

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2020**

HIGHLIGHTS

- For the six months ended 30 June 2020, the Group recorded a revenue of approximately RMB552.5 million, representing a year-on-year decrease of approximately 15.4%, with net profit of approximately RMB82.0 million, representing a year-on-year decrease of approximately 6.0%.
- The Group accelerates the digital transformation, platform and service segment keeps a rapid growth, recording a revenue of approximately RMB224.8 million, representing a year-on-year increase of approximately 23.8%, accounting for approximately 40.7% of the Group's total revenue, as compared to approximately 27.8% in the same period in 2019.
- The Group's gross margin and net profit margin increased year-on-year by approximately 0.3 percentage point to approximately 28.8% and approximately 1.4 percentage points to approximately 14.8%, respectively.
- The Group's total assets were approximately RMB2.49 billion, which include current assets of approximately RMB1.97 billion and a total fund of approximately RMB1.39 billion, demonstrating its high degree of liquidity, abundant cash flow and capital reserves.
- Based on the Group's steady financial position and operating capacity, the Board declared an interim dividend of HK3.0 cents (equivalent to approximately RMB2.7 cents) per ordinary share (for the six months ended 30 June 2019: HK4.0 cents, equivalent to approximately RMB3.6 cents).

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 2020 (the “**Interim Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		For the six months ended 30 June	
	Notes	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	4	552,453	653,143
Cost of sales		(393,360)	(466,941)
Gross profit		159,093	186,202
Other income		33,518	30,963
Other gains, net		13,173	3,217
Research and development costs		(49,580)	(51,434)
Selling and distribution costs		(45,056)	(44,385)
Administrative expenses		(17,899)	(18,570)
Reversal of/(allowance for) impairment loss on trade receivables		1,222	(742)
Impairment loss on amount due from an associate		(1,246)	—
Finance costs		(403)	(418)
Reversal of impairment loss on interests in an associate		1,500	—
Profit before income tax	5	94,322	104,833
Income tax expense	6	(12,323)	(17,589)
Profit for the period		81,999	87,244
Other comprehensive income for the period <i>Item that may be subsequently reclassified to profit or loss:</i>			
— exchange differences arising on translation of foreign operations		1,315	(3,510)
Total comprehensive income for the period		83,314	83,734
Profit for the period attributable to:			
Owners of the Company		82,084	87,692
Non-controlling interests		(85)	(448)
		81,999	87,244
Total comprehensive income attributable to:			
Owners of the Company		83,399	84,182
Non-controlling interests		(85)	(448)
		83,314	83,734
Earnings per share (RMB cents)			
— Basic	8	9.9 cents	10.6 cents
— Diluted	8	9.9 cents	10.6 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	9	343,400	325,724
Right-of-use assets	9	39,145	43,211
Investment property	9	60,371	60,313
Goodwill		1,375	1,375
Intangible assets	9	3,243	4,386
Interests in associates		4,964	3,464
Deferred tax assets		10,713	8,192
Pledged bank deposits		59,559	156,000
Fixed bank deposits		—	109,779
Total non-current assets		522,770	712,444
Current assets			
Inventories	10	193,560	184,676
Trade receivables	11	412,018	328,337
Contract assets	12	9,635	12,712
Other receivables and prepayments		25,170	45,702
Financial assets at fair value through profit or loss (“FVTPL”)		121,396	180,084
Pledged bank deposits		149,550	—
Fixed bank deposits		851,854	950,277
Bank balances and cash		208,592	220,996
Total current assets		1,971,775	1,922,784
Total assets		2,494,545	2,635,228
EQUITY			
Share capital	14	1,192,362	1,192,362
Reserves		766,607	810,210
Equity attributable to owners of the Company		1,958,969	2,002,572
Non-controlling interests		1,747	1,832
Total equity		1,960,716	2,004,404

