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Goldpac Group Limited
金邦達寶嘉控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 3315)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

HIGHLIGHTS

- For the year ended 31 December 2021, the Group recorded revenue of approximately RMB1.377 billion, representing a year-on-year increase of approximately 7.4%.
- For the period, the Group recorded gross profit of approximately RMB404.0 million, representing a year-on-year increase of approximately 5.3%. The Group maintained a stable gross margin of 29.4%. The Group recorded net profit of approximately RMB138.0 million, representing a year-on-year decrease of approximately 5.0%. In consideration of medium to long-term developmental strategies, the Group has decided to increase investment in development and marketing for innovative products, resulting in a commensurate increase in corresponding R&D costs and selling and distribution expenses.
- By implementing the digital transformation strategy, the platform and service segment of the Group continued to maintain a rapid growth, recording revenue of approximately RMB624.0 million, representing a year-on-year increase of approximately 16.8%. This segment accounted for 45.3% of the Group's revenue, representing a year-on-year increase of 3.6 percentage points. Within this segment, the digital equipment showed a rapid growth trend. Its revenue increased by approximately 24.4% year-on-year and accounted for approximately 27.9% of the Group's total revenue.
- Attributed by the high-quality, high-value-added products, the embedded software and secure payment products segment maintained stable revenue, recording revenue of approximately RMB753.0 million for the period, a year-on-year increase of approximately 0.7%.
- The Group's overseas business recovered to a good development trend for the period with revenue of approximately RMB121.0 million, representing a year-on-year increase of approximately 33.8%.
- The Board proposed to declare a final dividend of HK10.0 cents (equivalent to approximately RMB8.1 cents) per ordinary share (HK10.0 cents in 2020) and a special dividend of HK4.0 cents (equivalent to approximately RMB3.3 cents) per ordinary share (HK4.0 cents in 2020) for the year ended 31 December 2021.

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 2021 as below.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3	1,376,524	1,281,903
Cost of sales	6	<u>(972,382)</u>	<u>(898,066)</u>
Gross profit		404,142	383,837
Other income	4	46,297	52,949
Other losses, net	5	(8,432)	(33,821)
Research and development costs	6	(120,502)	(109,840)
Selling and distribution expenses	6	(126,500)	(91,938)
Administrative expenses	6	(40,499)	(34,939)
Reversal of impairment loss on trade receivables		1,806	2,154
Impairment loss on amount due from an associate		(590)	(111)
Reversal of impairment loss on interest in an associate	10	–	1,500
Finance costs		<u>(783)</u>	<u>(549)</u>
Profit before income tax		154,939	169,242
Income tax expense	7	<u>(16,988)</u>	<u>(23,982)</u>
Profit for the year		137,951	145,260
Other comprehensive expense for the year			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
– exchange differences arising on translation of foreign operations		<u>(2,283)</u>	<u>(3,206)</u>
Total comprehensive income for the year		<u>135,668</u>	<u>142,054</u>

