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金邦達 Goldpac

Goldpac Group Limited

金邦達寶嘉控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3315)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

TURNOVER AND NET PROFIT

For the six months ended 30 June 2016, the Group's turnover amounted to approximately RMB681.4 million, representing a decrease of approximately 22.0% compared with that of the corresponding period of 2015. The net profit was approximately RMB95.4 million, representing a decrease of approximately 24.2% compared with that of the corresponding period of 2015.

GROSS PROFIT MARGIN

For the six months ended 30 June 2016, the Group's gross profit margin was recorded at approximately 30.2%, representing an uplift of approximately 3.3 percentage points compared with that of the corresponding period of 2015.

EARNINGS PER SHARE

Basic: RMB11.5 cents, weighted average number of ordinary shares for the purpose of basic earnings per share: 831,904,857 (30 June 2015: RMB15.2 cents, weighted average number of ordinary shares for the purpose of basic earnings per share: 830,295,748).

DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK4.0 cents (equivalent to approximately RMB3.4 cents) per ordinary share (for the six months ended 30 June 2015: Nil).

The board (“**Board**”) of directors (“**Directors**”) of Goldpac Group Limited (“**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2016 (“**Interim Period**”).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	<i>NOTES</i>	RMB'000	RMB'000
		<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover		681,437	873,761
Cost of sales		<u>(475,873)</u>	<u>(638,535)</u>
Gross profit		205,564	235,226
Other income, expenses, gains or losses		37,274	29,157
Research and development costs		(46,931)	(41,998)
Selling and distribution costs		(62,715)	(52,460)
Administrative expenses		(15,877)	(15,217)
Finance costs		—	(43)
Share of loss of associates		<u>(2,951)</u>	<u>(337)</u>
Profit before taxation	4	114,364	154,328
Taxation	5	<u>(18,952)</u>	<u>(28,436)</u>
Profit for the period		95,412	125,892
Other comprehensive income for the period (net of tax)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
— exchange differences arising on translation of foreign operations		207	5
— share of exchange differences of an associate		<u>28</u>	<u>—</u>
Other comprehensive income for the period		<u>235</u>	<u>5</u>
Total comprehensive income for the period		<u>95,647</u>	<u>125,897</u>
Earnings per share	7		
— Basic		11.5 cents	15.2 cents
— Diluted		<u>11.5 cents</u>	<u>15.0 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	181,782	196,108
Land use rights		687	755
Goodwill		1,375	1,375
Intangible assets		12,401	13,546
Interests in associates	16	35,562	38,457
Deposits paid for acquisition of property, plant and equipment		1,117	6,432
Amount due from an associate		830	814
Pledged bank deposit		100,000	100,000
Fixed bank deposits		110,000	110,000
		<u>443,754</u>	<u>467,487</u>
Current assets			
Inventories	9	198,135	320,936
Trade receivables	10	702,909	492,903
Other receivables and prepayments		24,312	19,589
Amount due from an associate		4,238	4,153
Pledged bank deposits		1,187	22,064
Fixed bank deposits		603,771	296,089
Bank balances and cash		402,624	983,620
		<u>1,937,176</u>	<u>2,139,354</u>
Current liabilities			
Trade and bills payables	11	347,673	567,317
Other payables and accruals		162,681	147,662
Government grants		14,000	18,720
Taxation		28,094	36,180
		<u>552,448</u>	<u>769,879</u>
Net current assets		<u>1,384,728</u>	<u>1,369,475</u>
Total assets less current liabilities		<u>1,828,482</u>	<u>1,836,962</u>
Non-current liability			
Deferred taxation		21,419	22,748
Net assets		<u>1,807,063</u>	<u>1,814,214</u>
Capital and reserves			
Share capital	13	1,191,941	1,190,419
Reserves		615,122	623,795
Total equity		<u>1,807,063</u>	<u>1,814,214</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL AND BASIS OF PREPARATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (“**Companies Ordinance**”).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The Group’s condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are reviewed by the Chairman of the Company, being the chief operating decision maker in order to allocate resources to the reportable segments and to assess their performance.

The Group's operating and reportable segments under HKFRS 8 are as follows:

Embedded software and secure payment products	—	the research, development, sales and manufacture of embedded software and secure payment products, such as smart card carrying embedded software
Personalisation service	—	provision of personalisation outsourcing service for financial institutes and governments
Card issuance system solutions	—	provision of card issuance equipment and related accessories and solutions services

Each operating and reportable segment derives its turnover from the sales of the products or provision of services. They are managed separately because each product requires different production and marketing strategies. No operating segments identified by the chief operating decision maker have been aggregated in arising at the reportable segments of the Group.

Turnover represents the fair value of the consideration received or receivable for goods sold or services rendered to outside customers during the period.

Segment results represent the gross profits earned by each segment.

