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 2018

HIGHLIGHTS

- For the six months ended 30 June 2018, the Group's turnover amounted to approximately RMB633.0 million, representing a year-on-year decrease of approximately 8.4%; the total comprehensive income for the period was approximately RMB86.6 million, representing an increase of approximately 7.1% year-on-year.

- The turnover of embedded software and secure payment products segment was approximately RMB501.1 million, representing a year-on-year decrease of approximately 10.7%, while the turnover of the platform and service segment was approximately RMB131.9 million, representing an increase of approximately 1.5% year-on-year.

- The Board declared an interim dividend of HK4.0 cents (equivalent to approximately RMB3.5 cents) per ordinary share (for the six months ended 30 June 2017: HK4.0 cents, equivalent to approximately RMB3.4 cents).

- The Group's proprietary "Embedded Software for Financial IC Card with China Chip" was honored with the "Most Competitive Product Award" at the China International Software and Information Service Fair.

- Goldpac was honored again with the 2018 ICMA "People's Choice Award". Up to now, the Group has been recognized with 30 ICMA Elan awards. These awards represent the most prestigious recognition in the international payment card innovation and design field, making the Group the global leader in terms of number of awards received.

The board (the "**Board**") of directors (the "**Directors**") of Goldpac Group Limited (the "**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 2018 (the "**Interim Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Turnover	*3*	**632,973**	691,005
Cost of sales		**(452,047)**	(482,630)
Gross profit		**180,926**	208,375
Other income		**49,423**	31,401
Other gains or losses		**4,809**	(20,347)
Impairment loss on interests in associates		**(10,234)**	–
Research and development costs		**(51,809)**	(49,258)
Selling and distribution costs		**(45,445)**	(56,287)
Administrative expenses		**(17,084)**	(10,791)
Share of loss of associates		**(909)**	(2,179)
Profit before taxation	*4*	**109,677**	100,914
Taxation	*5*	**(23,282)**	(19,770)
Profit for the period		**86,395**	81,144
Other comprehensive income (expenses) for the period (net of tax)			
Item that may be subsequently reclassified to profit or loss:			
– exchange differences arising on translation of foreign operations		**163**	(316)
Total comprehensive income for the period		**86,558**	80,828
Earnings per share	*7*		
– Basic		**10.5 cents**	9.9 cents
– Diluted		**10.5 cents**	9.9 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**339,157**	335,921
Land use rights	*8*	**26,487**	26,665
Goodwill		**1,375**	1,375
Intangible assets		**7,822**	8,966
Interests in associates		**16,341**	27,475
Contract assets	*10B*	**1,668**	–
Amount due from an associate		**829**	819
Deferred tax assets		**8,730**	8,730
Fixed bank deposits		**100,000**	100,000
		502,409	509,951
Current assets			
Inventories	*9*	**260,659**	207,609
Trade receivables	*10A*	**490,693**	417,729
Contract assets	*10B*	**10,534**	–
Other receivables and prepayments		**34,131**	45,197
Amount due from an associate		**9,364**	9,422
Financial assets at fair value through profit or loss		**100,000**	–
Pledged bank deposits		**104,038**	111,309
Fixed bank deposit		**478,634**	830,234
Bank balances and cash		**604,565**	575,424
		2,092,618	2,196,924

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2018

	NOTES	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Current liabilities			
Trade and bills payables	*11*	**503,286**	550,703
Contract liabilities		**30,188**	–
Other payables and accruals		**94,946**	157,981
Government grants		**3,000**	17,700
Taxation		**27,647**	30,737
		659,067	757,121
Net current assets		**1,433,551**	1,439,803
Total assets less current liabilities		**1,935,960**	1,949,754
Non-current liability			
Deferred tax liabilities		**23,979**	19,871
Net assets		**1,911,981**	1,929,883
Capital and reserves			
Share capital	*12*	**1,192,362**	1,192,362
Reserves		**719,619**	737,521
Total equity		**1,911,981**	1,929,883

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 2017 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 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance ("**Companies Ordinance**").

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported as described below.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue at a point in time when the control of the magnetic strip cards, smart cards, personalised magnetic strip cards and personalised smart cards are transferred to the customers at the designated locations.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018***
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Contract assets	–	5,512	5,512
Current assets			
Trade receivables	417,729	(16,650)	401,079
Contract assets	–	11,138	11,138
Current liabilities			
Other payables and accruals	157,981	(35,475)	122,506
Contract liabilities	–	35,475	35,475

* The amounts in this column are before the adjustments from the application of HKFRS 9.

