
91 days to 180 days	**138,635**	47,606
	236,235	90,003

9 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**411,679**	442,090
Amount due to related parties	**12,075**	3,451
	423,754	445,541
Other payables and accruals		
Receipt in advance from customers	**149,292**	190,851
Other tax payables	**63,669**	42,746
Accrued expenses	**38,735**	20,688
Others	**33,168**	20,787
	284,864	275,072
	708,618	720,613

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

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Up to 90 days	**394,896**	417,151
91 to 180 days	**25,952**	25,616
181 to 365 days	**380**	106
Over 365 days	**2,526**	2,668
	423,754	445,541

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2014.

DIVIDEND

No dividends had been paid or declared by the Company during the year ended 31 December 2014 (2013: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Specific enquiry had been made to all the directors of the Company (the "Directors") and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

The Company has also established written guidelines with exact terms as set out in Appendix 10 to the Listing Rules for securities transactions by employees who are likely to possess inside information of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

The Company has applied in formulating its corporate governance practices the Principles and complied with all the Code Provisions for the year ended 31 December 2014.

AUDIT COMMITTEE

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

The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of both external and internal audit and of internal controls and risk evaluation. The Audit Committee was established by the Board on 1 December 2010 with written terms of reference. The Audit Committee comprises three independent non-executive Directors, namely Mr. Yip Wai Ming, Dr. Wu Min and Mr. Man Kwok Kuen, Charles. Two meetings were held during the year.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2014.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained during the year ended 31 December 2014 sufficient public float as required under the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This 2014 annual results announcement is published on the Company's website at www.paxglobal.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2014 annual report will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2014 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2014. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2014, which will be included in the Company's 2014 annual report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 5 March 2015

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