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		138,184	145,665
Non-controlling interests		<u>(233)</u>	<u>(405)</u>
		<u>137,951</u>	<u>145,260</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		135,901	142,459
Non-controlling interests		<u>(233)</u>	<u>(405)</u>
		<u>135,668</u>	<u>142,054</u>
Earnings per share			
	8		
– Basic (<i>RMB cents</i>)		16.8	17.6
– Diluted (<i>RMB cents</i>)		<u>16.8</u>	<u>17.6</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 <i>RMB '000</i>	2020 <i>RMB '000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		413,365	365,212
Right-of-use assets		37,825	41,920
Investment property		50,997	54,582
Intangible assets		–	3,471
Interests in associates	10	–	4,964
Deferred tax assets		7,694	9,400
Pledged bank deposits		211,916	76,984
Fixed bank deposits		102,975	–
		<hr/>	<hr/>
Total non-current assets		824,772	556,533
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories	11	286,921	190,375
Trade receivables	12	342,339	271,046
Contract assets	14	14,054	13,512
Other receivables and prepayments		43,006	21,392
Financial assets at fair value through profit or loss ("FVTPL")	13	180,205	256,733
Pledged bank deposits		7,294	166,971
Fixed bank deposits		594,630	724,123
Cash and cash equivalents		316,744	376,578
		<hr/>	<hr/>
Total current assets		1,785,193	2,020,730
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		2,609,965	2,577,263
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
EQUITY			
Share capital	17	1,192,362	1,192,362
Reserves		815,049	803,747
		<hr/>	<hr/>
Equity attributable to owners of the Company		2,007,411	1,996,109
Non-controlling interests		1,194	1,427
		<hr/>	<hr/>
Total equity		2,008,605	1,997,536
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	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		7,221	11,360
Deferred tax liabilities		<u>27,453</u>	<u>21,759</u>
Total non-current liabilities		<u>34,674</u>	<u>33,119</u>
Current liabilities			
Trade and bills payables	<i>15</i>	422,506	365,428
Contract liabilities	<i>16</i>	28,053	50,864
Other payables		87,710	96,940
Lease liabilities		7,107	5,150
Government grants		—	1,858
Income tax payables		<u>21,310</u>	<u>26,368</u>
Total current liabilities		<u>566,686</u>	<u>546,608</u>
Total liabilities		<u>601,360</u>	<u>579,727</u>
Total equity and liabilities		<u>2,609,965</u>	<u>2,577,263</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

The Company is an investment holding company and the principal activities of its subsidiaries (together, the “**Group**”) are to engage in embedded software and secure payment products for smart secure payment and provision of data processing services, digital equipment, system platform, Artificial Intelligence (A.I.) self-service kiosks 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 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 consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the HKICPA and requirements of the Hong Kong Companies Ordinance (Cap. 622) (“**Companies Ordinance**”). 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 requirements of the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2.2 New and amended standards adopted by the Group

The Group has applied the following new and amendments to HKFRSs and HKASs issued by the HKICPA for the first time for accounting periods beginning on 1 January 2021:

- Covid-19 Related Rent Concessions – beyond 30 June 2021
- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39 and, HKFRS 7, HKFRS 4 and HKFRS 16

The application of the new and amendments to HKFRSs and HKASs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

2.3 New standards and interpretations that have been issued but are not yet effective for the financial year beginning on or after 1 January 2022 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Merger Accounting for Common Control Combinations	Amendments to AG 5 (revised)	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use	Amendments to HKAS 16	1 January 2022
Onerous contracts – Costs of Fulfilling a Contract	Amendments to HKAS 37	1 January 2022
Annual improvements to HKFRS 2018 to 2020	Amendments to HKFRSs	1 January 2022
Reference to the Conceptual Framework	Amendments to HKFRS 3	1 January 2022
Classification of Liabilities as Current or Non-current	Amendments to HKAS 1	1 January 2023
Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	HK Int 5 (2020)	1 January 2023
Insurance Contracts	Amendments to HKFRS 17	1 January 2023
Disclosure of Accounting Policies	Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Amendments to HKAS 12	1 January 2023
Definition of Accounting Estimates	Amendments to HKAS 8	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendments to HKAS 28 and HKFRS 10	To be determined

These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

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, digital 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

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.

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	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Sales to external parties of				
– embedded software and secure payment products	752,828	747,781	186,089	181,930
– platform and service	623,696	534,122	218,053	201,907
	<u>1,376,524</u>	<u>1,281,903</u>	<u>404,142</u>	<u>383,837</u>
Other income			46,297	52,949
Other losses, net			(8,432)	(33,821)
Research and development costs			(120,502)	(109,840)
Selling and distribution costs			(126,500)	(91,938)
Administrative expenses			(40,499)	(34,939)
Reversal of impairment loss on trade receivables			1,806	2,154
Impairment loss on amount due from an associate			(590)	(111)
Reversal of impairment loss on interests in an associate			–	1,500
Finance costs			(783)	(549)
Profit before income tax			<u>154,939</u>	<u>169,242</u>

The management of the Group makes decisions according to the gross profit 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.

