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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

TURNOVER

- For the six months ended 30 June 2017, the Group's turnover amounted to approximately RMB691.0 million, representing an increase of approximately 1.4% compared with that of the corresponding period of 2016.

NET PROFIT

- The Group's net profit for the period was approximately RMB81.1 million, representing a decrease of approximately 15.0% compared with that of the corresponding period of 2016. Excluding the exchange loss of approximately RMB20.3 million resulting mainly from depreciation of USD denominated bank deposits against RMB, the net profit for the period would be approximately RMB101.5 million, representing an increase of approximately 21.5% compared with that of the corresponding period of 2016.

SEGMENTS

- Compared to the interim results in 2016, the performance of the Group's two operating segments was relatively stable. The turnover of embedded software and secure payment products was approximately RMB561.0 million, representing an increase of approximately 2.0%, while the turnover of platform and service was approximately RMB130.0 million, representing a slight decrease of approximately 1.3%.

DIVIDEND

- The Board declared an interim dividend of HK4.0 cents (equivalent to approximately RMB3.4 cents) per ordinary share (for the six months ended 30 June 2016: HK4.0 cents, equivalent to approximately RMB3.4 cents).

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 2017 (“**Interim Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	NOTES	Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Turnover		691,005	681,437
Cost of sales		<u>(482,630)</u>	<u>(475,873)</u>
Gross profit		208,375	205,564
Other income		31,401	25,377
Other gains or losses		(20,347)	11,897
Research and development costs		(49,258)	(46,931)
Selling and distribution costs		(56,287)	(62,715)
Administrative expenses		(10,791)	(15,877)
Share of losses of associates		(2,179)	(2,951)
Profit before taxation	4	100,914	114,364
Taxation	5	<u>(19,770)</u>	<u>(18,952)</u>
Profit for the period		81,144	95,412
Other comprehensive (expense) income for the period (net of tax)			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
— exchange differences arising on translation of foreign operations		<u>(316)</u>	<u>235</u>
Total comprehensive income for the period		80,828	95,647
Earnings per share	7		
— Basic		9.9 cents	11.5 cents
— Diluted		9.9 cents	11.5 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		At 30 June 2017 <i>RMB'000</i> <i>(unaudited)</i>	At 31 December 2016 <i>RMB'000</i> <i>(audited)</i>
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment	8	333,262	167,579
Land use rights		26,999	620
Goodwill		1,375	1,375
Intangible assets		10,112	11,256
Interests in associates	13	30,876	33,052
Deposits paid for acquisition of property, plant and equipment		—	29,456
Amount due from an associate		849	869
Deferred tax assets		3,333	—
Pledged bank deposit		100,000	100,000
Fixed bank deposits		110,000	110,000
		616,806	454,207
Current assets			
Inventories	9	172,488	211,212
Trade receivables	10	613,559	339,970
Other receivables and prepayments		36,399	32,647
Amount due from an associate		—	8,409
Pledged bank deposits		8,355	39,707
Fixed bank deposit		761,714	687,988
Bank balances and cash		281,268	825,442
		1,873,783	2,145,375