		As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		6,379	9,463
Deferred tax liabilities		17,057	23,825
Bank borrowings		14,027	—
Total non-current liabilities		37,463	33,288
Current liabilities			
Trade and bills payables	13	330,191	399,346
Contract liabilities		13,372	42,468
Other payables		114,352	111,972
Lease liabilities		7,823	8,108
Government grants		1,858	1,858
Income tax payable		28,770	33,784
Total current liabilities		496,366	597,536
Total liabilities		533,829	630,824
Total equity and liabilities		2,494,545	2,635,228

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. GENERAL INFORMATION

The Company is an investment holding company and the principal activities of its subsidiaries (together, the “**Group**”) are engaged in manufacture and sale of embedded software and secure payment products for smart secure payment, provision of data processing services, equipment, system platform, Artificial Intelligence (A.I.) self-service kiosks, and other total solutions services for customers in a wide business range including financial, government, healthcare, transportation and retails by leveraging innovative financial technology (“**Fintech**”).

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 address of the registered office is Room 1301, 13th Floor, Bank of East Asia, Harbour View Center, No. 56 Gloucester Road, Wanchai, Hong Kong.

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 Group’s condensed consolidated financial information are presented in Renminbi (“**RMB**”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 17 August 2020.

2. BASIS OF PREPARATION

The condensed consolidated financial information has 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 with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The condensed consolidated financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, the condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”). The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial assets at FVTPL, which are measured at fair values.

The financial information relating to the year ended 31 December 2019 that is included in this condensed consolidated financial information 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 required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) (“**Companies Ordinance**”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 622(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's predecessor auditor, Deloitte Touche Tohmatsu 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 (Cap. 622).

The preparation of condensed consolidated interim information requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key resources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except that income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in this condensed consolidated financial information are consistent with those of the annual financial statements of the Group for the year ended 31 December 2019, as described in those annual financial statements, except for the estimation of income tax and standards as mentioned below.

(a) New and amendments to standards adopted by the Group

During the six months ended 30 June 2020, the Group has adopted the following new and amendments to standards which are mandatory for accounting periods beginning on 1 January 2020:

Amendments to HKFRS 3 (Revised)	Definition of a Business (amendments)
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Hedge accounting (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material (amendments)

The adoption of these new and amendments to standards does not have significant impact to the Group's results of operation and financial position.

- (b) New standard and amendments to existing standards issued but not yet effective for the financial year beginning on or after 1 January 2020 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has performed an assessment of these new and amended standards. None of these is expected to have a significant effect on the Group's result of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

The unaudited segment information for the six months ended 30 June 2020 and 2019 by business segment are as follow:

	For the six months ended 30 June 2020		
	Embedded software and secure payment products <i>RMB'000</i>	Platform and service <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services			
Embedded software and secure payment products	327,641	—	327,641
Data processing	—	85,881	85,881
Equipment	—	138,931	138,931
Total	<u>327,641</u>	<u>224,812</u>	<u>552,453</u>
Geographical markets			
Overseas and the Special Administrative Regions of Hong Kong (“Hong Kong”) and Macao (“Macao”)	33,990	8,623	42,613
Mainland China	<u>293,651</u>	<u>216,189</u>	<u>509,840</u>
Total	<u>327,641</u>	<u>224,812</u>	<u>552,453</u>

	For the six months ended 30 June 2019		
	Embedded software and secure payment products	Platform and service	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Types of goods and services			
Embedded software and secure payment products	471,520	—	471,520
Data processing	—	132,300	132,300
Equipment	—	49,323	49,323
	<hr/>	<hr/>	<hr/>
Total	<u>471,520</u>	<u>181,623</u>	<u>653,143</u>
Geographical markets			
Overseas and Hong Kong and Macao	37,599	8,565	46,164
Mainland China	433,921	173,058	606,979
	<hr/>	<hr/>	<hr/>
Total	<u>471,520</u>	<u>181,623</u>	<u>653,143</u>

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	—	Manufacture and sale of embedded software and secure payment products for smart secure payment
Platform and service	—	Provision of data processing, equipment, system platforms and other total solutions for customers in a wide business range including financial, government, healthcare, transportation and retails by leveraging innovative Fintech

Revenue from sale of embedded software and secure payment products and sale of equipment are recognised at a point in time, and revenue from data processing services are recognised over time.