(b) Revenue

The segment information for the year ended 31 December 2021 and 2020 by business segment are as follows:

	For the year ended 31 December 2021		
	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 or services			
Embedded software and secure payment products	752,828	–	752,828
Data processing	–	239,988	239,988
Digital equipment	–	383,708	383,708
Total	752,828	623,696	1,376,524

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

	For the year ended 31 December 2021		
	Embedded software and secure payment products <i>RMB'000</i>	Platform and service <i>RMB'000</i>	Total <i>RMB'000</i>
Geographical markets			
Overseas and the special administrative regions of			
Hong Kong (“ Hong Kong ”) and Macao (“ Macao ”)	76,956	43,933	120,889
Mainland China	675,872	579,763	1,255,635
Total	752,828	623,696	1,376,524

	For the year ended 31 December 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 or services			
Embedded software and secure payment products	747,781	–	747,781
Data processing	–	225,640	225,640
Digital equipment	–	308,482	308,482
	<hr/>	<hr/>	<hr/>
Total	<u>747,781</u>	<u>534,122</u>	<u>1,281,903</u>
Geographical markets			
Overseas and Hong Kong and Macao	70,124	20,232	90,356
Mainland China	677,657	513,890	1,191,547
	<hr/>	<hr/>	<hr/>
Total	<u>747,781</u>	<u>534,122</u>	<u>1,281,903</u>

(c) Other information

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Hong Kong	134,869	150,666
Mainland China	367,318	319,483
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	<u>502,187</u>	<u>470,149</u>

Information about major customer

For the year ended 31 December 2021, there was one customer with revenue of RMB151,888,000 in aggregate (2020: Nil) 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 revenue.

4. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants	6,272	8,112
Interest income from bank deposits	23,900	28,260
Value-added tax refund	14,088	14,846
Rental income from investment property	1,463	1,532
Others	574	199
	<u>46,297</u>	<u>52,949</u>

5. OTHER LOSSES, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net exchange losses	(13,709)	(37,083)
Investment income from financial assets at FVTPL	5,126	2,639
Unrealised gain from financial assets at FVTPL	205	733
Others	(54)	(110)
	<u>(8,432)</u>	<u>(33,821)</u>

6. EXPENSES BY NATURE

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold	<i>11</i>	826,971	761,694
Reversal of provision for inventories		(9,510)	(910)
Employee benefits expenses		216,325	197,957
Depreciation of property, plant and equipment		30,802	35,168
Depreciation of right-of-use assets		7,284	9,286
Depreciation of investment property		2,056	2,153
Amortisation of intangible assets		2,096	2,290
Reversal of warranty provision		(3,062)	(1,713)
Legal and professional fees		2,983	2,495
Auditor's remuneration			
– audit services		1,311	1,216
– non-audit services		415	391
Business entertainment expenses		7,348	5,086
Freight and duties		18,526	12,077
Professional service fee		32,490	17,574
Testing fees		13,858	10,583
Travelling and transportation expenses		20,364	14,929
Other expenses		89,626	64,507
		<hr/>	<hr/>
Total cost of sales, research and development costs, selling and distribution expenses and administrative expenses		<u>1,259,883</u>	<u>1,134,783</u>

7. INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, and shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current income tax		
Mainland China corporate income tax	1,950	13,452
Hong Kong Profits Tax	7,638	4,392
Mainland China withholding tax	–	9,412
	<hr/>	<hr/>
	9,588	27,256
Deferred income tax	7,400	(3,274)
	<hr/>	<hr/>
Income tax expense	<u>16,988</u>	<u>23,982</u>

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

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. Goldpac Limited has obtained the renewal in 2020 and continued to be entitled to 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%.