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2017

		At 30 June 2017	At 31 December 2016
	<i>NOTES</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Current liabilities			
Trade and bills payables	<i>11</i>	442,898	515,101
Other payables and accruals		126,216	137,410
Government grants		17,700	14,700
Taxation		26,176	48,931
		<u>612,990</u>	<u>716,142</u>
Net current assets		<u>1,260,793</u>	<u>1,429,233</u>
Total assets less current liabilities		<u>1,877,599</u>	<u>1,883,440</u>
Non-current liability			
Deferred taxation		<u>14,719</u>	<u>10,111</u>
Net assets		<u>1,862,880</u>	<u>1,873,329</u>
Capital and reserves			
Share capital	<i>12</i>	1,192,362	1,191,941
Reserves		<u>670,518</u>	<u>681,388</u>
Total equity		<u>1,862,880</u>	<u>1,873,329</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 (the “**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 2016 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 2016 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 statement. 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 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to the 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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 marker 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	—	Embedded software and secure payment products for smart secure payment
Platform and service (<i>Note</i>)	—	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 year ended 31 December 2016. 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 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		Six months ended 30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales to external parties of				
— Embedded software and secure payment products	561,026	549,785	148,605	148,526
— Platform and service	129,979	131,652	59,770	57,038
	<u>691,005</u>	<u>681,437</u>	208,375	205,564
Research and development costs			(49,258)	(46,931)
Other operating expenses			(67,078)	(78,592)
Other income, expenses, gains or losses (<i>Note</i>)			19,884	14,020
Interest income			10,061	10,845
Operating profit			121,984	104,906
Investment income of other financial assets			1,456	505
Exchange (loss) gain			(20,347)	11,904
Share of loss of associates			(2,179)	(2,951)
Profit before taxation			<u>100,914</u>	<u>114,364</u>

Note: Included in other income, expenses, gains or losses are value-added tax refund of RMB14,882,000 (for the six months ended 30 June 2016: RMB8,186,000) and government subsidies of RMB4,486,000 (for the six months ended 30 June 2016: RMB5,664,000).

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	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	5,997	5,830
Other staff's retirement benefits scheme contributions	3,236	4,174
Other staff's equity-settled share-based payment	3,177	3,395
Other staff costs	90,248	88,335
	<u>102,658</u>	<u>101,734</u>
Less: Staff costs included in research and development costs	(26,662)	(28,058)
	<u>75,996</u>	<u>73,676</u>
Allowance for obsolete inventories included in cost of sales	—	3,278
Amortisation of intangible assets	1,144	1,145
Depreciation of property, plant and equipment	20,555	19,725
Investment income from other financial assets	(1,456)	(505)
Operating lease rentals in respect of		
— land use rights	290	68
— office premises	3,074	4,190
Cost of inventories recognised as expense	403,712	393,746

5. TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
Mainland China (“ PRC ”) Enterprise		
Income Tax (“ EIT ”)	(17,807)	(14,021)
PRC withholding tax on dividend distribution	(4,608)	(4,833)
Hong Kong Profits Tax	(688)	(1,427)
	(23,103)	(20,281)
Deferred taxation	3,333	1,329
	(19,770)	(18,952)

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. The directors of the Company anticipate that Goldpac Limited will obtain such approval in October 2017 and entitles the preferential tax rate of 15% in 2017.

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	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Dividends		
2016 Final — HK7.0 cents per ordinary share based on 833,561,000 shares (declared on 21 March 2017)	<u>51,391</u>	<u>—</u>
2016 Special — HK6.0 cents per ordinary share based on 833,561,000 shares (declared on 21 March 2017)	<u>44,050</u>	<u>—</u>
2015 Final — HK11.0 cents per ordinary share based on 834,029,000 shares (declared on 16 March 2016)	<u>—</u>	<u>62,728</u>
2015 Special — HK4.0 cents per ordinary share based on 834,029,000 shares (declared on 16 March 2016)	<u>—</u>	<u>22,810</u>

The Board declared an interim dividend of HK4.0 cents (equivalent to approximately RMB3.4 cents) per ordinary share, amounting to RMB28,341,000 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 2016: HK4.0 cents (equivalent to approximately RMB3.4 cents) per ordinary share, amounting to RMB28,322,000). 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 Tuesday, 5 September 2017.

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	
	2017	2016
	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>81,144</u>	<u>95,412</u>
	For the six months ended 30 June	
	2017	2016
	Number of	Number of
	ordinary shares	ordinary shares
	'000	'000
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	823,097	831,905
Effect of dilutive potential ordinary shares:		
Pre-IPO Share Option and share award	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>823,097</u>	<u>831,905</u>

Note: The weighted average number of ordinary shares adopted in the calculation of basic and diluted earnings per share for both periods have been arrived at after deducting the shares held in trust for the Company by an independent trustee under the share award scheme of the Company.