Each operating and reportable segment derives its revenue from the sales of products and provision of data processing 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.

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:

	Revenue		Results	
	Six months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales to external parties of				
— embedded software and secure				
payment products	327,641	471,520	77,186	109,501
— platform and service	224,812	181,623	81,907	76,701
	552,453	653,143	159,093	186,202
Other income			33,518	30,963
Other gains, net			13,173	3,217
Research and development costs			(49,580)	(51,434)
Selling and distribution costs			(45,056)	(44,385)
Administrative expenses			(17,899)	(18,570)
Reversal of/(allowance for) impairment				
loss on trade receivables			1,222	(742)
Impairment loss on amount due from				
an associate			(1,246)	—
Finance costs			(403)	(418)
Reversal of impairment loss on interests in				
an associate			1,500	—
Profit before income tax			94,322	104,833

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 is presented.

5. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration	5,414	6,183
Retirement benefits scheme contributions	1,986	2,603
Share-based payments	—	1,099
Staff costs	83,972	95,113
Cost of inventories sold	315,318	370,263
Government grants (<i>Note i</i>)	(6,424)	(3,225)
Value-added tax refund (<i>Note i</i>)	(9,184)	(9,364)
Interest income (<i>Note i</i>)	(15,912)	(15,417)
Investment income from financial assets at FVTPL (<i>Note i</i>)	(1,105)	(2,963)
Unrealised gain from financial assets at FVTPL (<i>Note ii</i>)	(1,366)	(2,282)
Net exchange gain (<i>Note ii</i>)	(11,807)	(935)
Provision for inventories	10,564	2,843
Depreciation of property, plant and equipment	17,719	20,894
Depreciation of right-of-use assets	4,777	4,138
Amortisation of intangible assets	1,143	1,145

Notes:

- (i) Government grants, value-added tax refund, interest income and investment income from financial assets at FVTPL are included in "Other income".
- (ii) Unrealised gain from financial assets at FVTPL and net exchange gain are included in "Other gains, net".

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current income tax		
Mainland China corporate income tax	(9,927)	(11,526)
Hong Kong profits tax	(2,272)	(2,740)
Mainland China withholding tax	(9,412)	(9,290)
	(21,611)	(23,556)
Deferred income tax	9,288	5,967
Income tax expense	(12,323)	(17,589)

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

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 HKD2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2,000,000 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%. Accordingly, starting from the year ended 31 December 2019, the Hong Kong Profits Tax is calculated at 8.25% on the first HKD2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2,000,000 for Goldpac Datacard Solutions Company Limited.

The Mainland China corporate income tax 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 Mainland China corporate income tax at 25%, except that Goldpac Limited which is approved for 3 years as an enterprise satisfied as a High-New Technology Enterprise and is entitled to the preferential tax rate of 15% in 2017, 2018 and 2019. The directors of the Company anticipate that Goldpac Limited will obtain such approval in 2020 and entitle the preferential tax rate of 15% in 2020, 2021 and 2022.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui (2008) No. 1, only the profits earned 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 Corporate Income Tax Law and Article 91 of its Implementation Rules, dividend distributed out of the profit generated thereafter, shall be subject to corporate income tax 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 by Goldpac Limited since 1 January 2008 have been accrued at the tax rate of 5%.

7. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
2019 Final — HK10.0 cents per ordinary share based on 833,561,000 shares (declared on 23 March 2020)		
(2018 Final — HK10.0 cents per ordinary share based on 833,561,000 shares (declared on 15 March 2019))	<u>75,938</u>	<u>73,150</u>
2019 Special — HK6.0 cents per ordinary share based on 833,561,000 shares (declared on 23 March 2020)		
(2018 Special — HK6.0 cents per ordinary share based on 833,561,000 shares (declared on 15 March 2019))	<u>45,563</u>	<u>43,890</u>

Subsequent to the end of the Interim Period, the Board has resolved to declare the payment of an interim dividend of HK3.0 cents (equivalent to approximately RMB2.7 cents) per ordinary share, amounting to approximately RMB22,379,000 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 2019: HK4.0 cents (equivalent to approximately RMB3.6 cents) per ordinary share, amounting to approximately RMB29,935,000). The dividend declared after 30 June 2020 has not been recognised as a liability as at 30 June 2020.

8. 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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company	<u>82,084</u>	<u>87,692</u>
	For the six months ended 30 June	
	2020	2019
	Number of	Number of
	ordinary shares	ordinary shares
	'000	'000
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	<u>826,407</u>	<u>828,718</u>

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

For the six months ended 30 June 2020, diluted earnings per share were same as the basic earnings per share as there was no potential dilutive ordinary shares outstanding during the period.

For the six months ended 30 June 2019, diluted earnings per share were same as the basic earnings per share as the dilution impact was insignificant.

9. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

During the period, the Group incurred capital expenditures of approximately RMB33,772,000 (for the six months ended 30 June 2019: RMB41,145,000) and RMB711,000 (for the six months ended 30 June 2019: RMB11,106,000) for property, plant and equipment and right-of-use assets, respectively, and there was no capital expenditures incurred for investment property and intangible assets (for the six months ended 30 June 2019: Nil).

10. INVENTORIES

	As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
Raw materials	111,587	115,099
Work in progress	3,875	4,007
Finished goods	78,098	65,570
	<u>193,560</u>	<u>184,676</u>

11. TRADE RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
Trade receivables	419,972	337,513
Less: provision for impairment loss (<i>Note</i>)	<u>(7,954)</u>	<u>(9,176)</u>
	<u>412,018</u>	<u>328,337</u>

Note: The basis of determining the inputs and assumptions and the estimation techniques used in the determination of provision for impairment loss in condensed consolidated financial information for the six months ended 30 June 2020, are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

The carrying amounts of trade receivables approximate their fair values.

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 aging analysis of trade receivables net of provision for impairment loss presented based on the invoice date:

	As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
Aging		
0–90 days	288,427	206,329
91–180 days	42,771	51,447
181–365 days	43,515	38,209
Over 1 year	37,305	32,352
	<u>412,018</u>	<u>328,337</u>

12. CONTRACT ASSETS

	As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
Embedded software and secure payment products	3,482	5,253
Equipment	6,153	7,459
	<u>9,635</u>	<u>12,712</u>

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 1 year.

13. TRADE AND BILLS PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
Trade payables	215,427	282,336
Bills payables — secured	114,764	117,010
	<u>330,191</u>	<u>399,346</u>

The carrying amounts of trade and bills payables approximate their fair values.

The Group normally receives credit terms of 60 to 180 days from its suppliers. The following is an aging 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.

	As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
Aging		
0–90 days	285,066	346,814
91–180 days	34,504	40,931
181–365 days	5,120	4,529
Over 1 year	5,501	7,072
	330,191	399,346

14. SHARE CAPITAL

	Number of ordinary shares '000	Amount <i>HKD'000</i>
Issued and fully paid:		
As at 1 January 2019 (audited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	833,561	1,499,498
		<i>RMB'000</i>
Shown in the consolidated financial statements as of 31 December 2019 (audited) and condensed consolidated financial information as of 30 June 2020 (unaudited)		1,192,362

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Since early 2020, the outbreak of Coronavirus disease 2019 (“**COVID-19**”) pandemic across the world has brought a profound impact on global economic developments. Major financial institutions around the world, which constitute the Group’s main customers, have been affected by COVID-19 pandemic to various extents. However, it has also boosted the demand for online solution services and Artificial Intelligence (“**A.I.**”) self-service kiosks. The significant industry experiences the Group accumulated over the years, sound disaster preparedness mechanisms established, as well as policy supports from the local government, enabled the Group to maintain its robust operation and production in the first half of 2020. The Group has succeeded in continuously providing its customers with quality products and services in a timely manner, while at the same time maintaining an industry-leading performance level, demonstrating the Group’s strong financial resources, risk management capability, and the strength of ensuring the development of new business steadily.

