Goldpac Group Limited
金邦達寶嘉控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3315)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- The Group maintained a stable and sound development. The turnover was approximately RMB1,411 million, representing an increase of approximately 0.7% year-on-year. The gross profit decreased by approximately 6.5% year-on-year to approximately RMB390 million due to the market price decline. The net profit was approximately RMB175 million, representing an increase of approximately 6.2% as compared with last year. EBITDA* was approximately RMB254 million, representing an increase of approximately 3.5% compared with last year.

- The shift of growth drivers between the two business segments is gathering momentum. The platform and service segment made great strides and has become a new growth area. With a turnover of approximately RMB301 million, increased by approximately 19.9% as compared with last year, the ratio of this segment to the total turnover was uplifted by 3.4 percentage points year-on-year to approximately 21.3%. The embedded software and secure payment products segment achieved a turnover of approximately RMB1,110 million, representing a decrease of approximately 3.4% as compared with last year.

- The Board proposed to declare a final dividend of HK10.0 cents (equivalent to approximately RMB8.6 cents) per ordinary share (HK10.0 cents in 2017) and a special dividend of HK6.0 cents (equivalent to approximately RMB5.1 cents) per ordinary share (HK6.0 cents in 2017). If this proposal is approved by the shareholders of the Company at the forthcoming annual general meeting, the dividend payout ratio for the year of 2018 would be approximately 81.7%, and the total amount of dividend declared since IPO in 2013 would be approximately HKD723 million (equivalent to approximately RMB605 million).

* EBITDA equals to profit before taxation plus interest expense, depreciation and amortisation of intangible assets.

The board (the "**Board**") of directors (the "**Directors**") of Goldpac Group Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Turnover	*3*	**1,411,127**	1,400,842
Cost of sales		**(1,020,996)**	(983,661)
Gross profit		**390,131**	417,181
Other income	*4*	**88,089**	78,274
Other gains or losses	*5*	**25,672**	(49,830)
Reversal of impairment loss on trade receivables		**208**	9,384
Impairment loss on amount due from an associate		**(11,460)**	—
Impairment loss on interest in an associate	*10*	**(27,191)**	—
Research and development costs		**(113,854)**	(109,053)
Selling and distribution costs		**(106,020)**	(105,719)
Administrative expenses		**(37,489)**	(35,919)
Share of losses of associates	*10*	**(284)**	(5,554)
Profit before taxation	*6*	**207,802**	198,764
Taxation	*7*	**(33,154)**	(34,287)
Profit for the year		**174,648**	164,477
Other comprehensive income (expense) for the year			
Item that may be subsequently reclassified to profit or loss:			
— exchange differences arising on translation of foreign operations		**1,321**	(1,021)
Total comprehensive income for the year		**175,969**	163,456
Profit (loss) for the year attributable to:			
Owners of the Company		**175,187**	164,477
Non-controlling interests		**(539)**	—
		174,648	164,477
Total comprehensive income (expense) attributable to:			
Owners of the Company		**176,508**	163,456
Non-controlling interests		**(539)**	—
		175,969	163,456
Earnings per share	*9*		
— Basic *(RMB cents)*		**21.2**	20.0
— Diluted *(RMB cents)*		**21.2**	20.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**335,019**	335,921
Land use rights		**26,206**	26,665
Goodwill		**1,375**	1,375
Intangible assets		**6,676**	8,966
Interests in associates	*10*	**—**	27,475
Amount due from an associate		**—**	819
Deferred tax assets		**9,104**	8,730
Pledged bank deposits		**150,000**	—
Fixed bank deposits		**100,000**	100,000
		628,380	509,951
Current assets			
Inventories		**211,952**	207,609
Trade receivables	*12*	**413,840**	417,729
Contract assets	*13*	**13,564**	—
Other receivables and prepayments		**40,665**	45,197
Amount due from an associate		**—**	9,422
Financial assets at fair value through profit or loss ("**FVTPL**")	*17*	**232,649**	—
Pledged bank deposits		**15,573**	111,309
Fixed bank deposits		**750,787**	830,234
Bank balances and cash		**321,042**	575,424
		2,000,072	2,196,924
Current liabilities			
Trade and bills payables	*14*	**437,721**	550,703
Contract liabilities	*15*	**27,176**	—
Other payables		**129,381**	157,981
Government grants		**3,000**	17,700
Taxation		**24,696**	30,737
		621,974	757,121
Net current assets		**1,378,098**	1,439,803