The following is an analysis of the Group's revenue and results by reportable segment:

	Turnover		Results	
	Six months ended 30 June 2016	2015	Six months ended 30 June 2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales to external parties of				
— Embedded software and secure payment products	549,785	724,058	148,526	175,347
— Personalisation service	71,568	81,453	30,774	32,535
— Card issuance system solutions	60,084	68,250	26,264	27,344
	681,437	873,761	205,564	235,226
Research and development costs			(46,931)	(41,998)
Other operating expenses			(78,592)	(67,677)
Other income, expenses, gains or losses (<i>Note</i>)			26,429	16,598
Interest income			10,845	12,559
Finance costs			—	(43)
Share of loss of associates			(2,951)	(337)
Profit before taxation			114,364	154,328

Note: Included in other income, expenses, gains or losses are investment income of other financial assets of RMB505,000 (for the six months ended 30 June 2015: RMB10,409,000), value-added tax refund of RMB8,186,000 (for the six months ended 30 June 2015: RMB4,805,000) and government subsidies of RMB5,664,000 (for the six months ended 30 June 2015: RMB2,304,000).

The Chairman of the Company makes decisions according to the operating results of each segment. No information of segment assets and liabilities is available for the assessment of performance of different business activities. Therefore, no information about segment assets and liabilities are presented.

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	5,830	5,850
Other staff's retirement benefits scheme contributions	4,174	3,324
Other staff's equity-settled share-based payment	3,395	6,621
Other staff costs	<u>88,335</u>	<u>82,723</u>
	101,734	98,518
Less: Staff costs included in research and development costs	<u>(28,058)</u>	<u>(25,591)</u>
	<u>73,676</u>	<u>72,927</u>
Allowance for obsolete inventories included in cost of sales	3,278	—
Amortisation of intangible assets	1,145	1,144
Depreciation of property, plant and equipment	19,725	19,990
Investment income from other financial assets	(505)	(10,409)
Operating lease rentals in respect of		
— land use rights	68	68
— office premises	<u>4,190</u>	<u>4,250</u>

The cost of sales represented the cost of inventories recognised as expenses during the period.

5. TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
Mainland China (“PRC”) Enterprise Income Tax (“EIT”)	(14,021)	(21,908)
PRC withholding tax on dividend distribution	(4,833)	(1,300)
Hong Kong Profits Tax	<u>(1,427)</u>	<u>(941)</u>
	(20,281)	(24,149)
Deferred taxation	<u>1,329</u>	<u>(4,287)</u>
	<u>(18,952)</u>	<u>(28,436)</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. The Company's PRC subsidiaries are subject to EIT at 25% except that Goldpac Limited is approved for 3 years as the enterprise that satisfied as a High-New Technology Enterprise and entitles the preferential tax rate of 15% in 2014, 2015 and 2016.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui (2008) No. 1, only the profits earned by Goldpac Limited prior to 1 January 2008, when distributed to foreign investors, can be grandfathered with the exemption from withholding tax. Whereas, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% or reduced tax rate if tax treaty or arrangement applies. Under the relevant tax arrangement, withholding tax rate on dividend distribution to the qualifying Hong Kong resident companies is 5%. Deferred tax liability on the undistributed profits earned since 1 January 2008 have been accrued at the tax rate of 5%.

6. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends		
2015 Final — HK11.0 cents per ordinary share based on 834,029,000 shares (declared on 16 March 2016)	<u>62,728</u>	<u>—</u>
2015 Special — HK4.0 cents per ordinary share based on 834,029,000 shares (declared on 16 March 2016)	<u>22,810</u>	<u>—</u>
2014 Final — HK10.0 cents per ordinary share based on 831,573,000 shares (declared on 19 March 2015)	<u>—</u>	<u>65,579</u>

Subsequent to the end of the current interim period, the Board has resolved to declare the payment of an interim dividend of HK4.0 cents (equivalent to approximately RMB3.4 cents) per ordinary share, amounting to RMB28,356,986 in aggregate with reference to the number of issued shares as at the end of the Interim Period (for the six months ended 30 June 2015: Nil). The interim dividend will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on Friday, 2 September 2016.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>95,412</u>	<u>125,892</u>

For the six months ended 30 June	
2016	2015
<i>Number of ordinary shares '000 (unaudited)</i>	<i>Number of ordinary shares '000 (unaudited)</i>

Number of shares:

Weighted average number of ordinary shares for the purpose of basic earnings per share	831,905	830,296
Effect of dilutive potential ordinary shares:		
Pre-IPO Share Option (<i>note 12</i>)	<u>—</u>	<u>9,512</u>
 Weighted average number of ordinary shares for the purpose of diluted earnings per share	 <u>831,905</u>	 <u>839,808</u>

The computation of diluted earnings per share does not assume the exercise of the Company's options for the six months ended 30 June 2016 because the exercise price of those options was higher than the average market price for shares in the current period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group mainly incurred approximately RMB2,233,000 (for the six months ended 30 June 2015: RMB1,829,000) on furnitures, fixtures and equipment, RMB2,370,000 (for the six months ended 30 June 2015: RMB10,128,000) on plant and machinery and RMB709,000 (for the six months ended 30 June 2015: RMB15,106,000) on construction in progress.

