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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

- For the year ended 31 December 2016, due to the slow-down in China's economic growth and tightening of financial regulations, the Group recorded a turnover and a net profit of approximately RMB1,393.7 million and RMB204.9 million, representing a decrease of 17.3% and 15.3% respectively as compared to the preceding year.

- The Group's performance in the second half of 2016 is better than that in the first half as the payment industry returned gradually to a more orderly pattern of development.

- For the year ended 31 December 2016, the Group further improved its profit margin and maintained a strong position in the global industry. The gross profit margin and net profit margin were approximately 30.1% and 14.7%, representing an increase of 3.7 percentage points and 0.3 percentage points respectively as compared to the preceding year. The improvement is mainly attributed to the growing innovative product business and improving product portfolio.

- The Group was ranked the first in China UnionPay's annual shipment for four consecutive years since its initial public offering in Hong Kong ("**IPO**"). The Group maintained its position as the fourth largest global player in terms of market share.

- The Group continued to expand its overseas market presence. As at 31 December 2016, its products and services were delivered to 23 countries and regions.

- With the accelerated development of innovative product business, the Group launched its GCaaS cloud platform and a variety of next generation payment wearables during the year to capture emerging market opportunities.

- The Board proposed to declare a final dividend of HK7.0 cents (equivalent to approximately RMB6.2 cents) per ordinary share (HK11.0 cents in 2015) and a special dividend of HK6.0 cents (equivalent to approximately RMB5.3 cents) per ordinary share (HK4.0 cents in 2015).

The board (the "**Board**") of directors (the "**Directors**") of Goldpac Group Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2016 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Turnover	3	**1,393,713**	1,684,632
Cost of sales		**(974,711)**	(1,239,632)
Gross profit		**419,002**	445,000
Other income		**63,256**	70,474
Other gains or losses		**30,939**	622
Research and development costs		**(98,050)**	(79,539)
Selling and distribution costs		**(132,105)**	(112,521)
Administrative expenses		**(32,981)**	(30,552)
Share of (loss) profit of associates		**(5,495)**	2,743
Finance costs		**—**	(48)
Profit before taxation	4	**244,566**	296,179
Taxation	5	**(39,666)**	(54,341)
Profit for the year		**204,900**	241,838
Other comprehensive income for the year			
Item that may be subsequently reclassified to profit or loss:			
— exchange differences arising on translation of foreign operations		**1,553**	1,634
Total comprehensive income for the year		**206,453**	243,472
Earnings per share	7		
— Basic		**24.6 cents**	29.1 cents
— Diluted		**24.6 cents**	28.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**167,579**	196,108
Land use rights		**620**	755
Goodwill		**1,375**	1,375
Intangible assets		**11,256**	13,546
Interests in associates	*8*	**33,052**	38,457
Amount due from an associate		**869**	814
Deposits paid for acquisition of property, plant and equipment		**29,456**	6,432
Pledged bank deposit		**100,000**	100,000
Fixed bank deposits		**110,000**	110,000
		454,207	467,487
Current assets			
Inventories	*9*	**211,212**	320,936
Trade receivables	*10*	**339,970**	492,903
Other receivables and prepayments		**32,647**	19,589
Amount due from an associate		**8,409**	4,153
Pledged bank deposits		**39,707**	22,064
Fixed bank deposits		**687,988**	296,089
Bank balances and cash		**825,442**	983,620
		2,145,375	2,139,354
Current liabilities			
Trade and bills payables	*11*	**515,101**	567,317
Other payables		**137,410**	147,662
Government grants		**14,700**	18,720
Taxation		**48,931**	36,180
		716,142	769,879
Net current assets		**1,429,233**	1,369,475
Total assets less current liabilities		**1,883,440**	1,836,962
Non-current liability			
Deferred taxation		**10,111**	22,748
Net assets		**1,873,329**	1,814,214
Capital and reserves			
Share capital	*12*	**1,191,941**	1,190,419
Reserves		**681,388**	623,795
Total equity		**1,873,329**	1,814,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company acts as an investment holding company while the Group is principally engaged in delivering embedded software and secure payment products for global customers and leveraging innovative Fintech to provide personalisation service, system platforms and other total solutions for customers in a wide business range including finance, government, healthcare, transportation and retails.

The address of the registered office and principal place of business of the Company are set out in the corporate information section of the annual report.