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Total assets less current liabilities		**2,006,478**	1,949,754
Non-current liability			
Deferred tax liabilities		**26,395**	19,871
Net assets		**1,980,083**	1,929,883
Capital and reserves			
Share capital	*16*	**1,192,362**	1,192,362
Reserves		**785,187**	737,521
Equity attributable to owners of the Company		**1,977,549**	1,929,883
Non-controlling interests		**2,534**	—
Total equity		**1,980,083**	1,929,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent and ultimate holding company is Goldpac International (Holding) Limited ("**GIHL**") (a limited liability company incorporated in Hong Kong). Its ultimate controlling party is Mr. LU Run Ting, who is also the chairman and executive Director of the Company. The Company acts as an investment holding company while the Group is principally engaged in embedded software and secure payment products for smart secure payment and provision of data processing, system platform and other total solutions for customers in a wide business range including financial, government, healthcare, transportation and retails by leveraging innovative financial technology ("**Fintech**").

The address of the registered office and principal place of business of the Company are Room 1301, 13th Floor, Bank of East Asia, Harbour View Center, No. 56 Gloucester Road, Wanchai, Hong Kong.

The Company has delivered those financial statements to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance (the "**Companies Ordinance**"). The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared 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 consolidated financial statements for the year ended 31 December 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. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Companies Ordinance.

Application of new and amendments to HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	Embedded software and secure payment products *RMB'000*	Platform and service *RMB'000*	Total *RMB'000*
Types of goods			
Embedded software and secure payment products	**1,110,420**	**—**	**1,110,420**
Data processing	**—**	**157,268**	**157,268**
Equipments	**—**	**143,439**	**143,439**
Total	**1,110,420**	**300,707**	**1,411,127**
Timing of revenue recognition			
A point in time	**1,110,420**	**300,707**	**1,411,127**
Geographical markets			
Overseas and the special administrative regions of Hong Kong ("**Hong Kong**") and Macao ("**Macao**")	**67,051**	**15,142**	**82,193**
Mainland China	**1,043,369**	**285,565**	**1,328,934**
Total	**1,110,420**	**300,707**	**1,411,127**

For embedded software and secure payment products, data processing and equipments, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the designated location ("**delivery**"). The normal credit period is 30 to 150 days upon delivery. A contract liability is recognised for sales in which revenue has yet been recognised. Sales-related warranties associated with the goods cannot be purchased separately and they serve as an assurance that the goods sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provision, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment.

The contracts for sales of embedded software and secure payment product, data processing and equipments are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

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

Embedded software and secure payment products	—	Embedded software and secure payment products for smart secure payment
Platform and service	—	Provision of data processing, 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. 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.

Segments results represent the gross profit earned by each segment.

The following is an analysis of the Group's revenue and results by reportable segment recognised in a point in time:

	Turnover		**Results**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Sales to external parties of				
— embedded software and secure payment products	**1,110,420**	1,149,968	**271,549**	312,315
— platform and service	**300,707**	250,874	**118,582**	104,866
	1,411,127	1,400,842	**390,131**	417,181
Research and development costs			**(113,854)**	(109,053)
Other operating expenses			**(143,509)**	(141,638)
Other income, gains or losses			**53,549**	51,070
Interest income			**28,061**	23,374
Operating profit			**214,378**	240,934
Investment income from financial assets at FVTPL			**9,034**	3,815
Net exchange gain (loss)			**23,117**	(49,815)
Share of losses of associates			**(284)**	(5,554)
Reversal of impairment loss on trade receivables			**208**	9,384
Impairment loss on amount due from an associate			**(11,460)**	—
Impairment loss on interest in an associate			**(27,191)**	—
Profit before taxation			**207,802**	198,764

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

Other information

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

	2018	2017
	RMB'000	*RMB'000*
Turnover		
— Mainland China	**1,328,934**	1,312,173
— Overseas, Hong Kong and Macao	**82,193**	88,669
	1,411,127	1,400,842

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

	2018	2017
	RMB'000	*RMB'000*
Hong Kong	**171,587**	179,342
Mainland China	**197,689**	221,060
	369,276	400,402

Information about major customer

For the year ended 31 December 2018, there was one customer with turnover of RMB152,019,000 in aggregate (2017: same customer with turnover RMB151,473,000 in aggregate) from the segments of both embedded software and secure payment products and platform and service which accounted for more than 10% of the Group's total turnover.

4. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Government grants	**31,091**	23,304
Interest income	**28,061**	23,374
Investment income from financial assets at FVTPL	**9,034**	3,815
Value-added tax refund	**18,987**	24,905
Others	**916**	2,876
	88,089	78,274

5. OTHER GAINS OR LOSSES

	2018	2017
	RMB'000	*RMB'000*
Net exchange gain (loss)	**23,117**	(49,815)
Gain on fair value changes of financial assets at FVTPL	**2,649**	—
Loss on disposal of property, plant and equipment	**(94)**	(15)
	25,672	(49,830)

6. PROFIT BEFORE TAXATION

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**17,399**	20,672
Other staff costs	**197,650**	167,468
Other staff's equity-settled share-based payments	**6,896**	11,329
Other staff's retirement benefits scheme contributions	**6,879**	5,903
	228,824	205,372
Allowance for inventories included in cost of sales	**2,887**	4,925
Amortisation of intangible assets	**2,290**	2,290
Auditor's remuneration	**1,608**	1,508
Depreciation of property, plant and equipment	**43,916**	44,475
Operating lease rentals in respect of		
— land use rights	**459**	624
— office premises	**7,567**	7,685
— machinery	**2,041**	—
Cost of inventories recognised as expense	**833,630**	810,877

7. TAXATION

	2018	2017
	RMB'000	*RMB'000*
The (charge) credit comprises:		
Mainland China Enterprise Income Tax ("**EIT**")	**(21,497)**	(31,180)
Underprovision of EIT in prior years	**(2,332)**	(1,906)
	(23,829)	(33,086)
Hong Kong Profits Tax	**(3,257)**	(405)
Overprovision of Hong Kong Profits Tax in prior years	**82**	234
	(27,004)	(33,257)
Deferred taxation		
Current tax	**(6,150)**	(10,429)
Underprovision in prior years	**—**	9,399
	(6,150)	(1,030)
	(33,154)	(34,287)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2 million.

The EIT is calculated at the applicable rates in accordance with the relevant laws and regulations in the Mainland China.

The Company's subsidiaries in the Mainland China are subject to EIT at 25% except that Goldpac Limited is approved for 3 years as enterprise satisfied 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%.

8. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
2018 Interim – HK4.0 cents per ordinary share (declared on 17 August 2018 and based on 833,561,000 shares)		
2017 Interim – HK4.0 cents per ordinary share (declared on 17 August 2017 and based on 833,561,000 shares)	**28,954**	28,105
2017 Final – HK10.0 cents per ordinary share (declared on 16 March 2018 and based on 833,561,000 shares)		
2016 Final – HK7.0 cents per ordinary share (declared on 21 March 2017 and based on 833,561,000 shares)	**68,060**	51,353
2017 Special – HK6.0 cents per ordinary share (declared on 16 March 2018 and based on 833,561,000 shares)		
2016 Special – HK6.0 cents per ordinary share (declared on 21 March 2017 and based on 833,561,000 shares)	**40,836**	44,017
	137,850	123,475

Subsequent to the end of the reporting period, a final dividend of HK10.0 cents (2017: HK10.0 cents) and a special dividend of HK6.0 cents (2017: HK6.0 cents) per ordinary share in respect of the year ended 31 December 2018 have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**175,187**	164,477
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**826,134**	822,949

Note: The weighted average number of ordinary shares adopted in the calculation of basic and diluted earnings per share for both years has 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 Scheme Options Scheme and share awards because the exercise prices of those options and the fair value of those share awards were both higher than the average market price for shares for both 2018 and 2017.