9. INVENTORIES

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Raw materials	138,103	215,431
Work in progress	7,104	12,213
Finished goods	<u>52,928</u>	<u>93,292</u>
	<u>198,135</u>	<u>320,936</u>

10. TRADE RECEIVABLES

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Trade receivables	682,189	470,307
Retentions held by customers	<u>20,720</u>	<u>22,596</u>
	<u>702,909</u>	<u>492,903</u>

Payment terms with customers are mainly on credit. Invoices are normally payable in 30 to 150 days by the customers from date of issuance while retentions held by customers are normally payable between 6 months to 1 year by the customers from the date of issuance of invoices. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Age		
0–90 days	419,227	358,590
91–180 days	146,979	66,387
181–365 days	93,487	42,270
Over 1 year (<i>Note</i>)	<u>43,216</u>	<u>25,656</u>
	<u>702,909</u>	<u>492,903</u>

Note: Included in the above balance aged over one year at 30 June 2016 were retentions held by customers for sales of goods of RMB8,263,000 (31 December 2015: RMB12,703,000).

11. TRADE AND BILLS PAYABLES

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Trade payables		
— Gemalto's subsidiaries (<i>as defined in note 17</i>)	94,192	173,069
— Gemalto's related company		
— DataCard Corporation	10,318	5,139
— third parties	<u>210,024</u>	<u>235,224</u>
	<u>314,534</u>	<u>413,432</u>
Bills payables — secured		
— Gemalto's subsidiaries	—	128,337
— third parties	<u>33,139</u>	<u>25,548</u>
	<u>33,139</u>	<u>153,885</u>
	<u>347,673</u>	<u>567,317</u>

The Group normally receives credit terms of 60 to 180 days from its suppliers. The following is an aged analysis of the Group's trade payables based on invoice date at the end of the reporting period.

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Age		
0–90 days	208,793	484,836
91–180 days	101,469	64,110
181–365 days	32,191	14,194
Over 1 year	<u>5,220</u>	<u>4,177</u>
	<u>347,673</u>	<u>567,317</u>

12. SHARE OPTIONS

(a) Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted pursuant to a written resolution passed by the shareholders of the Company on 15 November 2013 for the primary purpose of recognise the contribution of certain employees and directors made or may have made to the growth of the Group and/or the listing of the Group on the Main Board of the Stock Exchange, and will expire on 3 December 2019.

At 31 December 2013, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 36,000,000, representing 4.5% of the shares of the Company in issue immediately upon completion of the listing of the Company on the Main Board of the Stock Exchange.

At 30 June 2016, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 30,215,000, representing approximately 3.6% of the shares of the Company in issue at that date.

Options granted must be taken up on 19 November 2013, upon payment of HK\$1 by the grantee.

The table below discloses the movement of the Company's share options held by directors and employees:

	Number of share options
Outstanding share options:	
As at 1 January 2016	31,061,000
Exercise of share options	(362,000)
Forfeiture of share options	<u>(484,000)</u>
As at 30 June 2016	<u><u>30,215,000</u></u>

The fair values of the share options granted during the year ended 31 December 2013 were calculated at RMB69,935,000 (equivalent to HK\$88,954,000) using the Binominal Option Pricing pricing model. The inputs into the model were as follows:

Share price	HK\$4.52
Exercise price	HK\$2.71
Expected life	6 years
Expected volatility	46.9963%
Expected dividend yield	1.0822%
Risk-free interest rate	1.2426%
Fair value per option	HK\$2.4250 to HK\$2.4791

Expected volatility was determined by using the historical volatility of the selected comparable companies in the same industry. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expenses of RMB4,683,000 for the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB8,587,000) in relation to Pre-IPO Share Options granted by the Company.

(b) Share Option Scheme

The principal terms of the share option scheme, approved by the shareholders' resolution passed on 15 November 2013, are substantially the same as the terms of the Pre-IPO Option Scheme except that:

- (i) The maximum number of shares in respect of which options may be granted shall not exceed 10% of the total number of shares in issue at the date of listing of the shares of the Company on the Main Board of the Stock Exchange;
- (ii) The maximum entitlement of each eligible participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares in issue as at the date of offer to grant; and
- (iii) The exercise price is determined by the directors of the Company at their discretion and will not be lower than the highest of: (a) the closing price of the ordinary shares on the Stock Exchange at the offer date, which must be a trading day; (b) the average closing price of the ordinary shares on the Stock Exchange for the five business days immediately preceding the offer date; and (c) the nominal value of the Company's share.