Income tax expense for the year is reconciled to profit before tax as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	154,939	169,242
Tax at PRC tax rate of 25% (2020: 25%)	38,735	42,311
Tax effect of expenses not deductible for tax purpose	4,287	5,252
Tax effect of income not taxable for tax purpose	(4,509)	(6,496)
Tax effect of tax losses not recognised	2,646	791
Tax effect of tax concession	(26,999)	(25,459)
Tax effect of different tax rate of subsidiaries operating in other tax jurisdiction	(2,310)	(173)
Withholding EIT on undistributed profits in the PRC	5,694	7,346
Others	(556)	410
Income tax expense for the year	16,988	23,982

8. EARNINGS PER SHARE

The basic earnings per share attributable to the owners of the Company is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial year

	2021	2020
Profit for the period attributable to owners of the Company (<i>RMB'000</i>)	138,184	145,665
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>thousand</i>) (<i>Note</i>)	823,410	825,907
Basic earnings per share (<i>RMB cents</i>)	16.8	17.6

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

For the year ended 31 December 2021 and 2020, diluted earnings per share were same as the basic earnings per share as there was no potential dilutive ordinary shares outstanding during the year.

9. DIVIDENDS

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
2021 Interim – HK2.5 cents (2020 Interim – HK3.0 cents) per ordinary share	17,143	21,920
2020 Final – HK10.0 cents (2019 Final – HK10.0 cents) per ordinary share	67,711	75,938
2020 Special – HK4.0 cents (2019 Special – HK6.0 cents) per ordinary share	27,084	45,563
	111,938	143,421

Subsequent to the end of the reporting period, a final dividend of HK10.0 cents (2020: HK10.0 cents) and a special dividend of HK4.0 cents (2020: HK4.0 cents) per ordinary share in respect of the year ended 31 December 2021 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. The dividend declared after 31 December 2021 has not been recognised as a liability as at 31 December 2021.

10. INTERESTS IN ASSOCIATES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Unlisted investments in associates, at cost	2,200	32,120
Share of post-acquisition results and reserves	1,300	(4,929)
Impairment loss on interests in an associate	<u>(3,500)</u>	<u>(22,227)</u>
	<u>–</u>	<u>4,964</u>

Details of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of incorporation and operation	Proportion of issued ordinary share and capital indirectly held by the Group		Principal activity
		2021	2020	
Kaixin Holdings Limited	The British Virgin Islands	45%	45%	Investment holding
Goldpac ACS Technologies Inc. (“Goldpac ACS”)	Philippines	45%	45%	Data processing
Sichuan Zhongruan Technology Ltd. (“SCZR”)	Mainland China	19.68% <i>(Note i)</i>	19.68% <i>(Note ii)</i>	Smart city platform

Note i: In February 2021, two external professional firms were appointed by the court to act as the liquidation administrators of SCZR pursuant to the court order ((2020)川0104破4號決定書). The operation and management of SCZR during the period of bankruptcy and liquidation is undertaken by the bankruptcy administrator. In November 2021, the court declared the bankruptcy of SCZR but the liquidation process was still in progress at the end of the year 2021. Therefore, according to HKAS28R (“Investments in Associates and Joint Ventures”), the Group has reclassified the equity investment of SCZR from interest in an associate to FVTPL as the Group has lost significant influence over SCZR. The Group has reviewed and estimated the fair value of SCZR on a regular basis under the requirement of HKFRS9.

Note ii: As at 31 December 2020, the Group was able to exercise significant influence over SCZR because it is entitled 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The Group's share of losses of associates	—	—
Aggregate carrying amount of the Group's interests in these associates	—	4,964

The Group has discontinued recognition of its share of loss of associates because the Group's share of losses of the associates in previous years has exceeded its investment costs. The amounts of the unrecognised share of losses of the associates, both for the year and cumulatively, are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Unrecognised share of losses of the associates for the year	(1,185)	(1,224)
Accumulated unrecognised share of losses of the associates	(5,116)	(3,931)

11. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	207,034	127,110
Work in progress	5,369	5,974
Finished goods	120,778	113,061
	333,181	246,145
Less: provision	(46,260)	(55,770)
	286,921	190,375

The cost of inventories and consumables were recognised as expense and included in cost of sales during the year ended 31 December 2021 amounted to RMB826,971,000 (2020: RMB761,694,000) (Note 6).

12. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	347,374	277,939
Less: Loss allowance (<i>Note</i>)	<u>(5,035)</u>	<u>(6,893)</u>
	<u>342,339</u>	<u>271,046</u>

Note: The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The assessment resulted in a decrease of the loss allowance on 31 December 2021 by RMB1,858,000 for trade receivables.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Ageing		
0 – 90 days	260,511	186,187
91 – 180 days	34,250	32,776
181 – 365 days	33,458	21,756
Over 1 year	<u>14,120</u>	<u>30,327</u>
	<u>342,339</u>	<u>271,046</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Classification of financial assets at FVTPL:

The Group classifies the structured deposits at FVTPL:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current assets – Structured deposits	<u>180,205</u>	<u>256,733</u>

14. CONTRACT ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Embedded software and secure payment products	1,986	4,045
Digital equipment	<u>12,068</u>	<u>9,467</u>
	<u>14,054</u>	<u>13,512</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.

15. TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	321,963	257,995
Bills payables – secured	100,543	107,433
	<u>422,506</u>	<u>365,428</u>

Trade payables are unsecured and are usually paid within 60 to 180 days of recognition. The bills payables are secured by pledged bank deposits.

The carrying amounts of trade and bills payables are considered to be the same as their fair values, due to their short-term nature.

The following is an ageing analysis of trade and bills payables based on invoice date and bill issuance date respectively at the end of the year.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Ageing		
0 – 90 days	344,496	309,775
91 – 180 days	76,338	47,390
181 – 365 days	904	5,849
Over 1 year	768	2,414
	<u>422,506</u>	<u>365,428</u>

16. CONTRACT LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Embedded software and secure payment products	<u>28,053</u>	<u>50,864</u>

The Group receives 10% to 100% of the contract value as deposit from customers when they sign the contracts 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 is transferred to the customers. During the year ended 31 December 2021, revenue recognised in the current year relating to contract liabilities at the beginning of the year is RMB43,734,000 (2020: RMB37,974,655).

17. SHARE CAPITAL

	Number of ordinary shares <i>'000</i>	Amount <i>HKD'000</i>
Issued and fully paid:		
At 31 December 2020	833,561	1,499,498
Shares bought back on-market and cancelled At 31 December 2021	(5,556) 828,005	— 1,499,498
	<u>828,005</u>	<u>1,499,498</u>
		<i>RMB'000</i>
Shown in the consolidated financial statements as of 31 December 2020 and 2021		<u>1,192,362</u>

From September to November 2021 the company purchased 8,870,000 ordinary shares on-market in order to simplify the company's capital structure, and cancelled 5,556,000 ordinary shares in October 2021, the rest of 3,314,000 ordinary shares were cancelled in January 2022. The buy-back and cancellation were approved by shareholders at last year's annual general meeting, and the payment was made out of the company's distributable profits with no reduction of capital.

The shares were acquired at an average price of HK\$1.72 per share, with prices ranging from HK\$1.62 to HK\$1.80. The total amount of HK\$15,286,000 (RMB 12,661,000) paid to acquire the shares has been deducted from retained earnings within shareholders' equity.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation as the directors of the Company consider that the new presentation is more relevant and appropriate to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the overall socio-economic and industry environment presented opportunities and challenges. The Group actively responded to complex industrial challenges including a global chip supply shortage, implemented science-based COVID-19 pandemic prevention and control measures, and seized new opportunities arising from the strong rebound of China's macro economy by investing more resources in innovative areas such as digital equipment. These have enabled the Group's innovative business to grow rapidly and allowed recovery of the Group's growth trend in overseas markets, therefore maintained a steady development of the Group.

Facing complicated market dynamics, the management team of the Group responded accordingly and achieved remarkable results. Firstly, the Group promoted the growth of its innovative business by diligently developing the digital equipment markets. Secondly, the Group seized opportunities in the digital transformation of its core customers, promoted digital fintech products and services, and planned for future growth opportunities. Lastly, the Group has implemented effective cost control measures and enhanced the added value of its products to reinforce the development of its core business and cash flow.

Financial Analysis — Sustained Development and Healthy Financial Indicators

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB1.377 billion, representing a year-on-year increase of approximately 7.4% and strong revenue resilience. The increase in revenue was primarily due to the Group's commitment to implement digitalization and platform-based strategy, resulted in an increase in revenue of the platform and service segment. Meanwhile, the Group also maintained the business scale of its core business — embedded software and secure payment products, thus the Group gained further growth momentum.