At the date of initial application, included in the total trade receivables amounting to RMB16,650,000, is related to the retentions held by customers. The amount is reclassified to contract assets upon application of HKFRS 15.

At the date of initial application, included in other payables and accruals amounting to RMB35,475,000, is related to advance from customers. The amount is reclassified to contract liabilities upon application of HKFRS 15.

The following table sumarises the impacts of the applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line item affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Contract assets	1,668	(1,668)	–
Current assets			
Trade receivables	490,693	12,202	502,895
Contract assets	10,534	(10,534)	–
Current liabilities			
Other payables and accruals	94,946	30,188	125,134
Contract liabilities	30,188	(30,188)	–

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Amortised cost (previously classified as loans and receivables)	Contract assets
	RMB'000	*RMB'000*
Closing balance at 31 December 2017 – HKAS 39	2,072,558	–
Effect arising from initial application of HKFRS 15	–	16,650
Effect arising from initial application of HKFRS 9		
Remeasurement impairment under ECL model	(741)	–
Opening balance at 1 January 2018	2,071,817	16,650

As at 1 January 2018, the additional credit loss allowance of RMB741,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables
	RMB'000
At 31 December 2017 - HKAS 39	7,254
Amounts remeasured through opening retained profits	(741)
At 1 January 2018	6,513

Impacts and changes in accounting policies of application on Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, that is, the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

The directors of the Company considered that these amendments have no material impact on the result and financial position of the Group.

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) *RMB'000*	HKFRS 15 *RMB'000*	HKFRS 9 *RMB'000*	**1 January 2018 (Restated)** ***RMB'000***
Non-current Assets				
Contract assets	–	5,512	–	**5,512**
Current Assets				
Trade receivables	417,729	(16,650)	(741)	**400,338**
Contract assets	–	11,138	–	**11,138**
Current Liabilities				
Other payables and accruals	157,981	(35,475)	–	**122,506**
Contract liabilities	–	35,475	–	**35,475**
Capital and reserves				
Reserves	737,521	–	(741)	**(736,780)**

Except as described above, the application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported 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	–	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

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	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sales to external parties of				
– Embedded software and secure payment products	**501,083**	561,026	**117,537**	148,605
– Platform and service	**131,890**	129,979	**63,389**	59,770
	632,973	691,005	**180,926**	208,375
Research and development costs			**(51,809)**	(49,258)
Other operating expenses			**(62,529)**	(67,078)
Other income, expenses, gains or losses *(Note)*			**30,401**	19,884
Interest income			**13,922**	10,061
Operating profit			**110,911**	121,984
Investment income from financial assets at fair value through profit or loss			**4,658**	1,456
Exchange gain (loss)			**5,251**	(20,347)
Share of loss of associates			**(909)**	(2,179)
Impairment loss on interests in associates			**(10,234)**	–
Profit before taxation			**109,677**	100,914

Note: Included in other income, expenses, gains or losses are value-added tax refund of RMB12,083,000 (for the six months ended 30 June 2017: RMB14,882,000) and government subsidies of RMB18,825,000 (for the six months ended 30 June 2017: RMB4,486,000).

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 is presented.

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**5,779**	5,997
Other staff's retirement benefits scheme contributions	**3,037**	3,236
Other staff's equity-settled share-based payment	**4,459**	3,177
Other staff costs	**84,397**	90,248
	97,672	102,658
Less: Staff costs included in research and development costs	**(24,663)**	(26,662)
	73,009	75,996
Amortisation of intangible assets	**1,144**	1,144
Depreciation of property, plant and equipment	**22,130**	20,555
Investment income from financial assets at fair value through profit or loss	**(4,658)**	(1,456)
Operating lease rentals in respect of		
– land use rights	**310**	290
– office premises	**3,313**	3,074
Impairment loss on interests in associates	**10,234**	–
Cost of inventories recognised as expense	**361,571**	403,712

5. TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
Mainland China Enterprise Income Tax ("**EIT**")	**(18,287)**	(17,807)
Mainland China withholding tax on dividend distribution	**–**	(4,608)
Hong Kong Profits Tax	**(887)**	(688)
	(19,174)	(23,103)
Deferred taxation	**(4,108)**	3,333
	(23,282)	(19,770)

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

The EIT is calculated at the applicable rates in accordance with the relevant laws and regulations in Mainland China. The Company's subsidiaries in Mainland China are subject to EIT at 25% except that Goldpac Limited is approved for 3 years as an enterprise satisfying as a High-New Technology Enterprise and entitles the preferential tax rate of 15% in 2017, 2018 and 2019.