The computation of diluted earnings per share does not assume the exercise of the Company's options and share awards for the six months ended 30 June 2017 because the exercise price of those options and the fair value of those share awards were both higher than the average market price for shares in current period.

The diluted earnings per share was presented for the period ended 30 June 2017 due to the effect of Pre-IPO share options and share awards.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group mainly incurred approximately RMB174,181,000 (for the six months ended 30 June 2016: nil) on buildings, RMB6,225,000 (for the six months ended 30 June 2016: RMB2,233,000) on furnitures, fixtures and equipment, RMB286,000 (for the six months ended 30 June 2016: RMB2,370,000) on plant and machinery and RMB5,587,000 (for the six months ended 30 June 2016: RMB709,000) on construction in progress.

9. INVENTORIES

	At 30 June 2017 <i>RMB'000</i> <i>(unaudited)</i>	At 31 December 2016 <i>RMB'000</i> <i>(audited)</i>
Raw materials	120,197	162,974
Work in progress	3,076	4,939
Finished goods	49,215	43,299
	<u>172,488</u>	<u>211,212</u>

10. TRADE RECEIVABLES

	At 30 June 2017 <i>RMB'000</i> <i>(unaudited)</i>	At 31 December 2016 <i>RMB'000</i> <i>(audited)</i>
Trade receivables	594,147	323,709
Retentions held by customers	19,412	16,261
	<u>613,559</u>	<u>339,970</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 2017 <i>RMB'000</i> <i>(unaudited)</i>	At 31 December 2016 <i>RMB'000</i> <i>(audited)</i>
Age		
0–90 days	393,381	223,697
91–180 days	103,879	58,413
181–365 days	74,605	36,801
Over 1 year (<i>Note</i>)	41,694	21,059
	<u>613,559</u>	<u>339,970</u>

Note: Included in the above balance aged over one year at 30 June 2017 were retentions held by customers for sales of goods of RMB8,469,000 (31 December 2016: RMB7,256,000).

11. TRADE AND BILLS PAYABLES

	At 30 June 2017 <i>RMB'000</i> <i>(unaudited)</i>	At 31 December 2016 <i>RMB'000</i> <i>(audited)</i>
Trade payables		
— Subsidiaries of Gemalto N.V. (“ Gemalto ”) (<i>Note</i>)	181,067	126,157
— Related company of Gemalto		
— DataCard Corporation	14,856	16,331
— Third parties	154,178	190,848
	<u>350,101</u>	<u>333,336</u>
Bills payables — secured		
— Subsidiaries of Gemalto	—	88,290
— Third parties	92,797	93,475
	<u>92,797</u>	<u>181,765</u>
	<u>442,898</u>	<u>515,101</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 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 payables based on invoice date and bill issuance date respectively at the end of the reporting period.

	At 30 June 2017 <i>RMB'000</i> <i>(unaudited)</i>	At 31 December 2016 <i>RMB'000</i> <i>(audited)</i>
Age		
0–90 days	270,397	414,616
91–180 days	113,248	87,678
181–365 days	53,493	8,637
Over 1 year	5,760	4,170
	<u>442,898</u>	<u>515,101</u>

12. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares '000	Amount HK\$'000
Issued and fully paid:			
At 1 January 2016		833,667	1,497,123
Issue of shares upon exercise of share options	<i>(a)</i>	362	1,872
Shares repurchased and cancelled	<i>(b)</i>	<u>(565)</u>	<u>—</u>
At 31 December 2016		833,464	1,498,995
Issue of shares upon exercise of share options	<i>(c)</i>	<u>97</u>	<u>503</u>
At 30 June 2017		<u>833,561</u>	<u>1,499,498</u>

Notes:

- (a) 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.
- (b) 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.
- (c) During the six months ended 30 June 2017, 97,000 share options were exercised and converted into 97,000 ordinary shares at the conversion price of HK\$2.71.