The Company has delivered those financial statements to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (the "**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 consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Companies Ordinance.

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

3. TURNOVER AND 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 operating and 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	:	Embedded software and secure payment products for smart secure payment
Platform and service *(Note)*	:	Provision of personalisation service, system platforms and other total solutions for customers in a wide business range including financial, government, healthcare, transportation and retails by leveraging innovative Fintech

Note: With the evolving technologies and the Group's business advancement, previous operating and reportable segments of "Personalisation service" and "Card issuance system solutions" are now transforming into business nature of "Platform and service". "Personalisation service" segment was merging with "Card issuance system solutions" segment with the introduction of new platform service during the reporting period. To better describe the Group's current and future business nature, the segment of "Platform and service" is adopted to replace "Personalisation service" and "Card issuance system solutions".

Each operating and reportable segment derives its turnover from the sales of products or provision of services. They are managed separately because each product requires different production and marketing strategies. For segment reporting, these individual operating segments have been aggregated into a single reportable segment due to similar nature of the products and services.

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

Segments results represent the gross profit earned by each segment.

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

	Turnover		Results	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Sales to external parties of				
— embedded software and secure payment products	**1,164,688**	1,389,907	**321,454**	329,042
— platform and service	**229,025**	294,725	**97,548**	115,958
	1,393,713	1,684,632	**419,002**	445,000
Research and development costs			**(98,050)**	(79,539)
Other operating expenses			**(165,086)**	(143,073)
Other income, expenses, gains or losses			**77,926**	40,737
Interest income			**16,269**	30,359
Share of (loss) profit of associates			**(5,495)**	2,743
Finance costs			**—**	(48)
Profit before taxation			**244,566**	296,179

The accounting policies of the operating segments are the same as Group's accounting policies described in note 2.

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.

Other information

Turnover from external customers attributed to the Group by location of operations of the customers is presented as follows:

	2016	2015
	RMB'000	*RMB'000*
Turnover		
— PRC (excluding the special administrative regions of Hong Kong and Macau)	**1,290,826**	1,585,486
— Overseas	**102,887**	99,146
	1,393,713	1,684,632

Information about the Group's non-current assets except financial instruments by location of assets is presented as below:

	2016	2015
	RMB'000	*RMB'000*
HK	**11,946**	14,545
PRC	**230,692**	240,457
Philippines	**700**	1,671
	243,338	256,673

Information about major customers

For the year ended 31 December 2016, there was one customer from the segments of both embedded software and secure payment products and platform and service with turnover of RMB181,739,000 aggregately (2015: two customers with turnover of RMB516,018,000 aggregately) which accounted for more than 10% of the Group's total turnover.

4. PROFIT BEFORE TAXATION

	2016	2015
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**17,470**	16,920
Other staff costs	**164,275**	155,097
Other staff's equity-settled share-based payments	**7,866**	12,812
Other staff's retirement benefits scheme contributions	**5,044**	4,767
	194,655	189,596
Allowance for obsolete inventories included in cost of sales	**12,015**	3,935
Amortisation of intangible assets	**2,290**	2,289
Auditor's remuneration	**1,528**	1,366
Depreciation of property, plant and equipment	**39,704**	39,996
Operating lease rentals in respect of		
— land use rights	**135**	135
— office premises	**7,571**	7,881
Cost of inventories recognised as expense	**810,375**	1,062,829

5. TAXATION

	2016	2015
	RMB'000	*RMB'000*
The charge comprises:		
PRC Enterprise Income Tax ("**EIT**")	**(29,544)**	(39,865)
Underprovision of EIT in prior years	**(2,525)**	(2,583)
	(32,069)	(42,448)
PRC withholding tax on dividend distribution	**(20,234)**	(1,300)
Hong Kong Profits Tax	**—**	(1,252)
	(52,303)	(45,000)
Deferred taxation	**12,637**	(9,341)
	(39,666)	(54,341)

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

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 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

	2016	2015
	RMB'000	*RMB'000*
2016 Interim — HK4.0 cents per ordinary share (declared on 16 August 2016 and based on 834,029,000 shares)	**28,322**	—
2015 Final — HK11.0 cents per ordinary share (declared on 16 March 2016 and based on 834,029,000 shares)	**76,389**	—
2015 Special — HK4.0 cents per ordinary share (declared on 16 March 2016 and based on 834,029,000 shares)	**27,778**	—
2014 Final — HK10.0 cents per ordinary share (declared on 19 March 2015 and based on 831,573,000 shares)	**—**	65,579