During the six months ended 30 June 2016, no options were granted or agreed to be granted pursuant to Share Option Scheme.

(c) Share Award Scheme

The Company adopted a share award scheme (the "Share Award Scheme") on 30 November 2015 with a duration of 15 years commencing from 11 December 2015. The objectives of the Share Award Scheme are to (i) align the interests of any employee, adviser, consultant, agent, contractor, client or supplier of any member of the Group whom the directors in its sole discretion considers may contribute or have contributed to the Group (the "Participants"); (ii) recognise and motivate the contribution of the Participants and to provide incentives in retaining the Participants for future operation and development of the Group; and (iii) attract suitable personnel for the long-term growth and further strategic expansion of the Group.

The Company has engaged BOCI-Prudential Trustee Limited (the “Trust”) to administer and hold the Company’s shares before they are vested and transferred to the Participants. The Trust purchases the Company’s shares being awarded from the open market with funds provided by the Company by way of contributions.

During the six months ended 30 June 2016, 9,417,000 ordinary shares of the Company have been acquired at an aggregate cost of HK\$25,817,858 (equivalent to approximately RMB21,630,000). As at 30 June 2016, no shares have been granted or agreed to be granted to the Participants.

13. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares '000	Amount HK\$'000
Authorised			
At 1 January 2015, 31 December 2015 and 30 June 2016		Unlimited number of ordinary shares with no par value	
Issued and fully paid:			
At 1 January 2015		830,707	1,477,669
Issue of shares upon exercise of share options	<i>(a)</i>	3,784	19,454
Shares repurchased and cancelled	<i>(b)</i>	<u>(824)</u>	<u>—</u>
At 31 December 2015		833,667	1,497,123
Issue of shares upon exercise of share options	<i>(c)</i>	<u>362</u>	<u>1,872</u>
At 30 June 2016		<u><u>834,029</u></u>	<u><u>1,498,995</u></u>

Notes:

- (a) During the year ended 31 December 2015, 3,784,000 share options were exercised and converted into 3,784,000 ordinary shares at the conversion price of HK\$2.71.
- (b) During the year ended 31 December 2015, the Group repurchased and cancelled a total 824,000 ordinary shares of the Company at an aggregate consideration of HK\$3,772,000 (equivalent to approximately RMB2,984,000, exclusive of transaction cost) on the Stock Exchange.
- (c) During the six months ended 30 June 2016, 362,000 share options were exercised and converted into 362,000 ordinary shares at the conversion price of HK\$2.71.

Shown in the financial statements as of	<i>RMB'000</i>
— 30 June 2016	<u><u>1,191,941</u></u>
— 31 December 2015	<u><u>1,190,419</u></u>

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

14. CAPITAL COMMITMENTS

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>4,346</u>	<u>4,503</u>

15. ACQUISITION OF A SUBSIDIARY

During the six months ended 30 June 2015, the Group acquired the entire equity interest in Goldpac Golden Card Equipment (Zhuhai) Ltd. which is engaged in trading of secure payment product in the Mainland China for consideration of RMB2,000,000. The acquisition has been accounted for using the purchase method. Details are set out in the Group's consolidated financial statements for the year ended 31 December 2015.

16. INTERESTS IN ASSOCIATES

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Unlisted investments in associates, at cost	32,120	32,120
Exchange realignment	165	137
Share of post-acquisition results	<u>3,277</u>	<u>6,200</u>
	<u>35,562</u>	<u>38,457</u>

Details of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of incorporation and operation	Proportion of issued ordinary share capital indirectly held by the Company		Principal activity
		30 June 2016	31 December 2015	
Kaixin Holdings Limited	British Virgin Islands	45%	45%	Investment holding
Goldpac ACS Technologies Inc. ("Goldpac ACS")	Philippines	45%	45%	Personalisation service
Sichuan Zhongruan Technology Ltd. ("SCZR")	PRC	19.68% (Note)	19.68% (Note)	Platform of smart city

Note: The Group is able to exercise significant influence over SCZR because it has the power to appoint two out of the seven directors of that company under the Article of Association of that company.

17. RELATED AND CONNECTED PARTY DISCLOSURES

- (i) Other than the transactions and balances with related parties disclosed elsewhere in these condensed consolidated financial statements, during the period, the Group has the following significant transactions with related parties:

Name of related and connected party	Nature of transactions	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Goldpac ACS	Sale of machines	—	3,102
Companies controlled by Gemalto N. V. (“Gemalto”) (Note):			
Gemalto Technologies (Shanghai) Co., Ltd	Purchase of materials	78,057	372,236
Gemalto Pte. Ltd	Purchase of materials	<u>36</u>	<u>—</u>

Note: Gemalto is a company incorporated under the laws of the Netherlands and whose shares are listed and traded on NYSE Euronext Amsterdam and NYSE Euronext Paris. It controlled Gemplus International S.A., a substantial shareholder of the Company with significant influence and a limited liability company incorporated in Luxembourg, throughout both periods.