	<i>RMB'000</i>
Shown in the financial statements as of	
— 30 June 2017	<u>1,192,362</u>
— 31 December 2016	<u>1,191,941</u>

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

13. INTERESTS IN ASSOCIATES

	At 30 June 2017	At 31 December 2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Unlisted investments in associates, at cost	32,120	32,120
Exchange realignment	219	216
Share of post-acquisition results	<u>(1,463)</u>	<u>716</u>
	<u>30,876</u>	<u>33,052</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 and capital indirectly held by the Company		Principal activity
		30 June	31 December	
		2017	2016	
Kaixin Holdings Limited	British Virgin Islands	45%	45%	Investment holding
Goldpac ACS Technologies Inc.	Philippines	45%	45%	Personalistion 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Steady Progress

During the National Financial Work Conference (“**Conference**”) held in July 2017, it was stated clearly that preventing systemic risk is the fundamental theme of the country’s financial work. It was also emphasized in the Conference about the importance of strengthening supervision to ensure the country’s financial security. Subsequent to the Conference, the People’s Bank of China (“**PBOC**”) enacted a policy that required all internet payments via third-party payment institutions to be routed through Netsunion, a newly established clearing platform in China, as part of regulatory reinforcement. The regulatory system of China’s payment industry will be further improved.

According to the China Payment System Operation Report of first quarter, 2017 published by the PBOC, the total transaction amount for banking cards was 8 times more than that of non-bank payment institutions. The banking payment system should retain its influential position within the entire financial payment system. The banking card plays an important role in maintaining the stability and healthy operation of the financial market owing to its advantages of security and reliability. Under a more complete and fair regulatory system, banks can capture better development opportunities through better exploitation of the advantages of banking card payment method. Along with the strengthening of risk control measures for third-party payment transactions, third-party payments will play a complementary role with banks in the small amount payment domain. The synergies between banking card payments and third-party payments, both online and offline, will boost the robust development of China’s financial payment industry.

Performance Review

Benefiting from a positive external environment, the performance of the Group followed an upward trend during the first half of 2017. Compared with the results in the first half of 2016, the Group’s turnover for the period amounted to approximately RMB691.0 million, representing an increase of approximately 1.4%. The Group’s net profit for the period was approximately RMB81.1 million, representing a decrease of approximately 15.0%. Excluding the exchange loss of approximately RMB20.3 million resulting mainly from depreciation of USD denominated bank deposits against RMB, the net profit for the period would be approximately RMB101.5 million, representing an increase of approximately 21.5%. Through the implementation of the intelligent operations, improvements in the product portfolio and cost control, the Group mitigated the challenge of market price and maintained a steady gross profit margin of 30.2%.

Compared to the interim results in 2016, the performance of the Group's two operating segments for the period was relatively stable. The turnover of embedded software and secure payment products was approximately RMB561.0 million, representing an increase of approximately 2.0%, while the turnover of platform and service was approximately RMB130.0 million, representing a slight decrease of approximately 1.3%.

Decisive core competitiveness in smart secure payment

Banking institutions play a core role in the global financial payment system while the banking card payment network established by the big 6 credit card organizations over the past several decades has become the foundation for global financial payment. At present, the diversification of payment methods is mainly limited to the small payment amount domain, and does not pose a challenge to the current banking card system. According to estimates in the Nilson Report published in January 2017, global card transaction volumes in 2025 are projected to increase by 2.7 times compared with that of 2015 while the increase in the Asia-Pacific region will be even higher at 3.9 times. This suggests a steady and sustainable growth potential for the banking card payment segment.