Subsequent to the end of the reporting period, a final dividend of HK7.0 cents (2015: HK11.0 cents) and a special dividend of HK6.0 (2015: HK4.0 cents) per ordinary share in respect of the year ended 31 December 2016 have been proposed by the Board and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

7. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**204,900**	241,838
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**833,856**	831,348
Effect of dilutive potential ordinary shares — Pre-IPO share options	**—**	10,362
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**833,856**	841,710

The computation of diluted earnings per share does not assume the exercise of the Company's options for the year ended 31 December 2016 because the exercise price of those options was higher than the average market price for shares in the current year.

8. INTERESTS IN ASSOCIATES

	2016 *RMB'000*	2015 *RMB'000*
Unlisted investments in associates, at cost	**32,120**	32,120
Exchange realignment	**216**	137
Share of post-acquisition results and reserves	**716**	6,200
	33,052	38,457

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 Group 2016	2015	Principal activity
Kaixin Holdings Limited	British Virgin Islands	**45%**	45%	Investment holding
Goldpac ACS Technologies Inc.	Philippines	**45%**	45%	Platform and Service
Sichuan Zhongruan Technology Ltd. ("**SCZR**")	PRC	**19.68%** *(Note)*	19.68% *(Note)*	Smart city platform

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.

Aggregate information of associates that are not individually material

	2016 *RMB'000*	2015 *RMB'000*
The Group's share of (loss) profit	**(5,495)**	2,743
Aggregate carrying amount of the Group's interests in these associates	**33,052**	38,457

9. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**162,974**	215,431
Work in progress	**4,939**	12,213
Finished goods	**43,299**	93,292
	211,212	320,936

10. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**323,709**	470,307
Retentions held by customers	**16,261**	22,596
	339,970	492,903

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:

	2016	2015
	RMB'000	*RMB'000*
Age		
0 – 90 days	**223,697**	358,590
91 – 180 days	**58,413**	66,387
181 – 365 days	**36,801**	42,270
Over 1 year *(Note)*	**21,059**	25,656
	339,970	492,903

Note: Included in the above balance aged over one year at 31 December 2016 were retentions held by customers for sales of goods of RMB7,256,000 (31 December 2015: RMB12,703,000).

The Group does not hold any collateral over these balances.

At 31 December 2016, included in the Group's trade receivable balances are trade receivables with aggregate carrying amount of RMB16,800,000 (2015: RMB13,144,000) which are past due at the reporting date for which the Group has not provided for impairment loss as counterparties have sound financial background.

Aging of trade receivables which are past due but not impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Age		
91 – 180 days	**2,959**	5,969
181 – 365 days	**8,184**	3,151
Over 1 year	**5,657**	4,024
	16,800	13,144

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the reporting date.

No interest is charged on trade receivables. Allowances on trade receivables are made based on estimated irrecoverable amounts from the sales of goods or provision of services by reference to past default experience and objective evidences of impairment determined by aging of each debtor and specific factors such as credit rating.

Movements in the allowance for doubtful debts are as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**7,226**	7,260
Impairment (reversal of) loss recognised on receivables	**10,393**	(34)
Bad debts written off	**(188)**	—
At 31 December	**17,431**	7,226

At the end of the reporting period, the allowance for doubtful debts represented individually impaired trade receivables which have been overdue for a long time and the directors of the Company consider that the recoverability of these debts are low based on historical experience.

11. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables		
— Subsidiaries of Gemalto N.V. ("**Gemalto**") *(Note)*	**126,157**	173,069
— Related company of Gemalto		
— DataCard Corporation	**16,331**	5,139
— Third parties	**190,848**	235,224
	333,336	413,432
Bills payables – secured		
— Subsidiaries of Gemalto	**88,290**	128,337
— Third parties	**93,475**	25,548
	181,765	153,885
	515,101	567,317

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 over the Company, which is a limited liability company incorporated in Luxembourg, throughout both years.