For the six months ended 30 June 2020, the Group recorded a revenue of approximately RMB552.5 million, representing a year-on-year decrease of approximately 15.4%, with net profit of approximately RMB82.0 million, representing a year-on-year decrease of approximately 6.0%. Attributable to product portfolio restructuring, improvement on operation management and accelerating digital upgrade, the Group’s gross margin and net profit margin have increased year-on-year by approximately 0.3 percentage point to approximately 28.8% and approximately 1.4 percentage points to approximately 14.8%, respectively.

As at 30 June 2020, the Group’s total assets were approximately RMB2.49 billion, which include current assets of approximately RMB1.97 billion and a total fund of approximately RMB1.39 billion, demonstrating its high degree of liquidity, abundant cash flow and capital reserves, which equipped the Group with solid risk management capability under various situations, and can provide strong support for the Group’s innovative business development and strategic transformation.

Based on the Group’s steady financial position and operating capacity, the Board declared an interim dividend of HK3.0 cents (equivalent to approximately RMB2.7 cents) per ordinary share (for the six months ended 30 June 2019: HK4.0 cents, equivalent to approximately RMB3.6 cents).

Acceleration of Group Digital Transformation and Growth of Platform and Service Segment Business

Due to the impact of COVID-19 pandemic, the revenue from embedded software and secure payment products segment decreased approximately 30.5% year-on-year to approximately RMB327.6 million, accounting for approximately 59.3% of the Group's total revenue (approximately 72.2% in the same period in 2019). In this segment, high value-added innovative products continue to strengthen the differentiated competitive advantages of the Group's core businesses and play a significant role in the profitability. At the same time, the Group's platform and service segment maintains a rapid growth, recording a revenue of approximately RMB224.8 million, representing a year-on-year increase of approximately 23.8%, accounting for approximately 40.7% of the Group's total revenue (approximately 27.8% in the same period in 2019).

The need for “contact-free” services due to the impact of COVID-19 pandemic has brought urgent demand for online fintech services. Businesses such as system solutions, A.I. self-service kiosks, data processing and logistics services under the platform and service segment have gained new opportunities for product upgrading and development through digital technology. At the same time, the Group follows the policy guidance by the government and the financial industry, to further improve its online, digital and intelligent fintech related services, accelerate its own digital strategic transformation and industry efficiency, and provide a full range of online services for business process to more financial institutions.

The enterprises' comprehensive capabilities dealing with the crises were tested by COVID-19 pandemic. The Group has responded efficiently and satisfied “the requirements of pandemic prevention and control, orderly resumption of work and production”. The Group has also assumed its social responsibility under the pandemic through the realisation of promoting production and stable employment. Furthermore, the Group spread the knowledge of pandemic prevention and control among personnel who have returned to work, so as to strengthen the Group's defense against the disease. The Group will carry out its initial mission in the field of fintech and continue to create value for its customers.

Outlook

Under the influence of COVID-19 pandemic, “contact-free” economic activities have become increasingly popular globally. The Chinese government has proposed a massive economic stimulus plan by accelerating the construction of new infrastructure. Since 2020, in order to effectively curb the spread of COVID-19 pandemic, “contact-free” economic activities are increasingly widely used in China.

Since the beginning of this century, digital transformation has constantly changed the economic structure and industry development mode, and the digital transformation of the financial industry has always been the focus of continuous investment by industry leaders. China's major and medium-sized banks are also closely following the trend of industry development and continuing to increase investments in fintech. The annual investment scale and its proportion to revenue are still expanding.