The rapid growth of China's credit card segment has drawn attention. At the end of the first quarter of 2017, the credit card per capita in China was approximately 0.32*, which was only 1/10 of that of developed countries and regions. The continuous development of the consumer credit system in China contributes to fast-growth phase of China's credit card segment. In 2016, the number of credit cards issued by listed banks in China increased by more than 10% compared with that of 2015. Furthermore, two of the Group's bank customers experienced an increase in credit card issuance of over 40% in 2016 when compared to 2015. Such increase was also ranked top among the listed banks in China. In the first quarter of 2017, total amount of credits on credit cards in China amounted to approximately RMB9.85 trillion, representing an increase of approximately 32.2% compared with that of the first quarter of 2016. Based on these observations, the diversification of payment methods did not bring major changes to payment system, which remains dominated by banking card.

The Group witnessed a surge in credit card shipments of approximately 38% in the first half of 2017 compared to that of the corresponding period in 2016. Through innovative service concepts and customized service, the Group provided unique services to and created value for its bank customers. Since 2003, the Group has been honored 27 times with the most prestigious award in the global card industry, the ICMA Elan Award. The Group received 7 ICMA Elan Awards and was recognized as the most awarded company in 2017 worldwide. This is an achievement and honor in 2017 that the Group shares with the Bank of Communications, Shanghai Pudong Development Bank, Industrial Bank, and Huaxia Bank.

* China Payment System Operation Report, by People's Bank of China, 1st Quarter 2017.

China UnionPay (CUP) is the world's largest banking card organization in terms of card circulation, more than half of the world's banking cards carry the CUP logo. In the first half of 2017, the Group continued to retain the leading position and achieved steady growth in market share. As an internationally recognized enterprise, the Group is also one of the most reliable partners for overseas banking card organisations. The Group's shipments for overseas banking card organizations increased by approximately 15.0% compared to that of the corresponding period in 2016.

At present, CUP is accelerating its development within China's "Belt and Road Initiative" countries. At the same time, the Chinese government is adhering to its WTO commitments and is gradually opening up the banking card clearing market. Consequently, overseas banking card organisations start to build their business in China independently with VISA being the first applicant to apply for establishing a banking card clearing organisation in China. It is anticipated that crossover expansion of CUP and overseas card organisations internationally and domestically will create more business opportunities for the Group.

Driving growth through innovative research and development

The Group achieved a major breakthrough in the research and development ("R&D") of its national security chip. The China National Financial IC Card Security Application Project successfully passed the 2016 annual review by Ministry of Industry and Information Technology of China and outperformed the 2016 objective of this national project. The Group is currently entering into strategic cooperation with China's leading domestic secure chip manufacturers. This will not only further enhance the R&D and application of the national financial IC chip, but will also accelerate the pace of overseas expansion. Furthermore, owing to the strong R&D capabilities of the Wuhan University - Goldpac Joint Laboratory, the Group made significant progress in the development of IoT (Internet of Things) secure chip. The Group's proprietary SuperCOS secure chip can be deployed in a number of segments including wearables, machine authentication, ID authentication, smart home and smart city. It is expected to attract favorable and expansive business opportunities with the rapid rise of the IoT industry, laying the cornerstone for the development of the Group in the future.

In the first half of 2017, the Group realized a notable achievement with regards to the diversification of payment products. For example, the luxury GPS payment watch achieved a turnover of nearly RMB10.0 million, whilst the stylish LED card saw a turnover of over RMB10 million. Moreover, the Group delivered a smartphone case with an embedded payment chip for an internationally recognized non-banking brand client. The stylish while practical smartphone case enables this client to set up its own payment ecosystem. Since the launch of the case as a seasonal gift, it has received widespread recognition.

In the future, the Group will accelerate its application in intelligent manufacturing and cloud technology to further strengthen and expand the Group's leading advantage in the smart secure payment. On one hand, the Group will accelerate its integration with operating systems of financial institutions, government and other organisations through its cloud platform in order to form a strong bond to strengthen customer viscosity and provide wider range of service. On the other hand, the Group will further implement its intelligent operation. Through the systematic and digital integration of operation facilities, the reduction in the use of manpower will eventually increase operation efficiency and decrease operating cost. Capitalizing on its cloud platform, the Group will establish its financial data personalization center in the northern China. It will improve the Group's geographical presence as well as the Group's support and deliver capabilities.