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 and bills payables based on invoice date and bill issuance date respectively at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
Age		
0 – 90 days	**414,616**	484,836
91 – 180 days	**87,678**	64,110
181 – 365 days	**8,637**	14,194
Over 1 year	**4,170**	4,177
	515,101	567,317

12. SHARE CAPITAL

	Notes	Number of ordinary shares '000	Amount HK$'000
Issued and fully paid:			
At 1 January 2015		830,707	1,477,669
Issue of shares upon exercise of share options	*(a)*	3,784	19,454
Shares repurchased and cancelled	*(b)*	(824)	—
At 31 December 2015		833,667	1,497,123
Issue of shares of upon exercise of share options	*(c)*	362	1,872
Shares repurchased and cancelled	*(d)*	(565)	—
At 31 December 2016		833,464	1,498,995
			RMB'000
Shown in the financial statements as			
— at 31 December 2016			1,191,941
— at 31 December 2015			1,190,419

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 Company repurchased and cancelled a total of 824,000 ordinary shares of the Company at an aggregate cost of HK$3,772,000 (equivalent to approximately RMB2,984,000) on the Stock Exchange.

(c) During the year ended 31 December 2016, 362,000 share options were exercised and converted into 362,000 ordinary shares at the conversion price of HK$2.71.

(d) During the year ended 31 December 2016, the Company repurchased and cancelled a total of 565,000 ordinary shares of the Company at an aggregate cost of HK$1,351,000 (equivalent to approximately RMB1,132,000) on the Stock Exchange.

During the year ended 31 December 2016, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	**No. of ordinary shares**	**Price per share Highest**	**Price per share Lowest**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
June 2016	565,000	2.41	2.37	1,351
				1,351

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

2016 was a year when China's financial industry returned to a more sensible and orderly development. As previously anticipated by the Group's management, the unregulated expansion of internet finance in China would eventually lose steam and chart a course towards the two core principles of financial industry, namely credit management and risk control. This return was inevitable not only due to the nature and objective pattern of the financial industry, but also due to the Chinese government's continuous efforts towards rectification and regulation.

In 2016, the People's Bank of China, together with several government regulatory agencies, published a number of papers reiterating that the financial payment card clearing house is a critical component of the financial infrastructure and a fundamental safeguard for national financial security. At the same time, internet finance enterprises shall operate under the financial regulatory and compliance framework, so that they can no longer take advantage of the differing regulatory policies. On 5 March 2017, Mr. Li Keqiang, Premier of the State Council of PRC, addressed in the Report on the Work of the Government that close attention should be paid to the cumulative risk in internet finance and that the Chinese government will promote financial regulatory system reforms progressively to rectify the financial market and safeguard China's financial security. The internet financial industry in China is now transitioning away from the disorderly path seen over the past few years and will now evolve and integrate together with the banking industry under the same regulatory framework. This regulatory progression will benefit and contribute towards a more steady and structured future for the entire financial industry. The Group is optimistic and confident that this will benefit the Group's medium and long term development.

2016 Review

The adjustment of the financial industry as a whole in China had a volatile effect on the payment industry. Additionally, the growth of China's overall economy continued to slow down, causing an adverse impact on the Group's performance for the first half of 2016. However, with the resumption of a more orderly development of the payment industry, the Group's performance took a favorable turn and improved notably in the second half of 2016. In 2016, the Group achieved a turnover of RMB1,393.7 million and a net profit of RMB204.9 million, representing a decrease of 17.3% and 15.3% as compared to the preceding year, respectively. The year on year gap in turnover and net profit caused by the fluctuation narrowed progressively in the second half of 2016. Compared to the first half of 2016, the Group's turnover and net profit for the second half of 2016 achieved an increase of 4.5% and 14.8%, respectively.

With the evolving technologies and the Group's business advancement, the business segments of the Group were re-classified in the financial year ended 31 December 2016 to better describe the Group's current and future business nature. In 2016, the turnover of two business segments, namely the Embedded Software and Secure Payment Products, and Platform and Service amounted to RMB1,164.7 million and RMB229.0 million, representing a decrease of 16.2% and 22.3% as compared to the preceding year, respectively.

In 2016, the Group accomplished several achievements as highlighted below.

1. *Maintaining consistent level of profit and improving profit margin*

   Profit is always a high priority for most companies. As a publicly-listed company, the Company considers that maintaining a consistent level of profit can demonstrate its commitment to its shareholders. The Group takes pride in delivering consistent level of profit. In 2016, the Group's net profit amounted to RMB204.9 million, above the average of its peers in the industry. Over the four years since its IPO in 2013, the Group has achieved an aggregate net profit of RMB801 million.