(ii) Compensation of key management personnel

During the period, the remuneration of directors and other members of key management was as follows:

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Directors' fee	279	260
Basis salaries and allowances	4,150	3,474
Bonus	84	117
Equity-settled share-based payments	1,288	1,966
Retirement benefits scheme contributions	<u>29</u>	<u>33</u>
	<u>5,830</u>	<u>5,850</u>

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2016, although the Group faced a challenging external business environment, the Group consolidated its core business-leading advantages through product portfolio optimization, drove innovation in payment diversification via fintech products and also achieved continuous growth in its oversea markets. These measures helped to effectively mitigate the pressures encountered and allowed the Group to maintain forward momentum.

Performance Review

In the first half of 2016, China's overall economic growth continued to slow down, and the banks, which are the Group's major clients, are undertaking further cost control measures owing to pressures from increasing non-performing assets. Additionally, initiatives taken by China government to rectify and regulate the Internet financial market, especially irregularities involving third party payments, has pushed the banking industry into improving its risk management. Relevant statistics from China UnionPay indicate a slowdown in both the IC card migration and growth of payment card market in the first half of 2016. It is anticipated that a number of large-scale banks will plan to postpone financial payment card tenders to the second half of 2016.

The Group's management has timely implemented countermeasures to address these unfavorable external factors. In the first half of 2016, the Group's turnover amounted to approximately RMB681.4 million, representing a decrease of approximately 22.0% compared with the first half of 2015. Through product portfolio adjustment and intelligent digital operation improvement, the gross profit margin was recorded at approximately 30.2%, representing an increase of approximately 3.3 percentage points year-on-year. The net profit amounted to approximately RMB95.4 million, representing a decrease of approximately 24.2% year-on-year, while the net profit margin was approximately 14.0%, edging down approximately 0.4 percentage points over the same period last year. The Group maintained its leadership position in China and the relevant statistics from China UnionPay show that the Group ranked No. 1 in China for financial IC card shipments for the first half of 2016. The Board has resolved to declare the payment of an interim dividend of HK4.0 cents (equivalent to approximately RMB3.4 cents) per ordinary share. It is the first time for the Group to resolve the payment of interim dividend since its listing on the Stock Exchange.

The turnover of the three business segments of Embedded software and secure payment products, Personalisation service and Card issuance system solutions recorded a decrease of approximately 24.1%, approximately 12.1% and approximately 12.0%, respectively, compared with that of the corresponding period of 2015. The contribution from the Embedded software and secure payment products to the total turnover decreased by approximately 2.2 percentage points to approximately 80.7%, while the contribution from Personalisation service and Card issuance system solution recorded slight increases of approximately 1.2 percentage points to approximately 10.5% and approximately 1 percentage points to approximately 8.8%, respectively.

As a leading software technology enterprise specializing in smart payment, the Group possesses proprietary advantages in both embedded payment software as well as secure operation systems. These proprietary advantages are difficult to replicate, in contrast with the relative advantages such as price and scale typically enjoyed by the manufacturing industry. These proprietary advantages enable the Group to maintain its leadership position in China despite the unfavorable market environment. The rise of the financial IC card as a globally-dominant payment vehicle is fundamentally due to the software security technology embedded within the chip rather than the chip itself and other hardware parts. The Group's proprietary embedded payment software powers the financial IC card bridging banks, merchants and consumers in a safe and convenient manner, whilst realizing global transactions and settlements amidst complete protection against theft and duplication. Additionally, financial IC cards are a very special financial product with stringent security standard, the research and development (R&D) and operation of which are strictly supervised and monitored by financial institutions, credit card organizations and financial regulatory authorities. Through over 20 years of experience, the Group's security systems have been accredited by the six biggest credit organizations and leading financial institutions in the world, achieving the highest levels of security in the industry. The proprietary advantages in embedded payment software and secure operation systems enable the Group to adhere to and bond with major clients like banks and ensure the Group's sustainable and steady development.

- ***Reinforcing Core Business Leadership Position***

The Group proactively optimized its product portfolio to focus more on high value-added and high-margin products while also concentrating on its software and platform business. For example, the Group provided testing technology to national authorities such as China Financial Certification Authority (CFCA), as a unified and enabling platform for development, management and automated testing. The Group leveraged on the advantages of its data platform to launch payment system solutions that integrate different industries, from financial and petrol to retail and broadcasting. In so doing, the Group achieved synergies in user communities and consumption scenarios, leading to a significant growth in user numbers over a short period. This creates value for customers and represents immense future growth potential.