Focusing on developing overseas markets

China UnionPay is expanding its banking card network along China's "Belt and Road Initiative" countries to expedite its overseas expansion. The Group will accelerate its overseas expansion efforts in sync with CUP's expansion plans. Currently, the Group is providing products and services to 23 countries and areas.

South Asia remains a region with vast market potential given the population of the area and the differing pace at which EMV (Europay, MasterCard and Visa) migration is occurring. Although several major South Asian countries have set mandatory EMV migration deadlines, large EMV migration volume has not been observed at present. It is expected to change as the deadline approaches.

Furthermore, the Group is setting up a representative office in Mongolia, which allows the Group to be closer to Central Asian markets.

OUTLOOK

Goldpac Fintech Innovation Hub

Driving Fintech innovation, exploring creative financial service models and accelerating mergers and acquisitions.

Having witnessed the rapid development over the past several years, China's smart secure payment industry is now progressing persistently towards the next new peak. Broader end-user groups, wider application segments, stronger technology safeguards and increasing precision of operation models will be the focus for the industry's future. Meanwhile, Fintech has become one of the mainstream drivers for the financial industry. More financial institutions are embracing Fintech actively and integrating cutting-edge technologies such as the Internet, Big Data and Cloud Tech.

To achieve the Group's development plan, the Group has commenced the construction of the Goldpac Fintech Innovation Hub (“**Hub**”). The Hub is located at the heart of the Guangdong–Hong Kong–Macau Greater Bay area and occupies over several tens of thousand square meters, and is expected to commence operation in 2020. Leveraging the core strategic platform of the Hub, the Group will build up the following three innovative centers:

- **Smart Secure Payment Industry Chain Center**

Capitalizing the Group's core competitiveness in smart secure payment, the Group will develop strategic cooperation and integration among the upstream and downstream industry along the value chain, in order to put forward the innovation of the smart secure payment industry and to build a regional industry center.

- **Fintech Center**

Focusing on new development in Fintech innovation and the integration of creative models in the financial industry, the Group will leverage modern technologies, such as Artificial Intelligence and Big Data, to establish new models for data platforms, data processing and creative services, and to create synergies within the Group.

- **Guangdong-Hong Kong-Macau Greater Bay Innovative Talents Center**

The Group will leverage the geographical advantages of the Guangdong-Hong Kong-Macau Greater Bay and capitalize on the ripple effects of governmental support to attract creative talents from all over the world to the Guangdong-Hong Kong-Macau Greater Bay Innovative Talent Center.

Looking forward into the second half of 2017, the Group will continue executing its development strategies to consolidate its core competitiveness, expand payment diversification and strengthen its overseas markets to achieve the Group's strategic target in 2017.

Subsequent Events

Subsequent to 30 June 2017, no material events have occurred.

DIVIDENDS

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Dividends		
2016 Final — HK7.0 cents per ordinary share based on 833,561,000 shares (declared on 21 March 2017)	<u>51,391</u>	<u>—</u>
2016 Special — HK6.0 cents per ordinary share based on 833,561,000 shares (declared on 21 March 2017)	<u>44,050</u>	<u>—</u>
2015 Final — HK11.0 cents per ordinary share based on 834,029,000 shares (declared on 16 March 2016)	<u>—</u>	<u>62,728</u>
2015 Special — HK4.0 cents per ordinary share based on 834,029,000 shares (declared on 16 March 2016)	<u>—</u>	<u>22,810</u>

The Board declared an interim dividend of HK4.0 cents (equivalent to approximately RMB3.4 cents) per ordinary share, amounting to RMB28,341,000 in aggregate with reference to the number of issued shares as at the end of the period (for the six months ended 30 June 2016: HK4.0 cents, equivalent to approximately RMB3.4 cents per ordinary share, amounting to RMB28,322,000). 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 Tuesday, 5 September 2017.