10. INTERESTS IN ASSOCIATES

	2018	2017
	RMB'000	*RMB'000*
Unlisted investments in associates, at cost	**32,120**	32,120
Exchange realignment	**193**	193
Share of post-acquisition results and reserves	**(5,122)**	(4,838)
Impairment loss on interest in an associate	**(27,191)**	—
	—	27,475

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**
		2018	2017	
Kaixin Holdings Limited	British Virgin Islands	**45%**	45%	Investment holding
Goldpac ACS Technologies Inc.	Philippines	**45%**	45%	Data processing
Sichuan Zhongruan Technology Ltd. ("**SCZR**")	Mainland China	**19.68%** *(Note)*	19.68% *(Note)*	Smart city platform

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

Aggregate information of associates that are not individually material

	2018	2017
	RMB'000	*RMB'000*
The Group's share of losses of associates	**(284)**	(5,554)
Aggregate carrying amount of the Group's interests in these associates	**—**	27,475

As at 31 December 2018, the carrying amount of the interest in SCZR has been tested for impairment in accordance with HKAS 36 "*Impairment of Assets*" as a single asset. The Group takes into consideration the estimation of recoverable amount of the associate and determined that an amount of RMB27,191,000 is recognised in profit or loss as an impairment loss on interest in an associate based on the value in use of SCZR.

11. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**135,974**	150,625
Work in progress	**4,787**	5,316
Finished goods	**71,191**	51,668
	211,952	207,609

12. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
– goods and services	**413,840**	401,079
Retentions held by customers	**—**	16,650
	413,840	417,729

	Trade receivables from goods and services	**Retained profits**
	RMB'000	*RMB'000*
Closing balance at 31 December 2017 – HKAS 39	401,079	1,929,883
Effect arising from initial application of HKFRS 9		
Remeasurement		
Impairment under ECL model	(741)	(741)
Opening balance at 1 January 2018	400,338	1,929,142

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB413,840,000 and RMB400,338,000 respectively.

As at 31 December 2017, included in the trade receivables are retention amounts of RMB16,650,000, of which are due within one year. Upon application of HKFRS 15, the retention receivables were reclassified to contract assets.

Payment terms with customers are mainly on credit. Invoices are normally payable in 30 to 150 days by the customers from date of issuance. The following is an aged analysis of trade receivables net of allowance for doubtful debt presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	2018	2017
	RMB'000	*RMB'000*
Age		
0 – 90 days	**308,371**	297,292
91 – 180 days	**41,946**	56,046
181 – 365 days	**32,416**	34,794
Over 1 year	**31,107**	29,597
	413,840	417,729

The Group does not hold any collateral over these balance.

As at 31 December 2018, included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB11,544,000 which are past due as at the reporting date. The past due balances have been past due 90 days or more and is not considered as in default. The directors of the Company consider that the recoverability of these debts is high based on historical experience. The Group does not hold any collateral over these balances.

As at 31 December 2017, 95% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

At 31 December 2017, included in the Group's trade receivable balances are trade receivables with aggregate carrying amount of RMB21,251,000 which are past due at the reporting date for which the Group has not provided for impairment loss as counterparties have sound financial background.

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

	2017
	RMB'000
Age	
91 – 180 days	8,796
181 – 365 days	6,042
Over 1 year	6,413
	21,251

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

Movements in the allowance for doubtful debt are as follows:

	2018	2017
	RMB'000	*RMB'000*
At 31 December – HKAS 39	**7,254**	17,431
Amounts remeasured through opening retained profits upon application of HKFRS 9	**741**	—
At 1 January	**7,995**	17,431
Reversal of impairment loss recognised	**(208)**	(9,384)
Bad debts written off	**(192)**	(793)
At 31 December	**7,595**	7,254

13. CONTRACT ASSETS

	31.12.2018	1.1.2018*
	RMB'000	*RMB'000*
Embedded software and secure payment products	**7,163**	7,150
Equipments	**6,401**	9,500
	13,564	16,650

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The contract assets primarily relate to the Group's right to receive remaining payments from customers and not billed because the 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 1 year.

14. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables		
— Subsidiaries of Gemalto N.V. ("**Gemalto**") *(Note)*	**9,533**	85,258
— Related company of Gemalto		
— DataCard Corporation	**10,621**	10,066
— Third parties	**249,476**	319,403
	269,630	414,727
Bills payables – secured		
— Subsidiaries of Gemalto	**23,021**	78,383
— Third parties	**145,070**	57,593
	168,091	135,976
	437,721	550,703

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

	2018	2017
	RMB'000	*RMB'000*
Age		
0 – 90 days	**353,550**	391,592
91 – 180 days	**65,026**	129,681
181 – 365 days	**11,911**	27,579
Over 1 year	**7,234**	1,851
	437,721	550,703

15. CONTRACT LIABILITIES

	31.12.2018	1.1.2018*
	RMB'000	*RMB'000*
Embedded software and secure payment products	**27,176**	35,475

* The amounts in this column are after the adjustments from the application of HKFRS 15.

Upon adoption of HKFRS 15, receipt in advance from customers included in trade and other payables amounting to RMB35,475,000 was reclassified to contract liabilities at the date of initial application, 1 January 2018.

The Group receives 10% to 100% of the contract value as deposit from customers when they sign the agreement with customers. Contract liabilities represent the receipts in advance from customers which is recognised as revenue at a point in time when the control of the goods are transferred to the customer. During the year ended 31 December 2018, revenue recognised in the current year relating to carried-forward contract liabilities is RMB35,475,000.

16. SHARE CAPITAL

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

	RMB'000
Shown in the financial statements as	
— at 31 December 2017 and 2018	1,192,362

Note:

(a) 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.

All the shares which were issued during the year ended 31 December 2017 rank pari passu with the existing shares in all respects.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 *RMB'000*	2017 *RMB'000*
Structured deposits	**232,649**	–
Analysed for reporting purposes as:		
Current assets	**232,649**	–

At as 31 December 2018, the structured deposits represent the principal-guaranteed financial products amounting to RMB230,000,000 issued by the banks in the PRC with an expected but not guaranteed return varying with the range from 2.6% to 3.35% per annum, which depending on the market price of underlying financial instruments, including money market funds, inter-banking lending and debentures. The structured deposits were designated at FVTPL on initial recognition.

MANAGEMENT DISCUSSION AND ANALYSIS

As one of the earliest Fintech companies in China, the Group is committed to empowering the business growth of financial institutions, such as banks, with innovative technologies. The Group fully implemented its well-defined corporate strategy and maintained a stable and sound growth in 2018. Both turnover and net profit increased as compared with last year.

2018 Review – Stable and Sound Development

Despite various challenges, the implementation of the Group's well-defined corporate strategies provided the Group with a stable and sound development. In 2018, the turnover was recorded at approximately RMB1,411 million, representing an increase of approximately 0.7% as compared with last year.

The shift of growth drivers between the two business segments is gathering momentum. Adversely impacted by the decline of market price, the embedded software and secure payment products segment achieved a turnover of approximately RMB1,110 million, representing a decrease of approximately 3.4% as compared with last year. However, the Group was still ranked first in the Chinese financial cards market in terms of market share with rapid growth in the sales volume of credit card products. Through the Group's continued efforts to improve the product portfolio and to advance high value fashionable products, the pressure from market price decline was alleviated.

The platform and service business segment made great strides and has become a new growth area. With a turnover of approximately RMB301 million, representing an increase of approximately 19.9% as compared with last year, the ratio of this segment to the total turnover was uplifted by 3.4 percentage points year-on-year to 21.3%.

The gross profit declined by approximately 6.5% as compared with last year to approximately RMB390 million. The gross margin decreased by 2 percentage points year-on-year to 27.6%. The gross margin for the embedded software and secure payment products segment was recorded at approximately 24.5% while that of the platform and service segment was recorded at approximately 39.4%.

Research and development (R&D) expenses continued to grow to approximately RMB114 million, representing an increase of approximately 4.4% as compared with last year. R&D efforts were focused in the areas of secure chips, solutions, as well as software and hardware for artificial intelligence (A.I.) self-service kiosks. Through effective cost control management, selling and distribution costs and administrative expenses were totalled to approximately RMB144 million and remained at the same level as compared with last year.