   Although faced with a volatile market environment, the Group further improved its profit margin and maintained a strong position in the global industry. Attributed to the growing innovative product business and an improving product portfolio, the gross profit margin for 2016 reached 30.1%, representing an increase of 3.7 percentage points as compared to the preceding year. Additionally, the net profit margin was recorded at 14.7%, representing an increase of 0.3 percentage points as compared to 2015.

The Group pays close attention to the interests of shareholders as a whole and is committed towards maximizing shareholders' return. The Group was honored with the "Best Shareholders' Return" award in the 2016 Golden Hong Kong Stock Award Competition, co-sponsored by China's financial data service provider, TONGHUASHUN and Hong Kong stock market's financial news platform, ZHITONG CAIJING. This award recognized the Group's adequate profit and consistent dividend policy. The Board proposed to declare a final dividend of HK7.0 cents (equivalent to approximately RMB6.2 cents) per ordinary share (HK11.0 cents in 2015) and a special dividend of HK6.0 cents (equivalent to approximately RMB5.3 cents) per ordinary share (HK4.0 cents in 2015) in respect of the year ended 31 December 2016, arriving at the annual dividend ratio of 61.3%. If the proposal is approved by the shareholders of the Company at the forthcoming annual general meeting, the aggregate dividend paid since its IPO in 2013 to the year 2016 would be HK46.8 cents (equivalent to approximately RMB41.7 cents) per ordinary share.

2. *Focusing on secure payment and consolidating market share*

A strict focus and specialization in secure payment technology summarizes the Group's successful experience over the past two decades. Over the past several years, concepts like virtual economy and virtual finance have generated a great deal of industry noise, some of which were founded on speculation and could potentially be associated with great risk. The Group persists its judgment of anchoring secure payment as a core element of the financial industry as it considers the application of internet technologies shall fundamentally abide by the objective pattern of finance. This understanding helps the Group navigate their investments and implement product research and development and business expansion systematically with basis. Towards the end of 2016, the return of China's financial industry towards an orderly manner was a validation of the Group's predictions.

The Group maintained its leading market position in 2016 and was ranked the first in China UnionPay's annual shipment for the fourth consecutive year since its IPO. In the Nilson Report of August 2016, the Group maintained its position as the fourth largest global player in terms of market share and was the third largest global player in terms of dual-interface card shipments.

3. *Maintaining a stable and innovative payment diversification strategy*

In maintaining a steady forward momentum and the pursuit of profitability, the Group accelerated the development of its innovative platforms and services adhering to its payment diversification strategy.

In October 2016, the Group's innovative Fintech Cloud platform, GCaaS, was introduced at The Computing Conference hosted by Alibaba. A breakthrough in secure payment industry eco-systems, GCaaS integrates four key modules: Cloud Operations, Cloud Lab, Cloud Payment and Cloud TSM (Trusted Service Management), enabling a one-stop solution for e-commerce, data task processing and smart card applications. These services are targeted at global card issuers, merchants and cardholders and offer one-stop-shop capabilities such as e-commerce, integrated business management, centralized data task processing as well as smart card application services.

The Group has also continued to progressively develop its wearable product lines to cover payment jewelry, GPS payment watches and payment wristbands. In October 2016, the Group's luxury GPS payment watch was featured at the Shanghai International Marathon, providing marathon runners with a brand-new experience that brings together sports detection and convenient secure payment.

Outlook

With respect to the future prospects, the Group remains cautiously optimistic.

In the next three to five years, China's economic growth may continue to slow down. Due to the high level of debts rates, enhanced cost control mechanism will likely be implemented by the entire banking industry. In addition, the high rate of new card issuance will eventually begin to taper off as the impact of financial IC card migration progresses. In short term, the Group anticipates that it will face a challenging market environment. However, in long term, the Group remains confident in the stable growth of secure payment market both in China and the rest of the world.

The Group firmly believes that innovation in Fintech will be a strong driving force for the evolution of the financial industry. However, innovation that focuses purely on the merits of technology at the expense of ignoring the core principles of finance will soon be relegated by the market. The Group will strictly adhere to the two key financial payment tenets, namely security and cost when capitalizing on its advantages in Cloud and IoT (Internet of Things) technologies to drive the Group's continuous growth.