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 Thursday, 31 August 2017. The register of members of the Company will be closed from Friday, 1 September 2017 to Tuesday, 5 September 2017, both days inclusive, during which period no transfer of Shares will be registered. The dividend will be paid on Tuesday, 19 September 2017 to the shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 5 September 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 RMB975.0 million (after deducting underwriting commissions and related expenses). As at 30 June 2017, the Company utilized approximately RMB688.0 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 30 June 2017, the Group's aggregate amount of bank balances and cash, fixed bank deposits and pledged bank deposits reached approximately RMB1,261.3 million (as at 31 December 2016: approximately RMB1,763.1 million), of which approximately RMB370.6 million (as at 31 December 2016: approximately RMB892.5 million) was denominated in RMB, representing approximately 29.4%, and approximately RMB890.7 million (as at 31 December 2016: approximately RMB870.6 million) was denominated in USD and HKD, representing approximately 70.6%.

The aggregate dividend of approximately RMB95.4 million was paid by the Company during the six months ended 30 June 2017 (for the six months ended 30 June 2016: approximately RMB85.5 million).

As at 30 June 2017 and 31 December 2016, the Group had no bank loans.

As at 30 June 2017, the Group's trade receivables was approximately RMB613.6 million (as at 31 December 2016: approximately RMB340.0 million), decreased by approximately 12.7% compared with that as at 30 June 2016. It is the industry practice that settlement of trade receivables peaks around the end of year.

As at 30 June 2017, the Group's total current assets amounted to approximately RMB1,873.8 million (as at 31 December 2016: approximately RMB2,145.4 million), decreased by approximately 12.7% compared with that as at 31 December 2016. The decrease of current assets was mainly due to the investments in buildings and land use rights during the period.

As at 30 June 2017, the Group's current ratio was 3.06 (as at 31 December 2016: 3.0), representing a high liquidity.

As at 30 June 2017, the Group's gearing ratio (gearing ratio is equivalent to total debt divided by total assets) was 25.2% (as at 31 December 2016: 27.9%).

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 in USD and HKD. Exercising 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 six months ended 30 June 2017, the Group's capital expenditure was approximately RMB212.9 million (as of six months ended 30 June 2016: approximately RMB11.1 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 30 June 2017 was approximately RMB8.4 million (as at 31 December 2016: approximately RMB146.2 million).

PLEGGED ASSETS

As at 30 June 2017, bank deposits of approximately RMB108.4 million (as at 31 December 2016: approximately RMB139.7 million) was pledged to secure the bills payables and bank guarantee.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

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 six months ended 30 June 2017, the Group's environmental, social and governance (“ESG”) management team had managed, monitored, and recommended on environmental and social aspects continuously. An ESG report for the year 2016 had been prepared with reference to Appendix 27 to the Listing Rules (Environmental, Social and Governance Reporting Guide) and had been 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 close 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 30 June 2017, the Group had 1,648 employees (as at 31 December 2016: 1,642), with an increase of 6 employees compared with that as at 31 December 2016. The R&D and marketing team were further expanded.

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 six months ended 30 June 2017.

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 2017.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company, which comprised all three independent non-executive directors of the Company, has reviewed the interim results of the Group for the six months ended 30 June 2017.

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 2017 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 2017

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 for the six months ended 30 June 2017 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, 17 August 2017

As at the date of this announcement, the executive Directors of the Company are Mr. LU Run Ting, Mr. HOU Ping, Mr. LU Runyi, Mr. LU Xiaozhong and Mr. WU Siqiang; the non-executive Director of the Company is Dr. LING Wai Lim; and the independent non-executive Directors of the Company are Mr. MAK Wing Sum Alvin, Mr. LIU John Jianhua and Ms. YE Lu.