During the year, the Group recorded gross profit of approximately RMB404.0 million, representing a year-on-year increase of approximately 5.3%. Despite the spread of the pandemic leading to rising prices for major raw materials around the world, resulting in cost pressures, the execution of the digital transformation strategy has improved the refined management and operation capability of the Group. A sound supply chain management strategy also effectively contributed to cost pressures alleviating. As a result, a healthy gross margin of 29.4% was maintained, consolidating the Group's industry-leading profitability ability.

During the year, the Group recorded net profit of approximately RMB138.0 million, representing a year-on-year decrease of approximately 5.0%. The Group, while focusing on the innovation and development of its secure transaction technologies and digitization solutions, continued to maintain a relatively high level of research and development (“R&D”) investment, resulting in an increase in R&D costs by 9.7% approximately compared to that of the previous year. During the year, 38 new patents and software copyrights related to the platform and service segment were registered in total. Meanwhile, in order to develop innovative business markets, the Group strengthened cooperation with its partners, resulting in a year-on-year increase of approximately 37.6% in selling and distribution expenses compared to that of the previous year. However, in view of the middle to long-term strategic progression of the Group, this sets a sound platform for development.

As at 31 December 2021, the Group's total current assets amounted to approximately RMB1.79 billion, representing a year-on-year decrease of about 11.7%. The Group still has abundant cash flow and maintains a high current ratio of approximately 3.2 and a comparatively low gearing ratio of approximately 23.0%, whilst most key financial indicators remain stable.

The Board proposed to declare a final dividend of HK10.0 cents (equivalent to approximately RMB8.1 cents) per ordinary share (HK10.0 cents in 2020) and a special dividend of HK4.0 cents (equivalent to approximately RMB3.3 cents) per ordinary share (HK4.0 cents in 2020) for the year ended 31 December 2021.

Business Review — Steady Core Business, Rapid Growth of New Business

The pandemic has accelerated the global trend for development in intelligent and digital technologies, and an increasing number of financial and governmental services are being delivered through “non-contact” and digital means. The Group has closely monitored the development opportunities of digital transformation in the industry. In this regard, the Group has reinforced fintech innovation and its application, accelerated digital transformation and has built a customer-oriented digital marketing and service platform, and promoted the continuous growth of revenue from the platform and service segment.

Facing the transition from the scale-oriented to quality-oriented development of banking customers, the Group capitalized the opportunity to leverage its core advantages to maintain stable revenue and profitability through high-quality, high-value-added products. During the year, the embedded software and secure payment products segment recorded revenue of approximately RMB753.0 million, representing a year-on-year increase of approximately 0.7%.

The Group followed China's development strategy and has continuously diversified its products. In 2021, the Group launched proprietary and controllable embedded software and secure payment products to the global market. At the same time, in order to comply with the development trend of green finance and in response to the international community's emission reduction targets for “Emission Peaks” and “Carbon Neutrality”, the Group took the lead in implementing the practice of green and low-carbon footprint development, and launched eco-friendly products. To grasp the quality-oriented development needs of the Chinese market, the Group not only promoted high value-added products through individualized and customized design, and special techniques, but also provided supporting cultural and creative adjacent products, privacy protection and other value-added services to ensure the overall value of embedded software and secure payment products.

The platform and service segment of the Group continued to maintain rapid growth in 2021, recording revenue of approximately RMB624.0 million, representing a year-on-year increase of approximately 16.8%, accounting for 45.3% of the Group's revenue, constituting a year-on-year increase of 3.6 percentage points. Of which the digital equipment business showed a rapid growth trend, the revenue of this business increased by approximately 24.4% year-on-year, and its proportion of the Group's revenue rose to approximately 27.9%, becoming an important new business growth point for the Group.