Smart secure payment solutions will be the global payment industry's mainstream development vehicle. Currently, smart secure payment technology is undoubtedly the safest payment method, distinguished by its cost-efficiency and wide acceptance globally. A number of mature financial markets such as the United States and Canada have exemplified the dominant position occupied by smart secure payment technologies. The 2016 North-America payment behavior report published by Accenture stated that smart secure payment services enabled by debit cards and credit cards will still be in a commanding position and that the frequency of use of the credit card will only increase. Through the development in the past several decades, the smart secure payment sector is now in its golden age and will continue to grow along the path of advancing innovative technologies. This will contribute stable returns for the Group in the foreseeable future. The Group will consolidate its existing competitiveness in smart secure payment to fully capitalize on the returns offered by the industry's development.

Third-party payment services in China went through a period of discorderly development over the last few years and took advantages of the differing regulatory policies (deposit reserves were not required, for example). As the market progressed in 2016, stricter and more rational regulatory policies were put in place to eradicate the regulatory difference. The development of the financial payment industry going forward will certainly be more regulatory-guided and steady. Smart secure payment and Internet third-party payment will embark on a new journey together on same starting line, to build a framework of cooperation and synergy that boosts the sustainable evolution of the payment industry.

Favorable opportunities still exist for the smart secure payment sector in 2017. Fulfilling its commitment to the World Trade Organization, China has now completely opened the clearing house market. China UnionPay is now welcoming new domestic and worldwide entrants into the market. It is estimated that a new banking card clearing house will be put into official operation in 2017. The Group believes that the newly-established clearing house will drive China's smart secure payment industry forward, from dual-logo card replacements to newly-issued cards and pre-paid cards etc.

The consumer financing market in China is now growing aggressively, presenting enormous market potential and becoming a new area of growth for China's banking industry. Having experienced decades of development, China's credit card industry has matured progressively in terms of product design, risk control and market promotion and will surely be chosen by banks in China as a key tool to explore the consumer finance market. The credit card market in China is now welcoming a favorable policy environment. The new policies of the China credit card industry implemented in 2017 will change the traditional operation model for credit cards in China and the government is also encouraging piloting schemes of banking institutions to establish independent credit card companies. It can be predicted that the credit card industry will embark on a trend of fast-growing opportunities, which will contribute to the Group's growth.

Strategic Implementation

The Group will promote strategic implementation focusing on three aspects as highlighted below.

1. *Consolidating core business competitiveness*

   The Group will continue to accelerate innovation along its core business to facilitate improvements in data processing, geographical positioning and delivery models etc. It will also seek to develop multi-channel and multi-model cooperation in order to improve overall competitiveness in the industry. Additionally, the Group will focus on strengthening its integration with both upstream and downstream industries supply chain to reduce costs and improve efficiency in respect of operational procedures and services. At the same time, the Group will seek to improve the latent value of its products and services through technological refinement, new product launches and new model introductions to consolidate the Group's competitiveness.

   The Group will also continue to develop towards implementing automated operational intelligence. Deployment of manpower-free automated production lines and inspection systems helps optimize human resources costs. At present, the Group has completed the basic digitization of information across its entire operation process in accordance with the Group's Made in China 2025 (Industry 4.0) plan. For 2017, the Group will seek to execute the second stage of the GMES (Goldpac Manufacturing Execution System).

   In January 2017, the Group successfully won the bidding in respect of the land use right of a parcel of land for the permitted land use of new industry related and covering an area of approximately 21,000 square meters situated in the west of Goldpac Tech Park. In 2017, the Group will seek to construct an Asia's leading Fintech and data service center to serve as the foundation of the Group's medium-to-long term development.

2. *Accelerating innovation in payment diversification*

The Group has identified the acceleration of payment diversification as one of its priorities for 2017. In light of this target, the Group has established a new Innovation Business Unit (BU) that comprises specialized marketing and sales teams. These steps are intended to ensure that there is an organizational structure supporting the growth of this key area of the business.

The development of the GCaaS platform, smart secure equipment and system solutions will feature heavily in 2017. Working on the GCaaS platform will aim to explore synergies with the Group's IoT business from the Cloud Lab, Cloud Payment and Cloud TSM perspective. Smart secure equipment, which includes the SuperCOS and wearables, now constitute complete product lines that meet the varied demands of different customer segments and may encounter faster growth in 2017. Solutions utilizing the "one-card pass" (一卡通) in the prototype phases and incorporating block chain technologies will enhance payment security by factoring in identity authentication and thus create a new secure payment paradigm. This will bring forth new opportunities in the fields of smart communities, smart cities, smart tourism, smart transportation and smart logistics.