The net profit increased by approximately 6.2% to RMB175 million as compared with last year. This increase included an exchange gain caused by factors such as USD-RMB appreciation of approximately RMB23.1 million.

The Board proposed to declare a final dividend of HK10.0 cents (equivalent to approximately RMB8.6 cents) per ordinary share (HK10.0 cents in 2017) and a special dividend of HK6.0 cents (equivalent to approximately RMB5.1 cents) per ordinary share (HK6.0 cents in 2017). If this proposal is approved by the shareholders of the Company at the forthcoming annual general meeting, the dividend payout ratio for the year of 2018 would be approximately 81.7%, and the total amount of dividend declared since IPO in 2013 would be approximately HKD723 million (equivalent to approximately RMB605 million).

Market Analysis and Outlook

In 2018, the Chinese economy advanced its transformation from high-speed to high-quality growth. Through great efforts to correct financial irregularities, regulatory reinforcement of the financial industry has become apparent in China. Banks are pursuing profit growth through quality improvement rather than quantity chasing. This has led to an enhancement in detail-oriented management and a reduction of extensive card issuance.

During this transition period, the banking card is getting closely intermingled with various sectors and its application scenarios have been continuously broadened. According to the Payment System Report for the first three quarters of 2018 issued by the People's Bank of China, the banking card transaction amount has surged to a new historical high of RMB651.6 trillion, representing an increase of 15.3% as compared with the corresponding period in 2017.

In particular, the credit card sector grew rapidly and gradually occupied a dominant position in personal consumption finance, that can hardly be challenged by emerging payment methods. The credit card number per capita in China has nearly doubled from 0.25 in 2012 to 0.47 in 2018.

The rapid development of the Guangdong-Hong Kong-Macao Greater Bay Area will provide new opportunities and growth areas for the Group. The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area was released in February 2019 and is regarded as an important outline document guiding the current and future cooperation and development of the Greater Bay Area. The plan calls for joint efforts to build a smart city cluster and advance smart public platform with unified standards and open interfaces so as to promote high-level interconnectivity within the Greater Bay Area.

Headquartered in the core region of the Greater Bay Area, the Group is committed to pursuing integration and advancing interconnectivity through technology so that the transportation and social welfare systems can be seamlessly connected and integrated in the Greater Bay Area. The Group has been collaborating with parties on the realization of construction for a smart transportation system and the promotion of application and integration of frontier technologies like the Internet of Things (IoT), cloud computing and big data analysis in transportation related sectors. In the future, the Group will continue its efforts in a number of sectors such as social security, welfare and business travel. The Group will surely benefit from the numerous opportunities presented by the cross-border integration in the Greater Bay Area.

The structural transformation of the Chinese economy has presented a future featuring intelligent and unmanned services for the government affairs, public services and financial services sectors. The "One Stop Shop" reform designed to facilitate government services by the Chinese government has created a huge demand for A.I. self-service kiosks in the sectors of finance and social security. The demands for kiosks in the next five years are expected to be numerous.

China, as a leader in the global smart secure payment sector, is fully capable of introducing its advanced standards, technologies, experience and products to other countries and regions. The potential for overseas market is huge and pending to be explored.

2019 – Technology-driven Innovation and Development

In 2019, the Group will uphold its vision of technology-driven innovation and development, and continue to implement its key strategies of strengthening core advantages, expanding overseas market coverage, and diversifying its business segments, so as to further speed up the structural adjustment and the alternation of old and new growth drivers, thereby achieving its phased goal of innovative business development.

Strengthening the Core Advantages – Following Trends in Banking Card Upgrades

The banking card in China is expected to be upgraded. On the one hand, the banking card product structure is being upgraded. Despite the gradually weakened demand for basic banking card products, fashionable products with innovative materials, trendy design and advanced functions specific for targeted market segments, are becoming more popular. These new types of products have strong market demand and can create greater value for banks. On the other hand, banking cards will also embrace the future of digitization, networking and interactivity on the back of the traditional business model and open up new prospects through the integration of big data analysis and the intelligent supply chain.