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	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends		
2017 Final – HK10.0 cents per ordinary share based on 833,561,000 shares (declared on 16 March 2018)	**68,060**	–
2017 Special – HK6.0 cents per ordinary share based on 833,561,000 shares (declared on 16 March 2018)	**40,836**	–
2016 Final – HK7.0 cents per ordinary share based on 833,561,000 shares (declared on 21 March 2017)	**–**	51,391
2016 Special – HK6.0 cents per ordinary share based on 833,561,000 shares (declared on 21 March 2017)	**–**	44,050

Subsequent to the end of the current interim period, the Board has resolved to declare the payment of an interim dividend of HK4.0 cents (equivalent to approximately RMB3.5 cents) per ordinary share, amounting to approximately RMB29,008,000 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 2017: HK4.0 cents (equivalent to approximately RMB3.4 cents) per ordinary share, amounting to approximately RMB28,341,000). 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 Wednesday, 5 September 2018.

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	
	2018	2017
	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)	**86,395**	81,144

	For the six months ended 30 June	
	2018	2017
	Number of ordinary shares	Number of ordinary shares
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**826,134**	823,097

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 Pre-IPO share options and share awards for both periods because the adjusted exercise price of those options and the fair value of those share awards at grant date that are to be amortised were both higher than the average market price for shares in both periods.

8. PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

During the period, the Group mainly incurred nil (for the six months ended 30 June 2017: RMB174,181,000) on buildings, RMB7,186,000 (for the six months ended 30 June 2017: RMB6,225,000) on furnitures, fixtures and equipment, RMB6,217,000 (for the six months ended 30 June 2017: RMB286,000) on plant and machinery, RMB11,958,000 (for the six months ended 30 June 2017: RMB5,587,000) on construction in progress and nil (for the six months ended 30 June 2017: RMB26,669,000) on land use rights.

9. INVENTORIES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Raw materials	**170,184**	150,625
Work in progress	**3,938**	5,316
Finished goods	**86,537**	51,668
	260,659	207,609

10A. TRADE RECEIVABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade receivables	**490,693**	401,079
Retentions held by customers	**–**	16,650
	490,693	417,729

Payment terms with customers are mainly on credit. Invoices are normally payable in 30 to 150 days by the customers from date of issuance. Retentions held by customers are normally payable between 6 months to 1 year by the customers from the date of issuance of invoices as at 31 December 2017. 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 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Age		
0–90 days	**326,513**	297,292
91–180 days	**70,573**	56,046
181–365 days	**59,380**	34,794
Over 1 year *(Note)*	**34,227**	29,597
	490,693	417,729

Note: Included in the above balance aged over one year at 31 December 2017 were retentions held by customers for sales of goods of RMB7,553,000.

10B. CONTRACT ASSETS

	At 30 June 2018 *RMB'000* (unaudited)
Retentions held by customers	**12,202**
Current	**10,534**
Non-current	**1,668**
	12,202

The contract assets primarily relate to the Group's right to receive remaining payments from customers and not billed because rights are conditioned on the satisfaction of quality over the products delivered at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The condition is fulfilled upon the completion of retention period which is normally between 6 months to 2 years.

11. TRADE AND BILLS PAYABLES

	At 30 June 2018 *RMB'000* (unaudited)	At 31 December 2017 *RMB'000* (audited)
Trade payables		
— Subsidiaries of Gemalto N.V. ("**Gemalto**") *(Note)*	**88,012**	85,258
— Related company of Gemalto		
— DataCard Corporation	**1,275**	10,066
— Third parties	**267,871**	319,403
	357,158	414,727
Bills payables – secured		
— Subsidiaries of Gemalto	**–**	78,383
— Third parties	**146,128**	57,593
	146,128	135,976
	503,286	550,703

Note: Gemalto is a company incorporated under the laws of the Netherlands and its 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 throughout both periods, which is a limited liability company incorporated in Luxembourg.

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 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0–90 days	**332,761**	391,592
91–180 days	**143,685**	129,681
181–365 days	**24,471**	27,579
Over 1 year	**2,369**	1,851
	503,286	550,703

12. SHARE CAPITAL

	Number of ordinary shares	**Amount**
	'000	*HKD'000*
Issued and fully paid:		
At 1 January 2017	833,464	1,498,995
Issue of shares upon exercise of share options *(Note)*	97	503
At 31 December 2017 and 30 June 2018	833,561	1,499,498

Note: During the year ended 31 December 2017, 97,000 share options were exercised and converted into 97,000 ordinary shares at the conversion price of HKD2.71.