3. *Accelerating overseas expansion*

In response to the China government's "The Belt and Road" initiative, the Group has continued to focus on overseas business expansion. It has been developing opportunities with China UnionPay as well as other Chinese banking institutions and has stepped up preparations for technology, human resources, product and solutions etc. in anticipation of upcoming opportunities. At the end of 2016, the Group purchased an office property in Hong Kong for use as its headquarters for the Group's overseas business expansion. As at 31 December 2016, the Group's products and services were delivered into 23 countries and regions.

The Group's overseas expansion will focus on three aspects. The first is to work in sync with China UnionPay's overseas strategies. The Group will develop localized products and platforms to fully tap into the market potential in Southeast Asia and enhance market share in Bangladesh, Indonesia, Malaysia, Pakistan and Philippines. The second is to capitalize on the successful experience with the China national IC chip roll-out to seek business opportunities arising from the China national IC industry's global development. The Group will strive to open the doors to the market for foreign countries via China national IC chips. The last is to deliver the Group's industry leading technology platforms, managerial experiences and operations models via merging, acquisition and partnerships.

In 2017, the Group will seek expansion opportunities in overseas markets strategically, first in Southeast Asia and then expanding out towards the rest of Asia, Africa and Europe. It will keep a close watch on developing markets to ensure that it is in a strong position to capture growth when the market is ready.

Looking towards 2017, the financial industry in China will continue its rational return to steady growth. Although challenges do exist, the Group is confident in its preparations for the coming years. Creating a stable and sustainable return for shareholders is a core philosophy for the Group and achieving excellent performance is a commitment that is shared across the entire management team and staffs. The Group will continue to strive and achieve even greater value for its shareholders.

Subsequent Events

On 3 November 2016, Goldpac Investment Limited, a wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with Junefield (Beijing Hong Kong) Development Company Limited, an independent third party, to acquire 13th floor of Bank of East Asia Harbour View Centre on No.56 Gloucester Road, Hong Kong ("**Hong Kong Headquarters**") at a consideration of HKD178,000,000 (equivalent approximately to RMB154,174,000) for, among others, the use as the headquarters for the Group's overseas business. The total cost of the property together with transaction costs such as stamp duty and property agent commission was approximately HKD194,554,000 (equivalent approximately to RMB168,512,000). The acquistion of the property was completed on 18 January 2017 and the property is accounted for as property, plant and equipment.

On 6 January 2017, Goldpac Limited, a wholly-owned subsidiary of the Company, won the bidding in respect of the land use right of a parcel of land at the price of RMB26,669,442 through the auction (listing-for-sale) process. The land parcel is situated on the west of Goldpac Tech Park, Zhuhai City, Guangdong Province, PRC, where the operation of the Group is located. The land parcel covers an area of approximately 21,000 square meters with a land use right of 50 years, where the Group seek to construct an Asia's leading Fintech and data service center. During the year ended 31 December 2016, the bidding deposit of RMB8,010,000 was placed and included in other receivables. The remaining balance of the consideration of RMB18,659,000 was fully settled on 17 February 2017. The land parcel is accounted for as land use right.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attendance and for voting at the forthcoming annual general meeting of the Company to be held on Thursday, 18 May 2017, 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 Friday, 12 May 2017. The register of members of the Company will be closed from Monday, 15 May 2017 to Thursday, 18 May 2017, both days inclusive, during which period, no transfer of Shares will be registered.

In order to determine who are entitled to the proposed final dividend and special 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 Friday, 2 June 2017. The register of members of the Company will be closed from Monday, 5 June 2017 to Wednesday, 7 June 2017, both days inclusive, during which period no transfer of shares will be registered. Subject to shareholders' approval of the proposed dividends at the annual general meeting of the Company to be held on Thursday, 18 May 2017, the dividends will be paid on Friday, 30 June 2017 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 7 June 2017.