With the change of global environment, the Group has conducted a comprehensive review on its strategies in a timely manner, with a focus on the development needs of the digital transformation from core customers, and has put forward the development vision of "Becoming a Trustworthy Provider for Fintech Products and Services". Three strategic directions, namely "Consolidation of Core Business Advantages", "Efficient Expansion of Fintech Business Portfolio", and "Expansion of Overseas Markets", are formulated with feasible strategic action.

1. Consolidation of Core Business Advantages

Firstly, continuing to enhance the advantages of product differentiation, so as to enhance the competitiveness of the core business market and stabilise product value. To cater for the social and cultural trend of end customers in pursuit of personalisation, the Group has further increased the investment in research and development of personalised products, and has built the capabilities to personalise products in areas of fashion, cultural and creative products, personal customisation products and other aspects, so as to support bank customers to enhance market competitive advantage to attract end customers more efficiently. Through the continuous creation of value for core customers, the Group thereby maintains a leading position in the core business area.

Secondly, enriching the application scenario of core products and broadening the source of value creation. The embedded software and secure payment products meeting the financial security standards have been widely used in banking industry. They can be extended to the application scenarios of consumer-based enterprises and industry management, in order to maximise the value creation potential of core business advantages,

Thirdly, through the continuous digital upgrading of operation, the Group aims to improve the operation efficiency and growth of customer value. Accelerating automation and digitisation upgrading, establishing an efficient internal operation system, building a digital sales and service platform, efficient interaction channels with customers, form the basis to enhance customer stickiness and lay the foundation for enhancing customer value.

2. Efficient Expansion of Fintech Business Portfolio

Firstly, enhancing the strength of A.I. self-service kiosks. In view of the development trend of “contact-free” social and economic form, the Group will further increase the investment in scientific and technological research and development, establish a wide collaboration with industry partners, and strives to create multi-scenario A.I. self-service kiosks to specifically meet “contact-free” business demand from banks, government, social security and other industries, so as to achieve the rapid improvement of the strength of A.I. self-service kiosks field.

Secondly, providing digital technology to the bank card business operation. Over the years, the Group has accumulated technical and service strength in the professional fields of security data processing, personalised card customisation system, card issuing system operation, card issuing center operation and so on, which will enable the realisation of more scenarios applications. This allows more diversified and customised service needs during the process of digital operation of bank card business to be met through technology.

Thirdly, establishing efficient and innovative fintech and creating new business resources. Relying on years of experience in serving customers in the finance industry, the Group has formed a range of products and standards. At the same time, the Group will carry out extensive collaboration in the field of fintech ecosystem and jointly develop high-quality fintech products to create a continuous business resources of fintech innovation.

3. Keep up with the Pace of the Global Economic Recovery and Continue to Promote the Expansion of Overseas Markets

In the first half of 2020, the Group’s overseas business development has met tough challenges due to global outbreak of COVID-19 pandemic. Revenue from overseas market recorded approximately RMB42.6 million, accounting for approximately 7.7% of the Group’s total revenue. The Group will be well prepared to keep up with the pace of global economic recovery and continue to expand its overseas market.

Firstly, the Group will fully utilise digital solutions to expand overseas customers base. By utilising the core business advantage, the Group will establish digital sales and service platform and cooperate with marketing team to acquire more target customers in a wider market area.

Secondly, the Group will strengthen the exportation of leading fintech products to increase the value of each of its customer. At present, China’s fintech and product quality have secured a leading position at an international level, and have become the target for financial peers in many markets and regions to emulate. Tapping into the Group’s well-established overseas sales channels and leading marketing capabilities, the Group will focus on the needs in digital transformation of overseas bank

customers, and extensive business cooperation will enable integrating China's leading fintech products and the cross-selling between bank customers in order to effectively enhance customer value.