The Group continued to expand the fields of application of its core business and reaped the benefits of its efforts in digital ID authentication and e-Government. In the first half of 2016, the Group secured e-ID technology approval from the Ministry of Public Security, China. The e-ID is a citizen internet identification label issued by China government to enable long-distance identity authentication without the risk of exposing private information. In the field of e-Government, the Group's implementation of the first-ever, China Business Registration e-License, which began operation in the Hengqin Free Trade Zone, was honored by the State Council of China as one successful example of the eight best reform and innovation cases within the free trade zones of China. It is expected that this project will soon have a wider roll out in China.

In order to ensure the security and efficiency of the embedded software products operation system, the Group pressed ahead with its 2i Integration* and intelligent operation planning. In the first half of 2016, the Group passed the 2i Integration management system accreditation, obtaining full support from China's governmental authorities in information and digital operations. The proprietary operation management system G-MES, (financial payment product management system) was deployed within the first half of 2016. Capitalizing on IoT (Internet of Things) technologies, the G-MES intelligently connects both the service suppliers and customer-ends of the supply chain and exemplifies the Industry 4.0 concept for financial payment product operations. This serves to effectively intensify the Group's adhesiveness with its clients. It is also integrally connected with China's vision of "Made in China 2025". Focused on value-added and needs-based products, it allows the Group to accelerate its transformation from a product provider to a complete-offering life-cycle manager and to evolve from delivering discrete hardware to offering complete solutions.

- ***Expanding Overseas Market Coverage***

The Group continued its overseas expansion. By 30 June 2016, the Group's products, service and solutions are being distributed in 19 countries and regions. The Group also maintains its competitive advantages in terms of market development and strategic implementation over other Chinese competitors.

The Group initiated the establishment of its wholly-owned subsidiary in Singapore, Goldpac Fintech Pte. Ltd. in the first half of 2016. Singapore is located within a core geographical region in China's "The Belt and Road" initiative. Singapore is also the regional headquarters of China UnionPay's Southeast Asian operations. It is a springboard to reach out to over 2 billion population in the South and Southeast Asia region. Therefore it is significant for the Group to capitalize on overseas expansion opportunities along with the globalization of China UnionPay and China's leading financial institutions.

In Hong Kong and Macao markets, the Group is enhancing its leadership position through product and service innovations designed to satisfy the core demands of consumers, such as the prepaid gift card and portable card issuance solutions. In Southeast Asia, the Group has become the first financial service provider to be certified by China UnionPay, VISA and MasterCard in the Philippines and secured an order for three million financial IC cards from a leading Philippines bank. The potential for rapid growth continues to be very promising.

- ***Innovating in Payment Diversification through Fintech Products***

In the first half of 2016, the wearables segment of the Group's fintech products offering achieved a remarkable performance. The Goldpac third-generation wristband integrates a secure payment function into a standard wristband. This comes at the right time given the increasing demand for mobile payment devices within the China market. This is likely to become an ideal fintech product for the Group's customers to push forward their mobile payment application.

* Integration of Information Technology and Industrialization

The robust payment security has been a cornerstone of the Group's unique competitiveness in the fintech industry. In the first half of 2016, its Super COS, a smart payment module developed by the Group, was launched and is specifically tailored to the needs of wearable, IoT equipment and smart home manufacturers lacking the technology and expertise in payment. Offered as a Plug & Play model, Super COS helps these manufacturers to reduce their product development cycles by making it easy to embed payment technology. This in turn, facilitates the swift launch of new cross-field products that enable payment and ID authentication functions. The Group is progressively moving upstream into the fintech industry chain.

Outlook

The Group maintains a positive and optimistic approach towards the future of the global payment industry, especially China's payment industry. The rapid evolution of fintech is fueling innovation in the diversification of payment methods. Whether online or offline payment, bank-cleared financial transactions are, and will remain, the most logical and sensible choice for global payment settlement. The synergies between online and offline payment will become a significant feature for the evolution of the future payment ecosystem. As a global leader in total payment solutions, the Group is confident and capable of capitalizing on upcoming opportunities and securing an excellent performance.

- ***R&D Direction***

The payment industry is a field where cutting-edge technologies are most comprehensively and swiftly applied across the world. In the future, the Group will focus more on IoT, digital security authentication and Cloud technologies and intends to launch capital investment projects at appropriate opportunities in these three areas to maintain the Group's technological lead.

- ***Growth Potential in Core Business Still Plentiful***

As the cornerstone for the global financial payment system, the financial IC card will continue to be prevalent in the world of payment for the foreseeable future. Smart payment card unit shipments are forecast to grow to almost 3.4 billion in 2020, according to new research from IHS (IHS Markit Ltd), a global information company. It is expected that the United States and China will continue to be key markets and EMV (Europay, MasterCard and Visa) will be key growth drivers over the next five years. The financial payment card market in China still lags behind developed markets in terms of the circulating card amount, internationalization, diversification and operating model of issuers. Furthermore, great growth potential exists along vertical markets as well as cross-field financial card applications such as medical and transport for instance.