USE OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING

The Company's shares were listed on the Main Board of the Stock Exchange on 4 December 2013 with net proceeds from the global offering of approximately RMB975 million (after deducting underwriting commissions and related expenses). As at 31 December 2016, the Company utilized approximately RMB629 million for the purposes of production capacity expansion, innovative product and service research and development, investment in associates and acquisition, market expansion outside of China, working capital supplementation and other general corporate purposes. The balances of the net proceeds were deposited in banking account. The Company has utilized and will utilize the net proceeds pursuant to the purposes and the proportions as disclosed in the prospectus of the Company dated 22 November 2013.

LIQUIDITY AND FINANCIAL RESOURCES

By assuming a conservative financial management attitude, the Group continued to maintain the healthy financial position.

As at 31 December 2016, the Group's aggregate amount of bank balances and cash, fixed bank deposits and pledged bank deposits reached approximately RMB1,763.1 million (2015: approximately RMB1,511.7 million), of which approximately RMB892.5 million (2015: approximately RMB768.9 million) was denominated in RMB, representing approximately 50.6%, and approximately RMB870.6 million (2015: approximately RMB742.8 million) was denominated in USD and HKD, representing approximately 49.4%.

The aggregate dividend of approximately RMB134.7 million was paid by the Company during the year ended 31 December 2016. (2015: approximately RMB65.6 million).

As at 31 December 2016 and 31 December 2015, the Group had no bank loans.

As at 31 December 2016, the Group's trade receivables was approximately RMB340.0 million (2015: approximately RMB492.9 million). It is the industry practice that settlement of trade receivables peaks around the end of year.

As at December 31, 2016, the Group's total current assets amounted to RMB2,145.4 million (2015: approximately RMB2,139.4 million), remaining almost flat to that as at 31 December 2015.

As at 31 December 2016, the Group's current ratio was 3.0 (2015: 2.8), representing a high liquidity.

As at 31 December 2016, the Group's gearing ratio (gearing ratio is equivalent to total debt divided by total assets as at the end of the year) was 27.9% (2015: 30.4%).

CURRENCY EXPOSURE

In terms of currency exposure, the majority of the Group's sales were denominated in RMB, USD and HKD while the majority of operating expenses and purchases were denominated in RMB with portions were in USD and HKD. Taking advantage of the benefit of effective centralized management and supervision, the Group pays attention to USD currency exchange rate's fluctuation and reviews currency exposure periodically.

CAPITAL EXPENDITURE

For the year ended 31 December 2016, the Group's capital expenditure was approximately RMB11.1 million. (2015: approximately RMB49.7 million). The capital expenditure includes expenses in fixed assets, intangible assets and deferred assets.

CAPITAL COMMITMENT

The aggregate capital commitment of the Group as at 31 December 2016 was approximately RMB146.2 million (2015: approximately RMB4.5 million), as a result of the Group's acquisition of Hong Kong Headquarters. The total cost of the property together with transaction costs was approximately RMB168.5 million.

PLEDGED ASSETS

As at 31 December 2016, bank deposits of approximately RMB139.7 million (2015: approximately RMB122.1 million) was pledged to secure the bills payables and bank guarantee.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Group is committed to maintaining high levels of environmental and social standards to ensure sustainable development of its business. During the year ended 31 December 2016, the Group has established an environmental, social and governance ("**ESG**") management team to manage, monitor, recommend and report on environmental and social aspects. An ESG report is prepared with reference to Appendix 27 to the Listing Rules (Environmental, Social and Governance Reporting Guide) and will be published on the Company's and the Stock Exchange's websites.

The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group encourages its employees, customers, suppliers and other stakeholders to participate in environmental and social activities.

The Group maintains strong relationships with its employees. The Group also enhances cooperation with its suppliers and provides high quality products and services to its customers so as to ensure continued and sustainable development.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 1,642 employees (as at 31 December 2015: 1,708), with a decrease of 66 employees compared with that as at 31 December 2015. This was attributed to the decrease in front-line operational employees as a result of the 2i Integration (Integration of Information Technology and Industrialization) and intelligent operation.

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. Apart from basic remuneration, for employees in the PRC, 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. For overseas employees, the Group also make contributions towards relevant insurance scheme as required by the local regulations.

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 year ended 31 December 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 annual results of the Group for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 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 been cancelled as at 31 December 2016. Save for the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 December 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 year ended 31 December 2016.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT 2016

This annual results announcement is published on the websites of the Stock Exchange (*www.hkexnews.hk*) and the Company (*www.goldpac.com*). The Annual Report for the year ended 31 December 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.

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

Hong Kong, 21 March 2017

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.