	RMB'000
Shown in the financial statements as of	
— 30 June 2018	1,192,362
— 31 December 2017	1,192,362

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

MANAGEMENT DISCUSSION AND ANALYSIS

2018 marks the 25th anniversary of the Group. Over the past 25 years, the Group has grown into a leader in the global smart payment products market and established the world's largest payment card personalisation center. As the world's largest UnionPay brand payment products supplier[1] and Asia's largest provider in financial smart card[1], the Group has delivered to date over 4 billion payment cards to customers all over the world.

Market Review

In the first half of 2018, China's economy continued its steady and upward trend. The Financial Stability and Development Committee of the State Council was established after the Fifth National Financial Work Conference. The development of China's financial industry further focused on three major areas, namely serving the real economy, controlling financial risks and deepening of financial reforms. The dominant position of banks in China's financial system was further consolidated and recognized. Hence the secure payment system attached and linked to bank accounts has continued its steady growth.

China's economic growth and the continuous increase in payment cards usage scenarios have effectively driven the market demand for payment card products. According to the Nilson Report, UnionPay cards in circulation has reached 6.7 billion by the end of 2017, representing a year-on-year increase of approximately 9.3% and accounting for approximately 56.0% in cards in circulation globally. In the first quarter of 2018, the transaction volume of payment cards in China reached 43.1 billion, increased by 40.2% year-on-year[2]. In the first half of 2018, the Group's shipments volume for payment cards has maintained the continuous growth.

With the rapid development of the mobile internet, individualized consumption is exhibiting an unprecedented rate of development. In the first half of 2018, payment cards experienced a product upgrade evolution and the market demand was driven by the three key factors of individualization, fashion and high-end features. The fashion products line introduced by the Group precisely met the market demand and effectively took advantage of the opportunities of product upgrades, enabling the Group to take a leading position in the field of individualized and fashion payment cards.

[1] Nilson Report Issue 1116 / September 2017

[2] Payment System Report by The People's Bank of China, First Quarter, 2018

Key Data

As the world's largest UnionPay brand payment product supplier, the Group's payment card shipments continued to grow and its market share further expanded in the first half of 2018. A new high of UnionPay IC card shipment volumes was recorded, subsequent to the previous peak in the first half of 2015 during the China IC card migration. As a result of market competition, the price for standard payment cards has decreased, however, the growth in high value-added fashion products alleviated part of this price pressure.

In the first half of 2018, the Group's turnover was approximately RMB633.0 million, representing a year-on-year decrease of approximately 8.4%, of which the turnover of embedded software and secure payment products segment was approximately RMB501.1 million, representing a year-on-year decrease of approximately 10.7%, whilst the turnover of the platform and service segment was approximately RMB131.9 million, representing an increase of approximately 1.5% year-on-year.

Research and development ("**R&D**") costs continued to grow to approximately RMB51.8 million, representing an increase of approximately 5.2% year-on-year. Selling and distribution costs, and administrative expenses totalling approximately RMB62.5 million were well managed with a year-on-year decrease of approximately 6.8%. Hence the overall operating costs decreased by approximately 1.7% year-on-year. In the first half of 2018, the fluctuation of the RMB to USD exchange rate provided a favorable impact to the Group. In the first half of 2018, the Group's total comprehensive income for the period was approximately RMB86.6 million, representing an increase of approximately 7.1% year-on-year. The Board declared an interim dividend of HK4.0 cents (equivalent to approximately RMB3.5 cents) per ordinary share.

Business Review

Capitalizing on opportunities for payment card products upgrades to secure a leading position in fashion products

The individualized consumption leads the acceleration of the payment card products upgrades. Cardholders and issuers of payment cards are increasingly focused on a wider range of areas other than the payment function. "Internet Celebrity", "Experience-based Economy" and "IP of Fashion Master" in the Internet era are transforming the payment card into a symbol of individualization and fashion. Cardholders are paying more attention to whether their payment cards are fashionable and well-differentiated while issuers such as banks are more likely to regard payment card as an important way to attract customers.

Cutting-edge fashion design is an important differentiating factor and competitive advantage of the Group. In the first half of 2018, Goldpac was honored again with the 2018 ICMA (International Card Manufacturers Association) "People's Choice Award". Up to now, the Group has been recognized with 30 ICMA Elan awards. These awards represent the most prestigious recognition in the international payment card innovation and design field, making the Group the global leader in terms of number of awards received.