The opening up of the banking card clearing house market in China may help loosen the domestic monopoly and enable foreign players like VISA and MasterCard to issue cards independently in China. Currently, dual-label credit cards (China UnionPay & VISA, China UnionPay & MasterCard) circulating in China, amount to about 250 million with most being magnetic-stripe cards. Subsequent to the opening up of clearing houses, the IC card migration for dual-label credit cards in China will create an additional market demand of about 500 million cards. In the future,

competition among different clearing houses will bring even greater market potential. Additionally, according to the People's Bank of China's (PBOC) roll-out plan, magnetic-stripe transactions for all circulating IC and magnetic stripe combined cards will be terminated from 1 May 2017. This will aid in the acceleration of IC card migration in China.

In accordance with China 2015 national information security project, about 90 important banks in China have to begin financial IC card security projects in the second half of 2016 to ensure the security and controllability of the China financial information system. It is estimated that at least 50% of newly-issued financial IC cards by the end of 2017 will be OSCCA-compliant (Office of State Commercial Cryptography Administration). The Group's embedded payment software is accredited by China State Cryptography Administration (SCA), and makes it one of the major undertakers of this significant project.

- ***Significant Prospects for Overseas Markets***

The overseas expansion strategy of the Group has garnered remarkable progress in overseas orders for the first half of 2016, enhancing the Group's confidence in the international market. The inclusion of the RMB within the Special Drawing Rights (SDR) Currency Basket of the International Monetary Fund will help accelerate the internationalization of the RMB and further push forward China's vision for "The Belt and Road". The Group's overseas business development prospects are promising and the overseas market is expected to have further expansion.

Successful distribution of its products and solutions to Angolan and Congolese markets has given the Group a more accurate awareness and recognition of business in the African region. The Group is now carrying out market research to determine the most suitable opportunities and product portfolios for further market engagement.

The potential in the South Asian market is also significant. Leveraging on its successful experience in Bangladesh and Pakistan, the Group will seek to further increase its market share in this region.

- ***Fintech Driving Payment Diversification***

The Group will continue to diversify its product lines in fintech and accelerate its steps in cross-field expansion. At present, the Group is cooperating with a world-leading consumer electronics manufacturer to develop next-generation smart wearables on top of the Group's secure payment technology platforms. It will integrate GPS, heart rate detection and health data analysis and will be among the first in the mobile payment devices field.

Soon to be launched, smart payment fashion accessories finally solve the conundrum of using metal-based materials with contactless payment devices. This solution is an innovative fusion of payment technology and fashion accessories that overcomes the challenge of contactless transaction signal degradation or loss when used near metallic materials. Furthermore, Super COS realizes the potential for modular development and opens up possibilities for a variety of products that meet a (Host Card Emulation) diverse (Trusted Service Management) range of consumer

needs. Additionally, payment enablers like the Bluetooth App, HCE (Host Card Emulation) and TSM (Trusted Service Management) technologies facilitate cross-field and multi-function application deployments, with transport being particularly promising.

The future prospect is bright for the global smart payment industry with huge expectations for growth. Edged forwards by the fintech innovation, the continuous and steady development of this industry is inevitable. Any market fluctuations and challenges observed will be the necessary and temporary by-products of an evolutionary shift that will drive the entire global smart payment industry forwards towards wider adoption and maturity. The Group holds key leadership advantages in its core business, robust financial foundations and an excellent corporate governance structure. With the support from all its shareholders, the Group expects to achieve steady growth in the global smart payment market.

DIVIDENDS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends		
2015 Final — HK11.0 cents per ordinary share based on 834,029,000 shares (declared on 16 March 2016)	<u>62,728</u>	<u>—</u>
2015 Special — HK4.0 cents per ordinary share based on 834,029,000 shares (declared on 16 March 2016)	<u>22,810</u>	<u>—</u>
2014 Final — HK10.0 cents per ordinary share based on 831,573,000 shares (declared on 19 March 2015)	<u>—</u>	<u>65,579</u>

Subsequent to the end of the Interim Period, the Board has resolved to declare the payment of an interim dividend of HK4.0 cents (equivalent to approximately RMB3.4 cents) per ordinary share, amounting to RMB28,356,986 in aggregate with reference to the number of issued shares as at the end of the Interim Period (for the six months ended 30 June 2015: Nil). The interim dividend will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on Friday, 2 September 2016.