Looking ahead to the future, the Group will continue to focus on the digital transformation needs of its customers and fintech business areas with significant scale and potential. Increasing investment in technology research and development and strengthening collaboration in the field of fintech ecosystem will enhance the Group's product capacity and market strength. At the same time, in light of tremendous opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will make full use of its geographical advantages, further strengthen its channel capacity for opening up and leverage on the rapid development of financial technology capabilities in Mainland China, to implement its strategic deployment.

SUBSEQUENT EVENT

After COVID-19 pandemic outbreak in 2020, a series of precautionary and control measures have been and will continue to be implemented across the Mainland China. The Group has maintained its operations during the outbreak. The Group will pay close attention to the development of COVID-19 pandemic outbreak and evaluate its impact on the financial position and operating results of the Group.

Save as disclosed above, no material events occurred subsequent to 30 June 2020 and up to the date of this announcement.

DIVIDENDS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Dividends		
2019 Final — HK10.0 cents per ordinary share based on 833,561,000 shares (declared on 23 March 2020)		
(2018 Final — HK10.0 cents per ordinary share based on 833,561,000 shares (declared on 15 March 2019))	<u>75,938</u>	<u>73,150</u>
2019 Special — HK6.0 cents per ordinary share based on 833,561,000 shares (declared on 23 March 2020)		
(2018 Special — HK6.0 cents per ordinary share based on 833,561,000 shares (declared on 15 March 2019))	<u>45,563</u>	<u>43,890</u>

Subsequent to the end of the Interim Period, the Board has resolved to declare the payment of an interim dividend of HK3.0 cents (equivalent to approximately RMB2.7 cents) per ordinary share, amounting to approximately RMB22,379,000 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 2019: HK4.0 cents (equivalent to approximately RMB3.6 cents) per ordinary share, amounting to approximately RMB29,935,000). 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 Friday, 4 September 2020.

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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Tuesday, 1 September 2020. The register of members of the Company will be closed from Wednesday, 2 September 2020 to Friday, 4 September 2020, both days inclusive, during which period no transfer of shares will be registered. The dividend will be paid on Friday, 18 September 2020 to the shareholders whose names appear on the register of members of the Company at the close of business on Friday, 4 September 2020.

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 2020, the Company has utilised approximately RMB821.0 million for the purposes of production capacity expansion, research and development of innovative product and service, 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 the bank account. The Company has utilised and will utilise 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 a healthy financial position.

As at 30 June 2020, the Group's total amount of bank balances and cash, fixed bank deposits and pledged bank deposits was approximately RMB1,269.6 million (as at 31 December 2019: approximately RMB1,437.1 million), of which approximately RMB597.1 million (as at 31 December 2019: approximately RMB770.1 million) was denominated in RMB, accounting for approximately 47.0% of the aggregate amount, and approximately

RMB672.5 million (as at 31 December 2019: approximately RMB667.0 million) was denominated in USD, HKD and other currencies, accounting for approximately 53.0% of the aggregate amount.

As at 30 June 2020, the Group's financial assets at fair value through profit or loss ("FVTPL"), amounting to approximately RMB121.4 million, was the principal-guaranteed structured deposits issued by banks, among which approximately RMB10.2 million was in China Construction Bank Corporation, approximately RMB50.5 million was in Bank of Communications Corporation Limited, and approximately RMB60.7 million was in the Agricultural Bank of China Limited.

As at 30 June 2020, the Group's total amount of trade receivables was approximately RMB412.0 million (as at 31 December 2019: approximately RMB328.3 million), with an increase by approximately 25.5% compared with that as at 31 December 2019. It is the industry practice that the settlement of trade receivables peaks around the end of year.

As at 30 June 2020, the Group's total current assets amounted to approximately RMB1,971.8 million (as at 31 December 2019: approximately RMB1,922.8 million), with an increase by approximately 2.5% compared with that as at 31 December 2019.