Stay ahead with R&D

The Group is highly committed in self-driven R&D. The Group has established two R&D centers respectively in Beijing and Zhuhai with more than 400 R&D engineers. The R&D costs maintained a steady increase in the past five years. The CAGR (Compound Average Growth Rate) of R&D costs in the past five years amounted to approximately 30.7%.

As a sponsor for the commercial application of China chip, the Group launched the China chip strategic plan in 2014. The plan aims to diversify the chip supplies through increasing in utilization of China chip. In June 2018, the Group's proprietary "Embedded Software for Financial IC Card with China Chip" was honored with the "Most Competitive Product Award" at the China International Software and Information Service Fair. In the first half of 2018, the Group launched the world's first EMV (Europay, MasterCard and Visa) product based on China chip and opened up international markets for penetration of these chips.

The Group has also integrated more technological features into the payment card, such as dynamic CVV, LED, Biometrics and Bluetooth. Furthermore, the Group has continuously introduced many innovative payment vehicles, such as chip-embedded smartphone case, payment watches and bracelets to suit versatile payment scenarios and customers' need.

As a pilot enterprise in the "National Standards of Implementation of Pilot Enterprise in the Integration of Information Technology and Industrialization (2i Integration)", the Group has established the intelligent digital manufacturing platforms and the automated execution platforms. The Group constantly advanced its intelligent manufacturing process to realize the intelligent optimization of R&D design, production and operation, intelligent logistics, risk control and other business processes to provide broader and better services for global customers.

The Group adopts a proactive yet prudent attitude towards R&D in forward-looking technologies, such as blockchain, Internet of Things, security algorithms and smart banks.

Outlook

The Group is confident in its future development.

The Group considers that the consumer market has a bright future ahead and the demand for consumer credit is expected to be strong. By the end of 2017, China's consumer credit (non-mortgage) balance accounted for approximately 12.3% of GDP, representing a significant difference comparing to developed countries such as the United States. It was estimated that by the end of 2019, the balance of consumer credit in China would increase by about 45.0% from the level as of the end of 2017[3]. As the most advantageous tool to support consumer credit, credit cards are likely to be further developed. Meanwhile, for banks, the dual objectives of making profit and attracting customers in the credit card business are becoming more and more apparent.

As a leader in smart secure payment total solutions, the Group possesses a customer base of more than 1,000 banks all over the world, together with its strong R&D capabilities and 25 years of experience. The continuous growth of the China credit card market will drive the Group's sustainable development.

The Group will focus on the following three directions in the second Five-Year Development Plan after its IPO.

Firstly, "Shared Value" to accelerate "Platform" strategy

The "Platform" strategy is a constructive practice of the "Shared Value" philosophy. Since the Group's establishment of China's first payment card personalization center 20 years ago, the Group has always been a practitioner of the "Shared Value" philosophy.

The individualized consumption inspired by the Internet culture is promoting the upgrades of payment card products. The Group will accelerate the "Platform" development strategy, thus gaining the leading advantage in the process of payment card products upgrades.

[3] 2017 China Consumer Credit Market Development Report by Analysys

Secondly, overseas market

Since the beginning of the 21st century, China has made great achievements in the construction and operation of the smart security payment networks. Although it has been established for only 16 years, UnionPay already has over 6.7 billion payment cards in circulation[4]. UnionPay is now accelerating its worldwide promotion of its successful experience and mature technology. As one of the largest and most experienced secure payment products suppliers of UnionPay, the Group is actively tapping into this historical process.

In the expansion of its overseas market, the Group will fully implement the "Solutions" and "Platforms" strategies with the objective to break through geographical restrictions and achieve the goal of rapid development. The Group will also take full advantage of the use of China chip and accelerate the promotion of China financial chip in the overseas market. In addition, the Group will also promote the sales of AI Self-service Financial Kiosks in the overseas market.

Countries in the Southeast Asian region will also continue to provide growth opportunities for the Group as they accelerate their financial IC card migration process.

To facilitate the development of the international market, the Group has further enhanced its organizational structure in the international market to attract outstanding talents from the world's top corporations to join the Group for its overseas expansion with a view to further the growth in the international market.

Thirdly, AI Self-service Financial Kiosks and solutions

Demand for AI Self-service Financial Kiosks is growing rapidly around the world, especially in China, Russia, Central Asia and Southeast Asia. The Group will continue to increase its investment in these areas.