CLOSURE OF REGISTER OF MEMBERS

In order to determine who are entitled to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Tuesday, 30 August 2016. The register of members of the Company

will be closed from Wednesday, 31 August 2016 to Friday, 2 September 2016, both days inclusive, during which period no transfer of Shares will be registered. The dividend will be paid on Thursday, 22 September 2016 to the shareholders whose names appear on the register of members of the Company at the close of business on Friday, 2 September 2016.

USE OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 4 December 2013 with net proceeds from the global offering of approximately RMB974.6 million (after deducting underwriting commissions and related expenses). As of 30 June 2016, the Company did not apply any net proceeds for the purposes other than those disclosed in the prospectus of the Company dated 22 November 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's aggregate amount of pledged bank deposits, bank balances and cash and fixed bank deposits reached approximately RMB1,217.6 million, of which approximately RMB555.4 million was denominated in RMB. Since majority of the Group's purchases and sales are denominated in RMB, the Group's exposure to currency risk is low.

As at 30 June 2016, the Group's trade receivables was approximately RMB703 million (as at 31 December 2015: approximately RMB493 million). It is the industry practice that settlement of trade receivables peaks around the end of year.

As at 30 June 2016, the Group's current assets reached approximately RMB1,937.2 million, representing a decrease of approximately 9.5% compared with that of approximately RMB2,139.4 million as at 31 December 2015. The current ratio of the Group as at 30 June 2016 was approximately 3.5, representing a high liquidity.

The Group's gearing ratio was 0% as at 30 June 2016 (as at 31 December 2015: 0%). Gearing ratio is equivalent to total debt divided by total equity as at the end of the period. Total debt includes all interest-bearing bank loans and loans from amounts due to related parties.

HUMAN RESOURCES

As at 30 June 2016, the Group had 1,590 employees (as at 31 December 2015: 1,708), with a decrease of 118 employees compared with that as at 31 December 2015, attributed by a decline in front-line operational employees through the intelligent and automatic operations. Besides, the structure of R&D team was further improved with increasing high-level R&D professionals.

The human resources are one of the Group's most important assets. In addition to offering competitive remuneration and welfare packages, the Group is also committed to providing specialized and challenging career development and training programs. Generally, a salary review is conducted annually. The Group also adopted the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Scheme to motivate prospective employees. Aside from basic remuneration, the Group

makes contributions towards employee mandatory social security, pensions, work-related injury insurance, maternity insurance and medical and unemployment insurance in accordance with the applicable laws and regulations of the PRC. The Group also provides full coverage of housing provident fund contributions as required by local regulations in the PRC.

SIGNIFICANT INVESTMENTS

The Group had no significant investments for the six months ended 30 June 2016.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures for the six months ended 30 June 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no future plans for material investments or capital assets for the six months ended 30 June 2016.

CAPITAL COMMITMENT

The aggregate capital commitment of the Group as at 30 June 2016 was approximately RMB4.3 million (as at 31 December 2015: RMB4.5 million).

CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liabilities.

PLEDGED ASSETS

As at 30 June 2016, the bank deposits of approximately RMB101.2 million (as at 31 December 2015: approximately RMB122.1 million) was pledged to secure the bills payables and bank guarantee.

CORPORATE GOVERNANCE

The Company meets all the code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2016.

AUDIT COMMITTEE

The Company established an audit committee (“**Audit Committee**”) with a set of written terms of reference made in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Mak Wing Sum, Alvin, Mr. Zhu Lijun and Mr. Liu John Jianhua. Mr. Mak Wing Sum, Alvin serves as the Chairman of the Audit Committee. The Audit Committee of the Company has reviewed the interim results of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2016, the Company has bought back 565,000 Shares on the Stock Exchange for a total amount of approximately HK\$1,351,000 (exclusive of transaction cost), which has not been cancelled as at 30 June 2016. Save for the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2016.

REVIEW OF INTERIM RESULTS

At the request of the Audit Committee, Deloitte Touche Tohmatsu, the Company’s auditor, had carried out review of the unaudited interim results of the Group for the six months ended 30 June 2016 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2016

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldpac.com). The Interim Report as at 30 June 2016 will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude and appreciation to all of our staff, shareholders and business partners for their hard work and dedication. I also wish to thank our customers for their continuous support all these years.

By Order of the Board
Goldpac Group Limited
LU Run Ting
Chairman & Executive Director

Hong Kong, 16 August 2016

As at the date of this announcement, the executive Directors are Mr. Lu Run Ting (Chairman), Mr. Hou Ping, Mr. Lu Runyi and Mr. Lu Xiaozhong; the non-executive Directors are Mr. Ting Tao I and Mr. Christophe Jacques Pagezy; and the independent non-executive Directors are Mr. Mak Wing Sum Alvin, Mr. Zhu Lijun and Mr. Liu John Jianhua.

This announcement is prepared in both Chinese and English. In the event of inconsistency, the English version of this announcement shall prevail over the Chinese version.