The Group will continue to step up its innovations in banking card products. Firstly, the Group will consistently pursue creative design and introduce more fashion elements to maintain its industry leadership position. Secondly, more innovative functions will be integrated in order to launch the AR (Augmented Reality) card, CVV (Card Verification Value) card, LED card, voice card and next generation fingerprint card among others. Furthermore, the Group will explore and search for innovative materials, including metals and new compounds, in order to deliver more environmentally friendly and fashionable products that are capable of versatile functions. The innovation in banking card products will also enable the Group to reinforce its core competitive advantages and maintain its reasonable profit margin.

The Group will also provide more value-added services for banks through the innovative smart card supply chain management system. Based on the well-established digital operation platform, the Group will continue to improve its automation processes, including intelligent warehousing, intelligent logistics and intelligent scheduling, so as to establish a flexible, safe and efficient mass customization operation system. At the same time, the Group will become increasingly interdependent and integrated with banks through its use of open interfaces.

Expanding Overseas Markets

In 2018, the Group further improved its human resources structure for the overseas market. With the joining of experienced managers with rich expertise in overseas market operations, the Group has stepped up exploration in several overseas markets, including Singapore, the Philippines, Australia and Vietnam, as well as the Middle East and Africa, to promote the Group's various smart secure payment products and solutions to banks and governments.

Through the efforts of the overseas marketing team, the Group's smart secure payment products and solutions are well-received. The Group will continue investing resources and consolidating its overseas businesses, in order to strive for breakthroughs in key indicators such as turnover growth and market share in 2019.

In 2019, the Group's overseas market expansion will be reaching out to more countries and regions around the world. The Group will continue to follow China UnionPay's global strategy and promote China's proven standards, services and technologies. The Group will adopt the strategy of "Product + Service" total solutions to penetrate into international sectors such as overseas governments, transportation, entertainment, insurance, education and property.

Diversified Expansion

The Group will pursue its consistent vision of technology-driven innovation and development and focus on its diversified expansion in the following three areas:

1. A.I. self-service kiosks represent the future of technological innovation and development and are also in line with the Chinese government's "One Stop Shop" reform to facilitate government services. In a wide range of sectors such as finance, social security, medical care and public services, A.I. self-service kiosks are urgently demanded and have already been introduced in some regions and fields. The Group's proprietary A.I. self-service kiosks have won bids for several citizen card projects and were also well-received at a number of international fairs.

   Leveraging its strong capability in software system development, the Group's A.I. self-service card-issuing and card-receipt kiosks, featuring ease-to-access, integrated and scenario-based, adopt technologies like biometrics, facial recognition, and natural language processing, so as to meet the needs of different industries, scenarios and customers. The kiosks provide powerful hardware and software support for intelligent network construction and renovation for provincial/municipal social security authorities and commercial banks.

2. The Group is endeavoring to open up the internet-based business model on the basis of the traditional banking card business, to embrace the future of digitization, networking and interactivity. In 2019, the Group will strive for progress in this area through new cooperation model and resource integration.

3. 2019 may be the first year of 5G commercialization. Capitalizing on its strengths in secure encryption authentication, the Group will prioritize its R&D in the area of IoT to seek for new business opportunities.

In October 2018, Goldpac Fintech Innovation Hub was officially named "Zhuhai Fintech Center" by Zhuhai Municipal Government and the construction has been officially commenced. With the aim of exploring new horizons for fintech innovation in the Guangdong-Hong Kong-Macao Greater Bay Area, it is expected to be completed in 2020. As the center of excellence in technology innovation, data security and privacy protection and given an environmentally ergonomic design, it is expected to be a catchment area for innovative ideas, attract companies, capital, projects and talents within the Greater Bay Area to form an eco-system and foster new growth drivers in the areas of A.I., smart payment, chips, IoT and cloud computing.

Subsequent Events

Subsequent to 31 December 2018, no material events have occurred.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attendance and for voting at the forthcoming annual general meeting of the Company to be held on Wednesday, 22 May 2019, 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, 16 May 2019. The register of members of the Company will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019, both days inclusive, during which period, no transfer of Shares will be registered.