As at 30 June 2020, the Group's current ratio was approximately 4.0 (as at 31 December 2019: approximately 3.2), representing a high liquidity.

As at 30 June 2020, the Group's bank borrowings amounted to approximately RMB14.0 million (as at 31 December 2019: Nil) with a floating interest rate of 4.75% per annum. As at 30 June 2020, the Group's gearing ratio (gearing ratio is equivalent to total liabilities divided by total assets) was 21.4% (as at 31 December 2019: 23.9%).

CURRENCY EXPOSURE

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

CAPITAL EXPENDITURE

For the six months ended 30 June 2020, the Group's capital expenditure was approximately RMB33.8 million (for the six months ended 30 June 2019: approximately RMB41.1 million). The capital expenditure includes expenses incurred in connection with fixed assets and the construction in process.

CAPITAL COMMITMENT

The aggregate capital commitment of the Group as at 30 June 2020 was approximately RMB123.4 million (as at 31 December 2019: approximately RMB24.8 million). Such increase was mainly due to the construction of “Zhuhai Fintech Center”, which is currently in process.

PLEDGED ASSETS

As at 30 June 2020, bank deposits of approximately RMB209.1 million (as at 31 December 2019: approximately RMB156.0 million) were pledged to secure the bills payables. Certain construction in progress and right-of-use assets with total carrying values of approximately RMB127.6 million as at 30 June 2020 (as at 31 December 2019: Nil) were pledged to secure the bank borrowings.

CONTINUING CONNECTED TRANSACTIONS

During the six months ended 30 June 2020, the Group did not purchase from Gemalto N.V. (“**Gemalto**”). The decrease in purchasing volume is attributable to the Group’s high commitment to self-driven R&D by launching proprietary embedded chip operating system to diversify its chip supplies. As such transaction was and will continue to be conducted in the ordinary and usual course of business and on normal commercial terms, and each of the applicable percentage ratios (other than the profits ratio) for such transaction calculated in accordance with Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) was and is expected to continue to be below 0.1% on an annual basis, such transaction falls within the de minimis threshold as stipulated under Rule 14A.76 (1) of the Listing Rules and is fully exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2020, 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, social and governance standards to ensure sustainable development of its business. During the six months ended 30 June 2020, the Group’s environmental, social and governance (“**ESG**”) management team had managed, monitored, and recommended on environmental, social and governance aspects continuously. An ESG report for the year 2019 had been prepared with reference to Appendix 27 of the Listing Rules “Environmental, Social and Governance Reporting Guide” and had been published on the Company’s and the Stock Exchange’s websites.

As at the date of this announcement, 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 the cooperation with its suppliers and provides high quality products and services to its customers to ensure continued and sustainable development.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 1,647 employees (as at 31 December 2019: 1,711), with a decrease of 64 employees as compared to those as at 31 December 2019.

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 makes contributions towards relevant insurance scheme as required by the local regulations.

CORPORATE GOVERNANCE

The Company has complied with 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 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2020.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the “**Audit Committee**”) which comprised all three independent non-executive Directors, namely Mr. MAK Wing Sum Alvin (*Chairman*), Ms. YE Lu, and Mr. YANG Geng, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020.

On 19 June 2020, the Company announced that Deloitte Touche Tohmatsu resigned as the auditor of the Company and PricewaterhouseCoopers was appointed as the new auditor of the Company with effect from the same date to fill in the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company.

PricewaterhouseCoopers, the Company’s auditor, had carried out review of the unaudited interim results of the Group for the six months ended 30 June 2020 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 ANNOUNCEMENT AND INTERIM REPORT 2020

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldpac.com). The Company’s interim report for the six months ended 30 June 2020 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 2020

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. WU Siqiang, Mr. LING Wai Lim and Ms. LI Yijin; and the independent non-executive Directors of the Company are Mr. MAK Wing Sum Alvin, Ms. YE Lu and Mr. YANG Geng.

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