The Group's AI Self-service Financial Kiosks fully utilize Biometrics, facial recognition and natural language processing technology with a simple, integrated and scenario-based approach. These kiosks have been piloted with a number of banks. The Group is also planning to accelerate the development of this field through capital investment and strategic partnerships.

In addition, Goldpac Fintech Innovation Hub has been launched. Being internationally competitive, it will become the primary frontier for innovative technology exchange. Also, it will become the highlight for Fintech innovation in the Guangdong-Hong Kong-Macau Bay area.

[4] Nilson Report Issue 1130 / April 2018

Subsequent Events

Subsequent to 30 June 2018, no material events have occurred.

DIVIDENDS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends		
2017 Final — HK10.0 cents per ordinary share based on 833,561,000 shares (declared on 16 March 2018)	**68,060**	—
2017 Special — HK6.0 cents per ordinary share based on 833,561,000 shares (declared on 16 March 2018)	**40,836**	—
2016 Final — HK7.0 cents per ordinary share based on 833,561,000 shares (declared on 21 March 2017)	—	51,391
2016 Special — HK6.0 cents per ordinary share based on 833,561,000 shares (declared on 21 March 2017)	—	44,050

Subsequent to the end of the current interim period, the Board has resolved to declare the payment of an interim dividend of HK4.0 cents (equivalent to approximately RMB3.5 cents) per ordinary share, amounting to approximately RMB29,008,000 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 2017: HK4.0 cents (equivalent to approximately RMB3.4 cents) per ordinary share, amounting to approximately RMB28,341,000). 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 Wednesday, 5 September 2018.

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 Friday, 31 August 2018. The register of members of the Company will be closed from Monday, 3 September 2018 to Wednesday, 5 September 2018, both days inclusive, during which period no transfer of shares will be registered. The dividend will be paid on Wednesday, 19 September 2018 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 5 September 2018.

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 2018, the Company utilized approximately RMB782.5 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 2018, the Group's aggregate amount of bank balances and cash, fixed bank deposits and pledged bank deposits reached approximately RMB1,287.2 million (as at 31 December 2017: approximately RMB1,617.0 million), of which approximately RMB677.7 million (as at 31 December 2017: approximately RMB781.7 million) was denominated in RMB, representing approximately 52.6%, and approximately RMB609.5 million (as at 31 December 2017: approximately RMB835.3 million) was denominated in USD, HKD and other currencies, representing approximately 47.4%.

The aggregate dividend of approximately RMB108.9 million was paid by the Company during the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately RMB95.4 million).

As at 30 June 2018, the Group's aggregate amount of trade receivables and contract assets was approximately RMB502.9 million (as at 31 December 2017: approximately RMB417.7 million), increased by approximately 20.4% compared with that as at 31 December 2017. It is the industry practice that settlement of trade receivables peaks around the end of year.

As at 30 June 2018, the Group's total current assets amounted to approximately RMB2,092.6 million (as at 31 December 2017: approximately RMB2,196.9 million), decreased by approximately 4.7% compared with that as at 31 December 2017. The decrease of current assets was mainly due to the settlement of current liabilities during the period.

As at 30 June 2018, the Group's current ratio was 3.2 (as at 31 December 2017: 2.9), representing a high liquidity.

As at 30 June 2018 and 31 December 2017, the Group had no bank loans. As at 30 June 2018, the Group's gearing ratio (gearing ratio is equivalent to total debt divided by total assets) was 26.3% (as at 31 December 2017: 28.7%).

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 2018, the Group's capital expenditure was approximately RMB25.4 million (as of six months ended 30 June 2017: approximately RMB212.9 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 2018 was approximately RMB4.0 million (as at 31 December 2017: approximately RMB14.8 million).

PLEDGED ASSETS

As at 30 June 2018, bank deposits of approximately RMB104.0 million (as at 31 December 2017: approximately RMB111.3 million) was pledged to secure the bills payables and bank guarantee.

CONTINUING CONNECTED TRANSACTIONS

In the first half of 2018, the Group's purchasing volume from Gemalto amounted to RMB76.0 million, representing a year-on-year decrease of 38.8%. The Group is highly committed in self-driven R&D. The Group has launched proprietary embedded chip operating system to diversify its chip supplies and the purchasing volume of continuing connected transaction has decreased.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2018, 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 2017 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 2018, the Group had 1,699 employees (as at 31 December 2017: 1,731), with a decrease of 32 employees compared with that as at 31 December 2017.

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 contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2018.

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 2018.

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 2018.

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 2018 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 2018

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 2018 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 2018

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 Mr. 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.

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