In order to determine who are entitled to the proposed final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Thursday, 6 June 2019. The register of members of the Company will be closed from Monday, 10 June 2019 to Wednesday, 12 June 2019, both days inclusive, during which period no transfer of shares will be registered. Subject to shareholders' approval of the proposed dividends at the annual general meeting of the Company to be held on Wednesday, 22 May 2019, the dividends will be paid on Friday, 28 June 2019 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 12 June 2019.

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 31 December 2018, the Company utilized approximately RMB800.0 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 31 December 2018, the Group's aggregate amount of bank balances and cash, fixed bank deposits and pledged bank deposits reached approximately RMB1,337.4 million (2017: approximately RMB1,617.0 million), of which approximately RMB942.7 million (2017: approximately RMB781.7 million) was denominated in RMB, representing approximately 70.5%, and approximately RMB394.7 million (2017: approximately RMB835.3 million) was denominated in USD and HKD, etc., representing approximately 29.5%.

As at 31 December 2018, the Group's financial assets at FVTPL was RMB232.6 million, which was the structured deposits represented principal-guaranteed financial products issued by banks, among which approximately RMB61.0 million was in China Construction Bank, RMB60.0 million was in Ping An Bank, RMB51.5 million was in China CITIC Bank and RMB60.2 million was in Agricultural Bank of China (2017: Nil).

As at 31 December 2018 and 31 December 2017, the Group had no bank loans.

As at 31 December 2018, the Group's trade receivables was approximately RMB413.8 million (2017: approximately RMB417.7 million). It is the industry practice that settlement of trade receivables peaks around the end of year.

As at 31 December 2018, the Group's total current assets amounted to approximately RMB2,000.1 million (2017: approximately RMB2,196.9 million), representing a decrease of approximately 9.0% compared with that of the previous year.

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

As at 31 December 2018, the Group's gearing ratio (the gearing ratio is equivalent to total debt divided by total assets as at the end of the year) was approximately 24.7% (2017: approximately 28.7%).

CURRENCY EXPOSURE

In terms of currency exposure, the Group's sales were mainly denominated in RMB, USD and HKD while the operating expenses and purchases were mainly denominated in RMB with portions in USD and HKD. The Group manages its foreign currency risk by closely monitoring the fluctuation of foreign currency rates.

CAPITAL EXPENDITURE

For the year ended 31 December 2018, the Group's capital expenditure was approximately RMB43.1 million. (2017: approximately RMB213.0 million). The capital expenditure includes expenses in fixed assets and intangible assets.

CAPITAL COMMITMENT

The aggregate capital commitment of the Group as at 31 December 2018 was approximately RMB18.0 million (2017: approximately RMB14.8 million).

PLEDGED ASSETS

As at 31 December 2018, bank deposits of approximately RMB165.6 million (2017: approximately RMB111.3 million) was pledged to secure the bills payables and bank guarantee.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2018, the Group's purchasing volume from Gemalto amounted to approximately RMB93.6 million, representing a year-on-year decrease of approximately 59.1%. 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 transactions has decreased.

SIGNIFICANT INVESTMENTS

The Group had no significant investments for the year ended 31 December 2018.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 December 2018, 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 year ended 31 December 2018, the Group's environmental, social and governance ("**ESG**") management team had managed, monitored, recommended and reported on environmental and social aspects. An ESG report is prepared with reference to Appendix 27 to the Listing Rules (Environmental, Social and Governance Reporting Guide) and will be published on the Company's and the Stock Exchange's websites.

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

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

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 1,735 employees (as at 31 December 2017: 1,731), with an increase of 4 employees as 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 Mainland China, 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 Mainland China. The Group also provides full coverage of housing provident fund contributions as required by local regulations in the Mainland China. For overseas employees, the Group also make contributions towards relevant insurance scheme as required by the local regulations.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's annual results for the year ended 31 December 2018.

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 year ended 31 December 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 year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT OF 2018

This annual results announcement is published on the websites of the Stock Exchange (*www.hkexnews.hk*) and the Company (*www.goldpac.com*). The Annual Report for the year ended 31 December 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, 15 March 2019

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, Mr. WU Siqiang and 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 of this announcement shall prevail over the English version.