In 2021 despite the challenges caused by the continuous spread of the global pandemic, the Group actively responded by implementing science-lead prevention and control measures. The Group's overseas business recovered from the adverse impact caused by the pandemic. During the year, the overseas business recorded revenue of approximately RMB121.0 million, representing a year-on-year increase of approximately 33.8%. At the same time, the Group also launched the promotion of innovative products such as the telecom Subscriber Identity Modules (SIM) and digital equipment in overseas markets to expand its customer base through the “non-contact” digital marketing model.

Outlook — Deepening Partnership with Customers, Accelerating Innovation of Fintech Service

The global banking industry will continue to see accelerating digital transformation, and at the same time, digital tools for secure payments will become more popular. This is expected to enable the Group to access huge market opportunities in the field of digital fintech (“**financial technology**”) services.

The Group will actively implement its “Digitization and Platform Innovation Strategy” to transform the traditional marketing service model with digital technologies, establish a business platform for the digital transformation of core customers, and accelerate the innovation of fintech services. The Group will focus on the five key business strategies of “maintaining and enhancing core business value; expanding the application of secure transaction technologies into new areas such as digital currencies; accelerating the expansion of the business scale for digital equipment; establishing a digital business platform to form a fintech business ecosystem, and boosting overseas markets expansion”.

Firstly, Maintaining and Enhancing Core Business Value

Firstly, the Group will accelerate R&D of embedded software and secure payment products, adapting to the development trends of proprietary and controllable secure products and Information Technology & Innovation Industry Application (the “**ITIIA**”)’s products. The Group will bring together security chip vendors, application developers and universities, etc. to draft a development route within the industry. The Group will also create a secure operating system ecosystem by adhering to the design paradigm for open, secure, proprietary and controllable. This will expand the Group’s market share for proprietary and controllable secure products, providing more possibilities for its future business development.

Secondly, the Group will accelerate the development of embedded software and secure payment products by individualized and customized design, special techniques and eco-friendly materials to enhance the value of its core business through a competitive strategy utilizing differentiated products. The Group closely focuses on the needs of its customers, targeting the promotion of high value-added adjacent products and services such as cultural and creative product, value-added service and logistics support-related services etc.

Thirdly, the Chinese government has accelerated the roll-out of “one card solution” to improve the citizen service. The Chinese government has launched the issuance of the third-generation of social security cards and electronic cards to enhance the capability and quality of citizen services. Since 2000, the Group has been involved in issuance of the first and second-generation social security cards. From 2021, the Group has invested quality resources to actively expand the third-generation social security card business. Capitalizing decades of experience and leading technologies in National Cryptographic Algorithm products and cross-industry applications of smart cards, the Group has taken the lead in third-generation social security card issuance. The growth momentum is expected to be maintained during 2022 and the Group will actively tap the market potential to further solidify its core business.

Finally, the Group will accelerate the pace of digital transformation to integrate its overall strengths in smart card issuance, digital equipment and systems. It will integrate the potential expansion of digital currencies to create a total digital solution service platform to enhance the efficiency and experience of transactions and expand customer coverage. These efforts will help in increasing the scale of the Group’s market share and core business by leveraging the enhanced capability of digital marketing services.

Secondly, Expanding the Application of Secure Transaction Technologies into New Areas Such as Digital Currencies

At present, the Chinese government is actively launching pilot projects for the Digital Currency Electronic Payment (“DCEP”). The digital currency is the logical product of trends in the development of a digital economy. Its related supporting products have great market prospects in the future. As a leader in the secure payment industry, the Group has accumulated and maintained industry-leading technology reserves and service capabilities for secure transactions and has a first-mover advantage in the digital currency field. The Group has taken the lead in R&D investment and built up its capability of providing digital currency-related products and supporting services, including a series of cryptocurrency hardware wallet products, digital currency smart self-service kiosks and digital currency security application systems.

The Group actively participates in pilot projects for digital currency R&D and their applications. It will continue to expand further to accelerate the application of digital currency products while closely liaising and cooperating with banking customers to contribute to the promotion and application of a digital currency in China and the world.

In 2021, the Group obtained the SAS-UP certification issued by the Global System for Mobile Communications Association (“GSMA”) and is qualified for Subscriber Identity Module (“SIM”) production. In the context of the global commercialization of 5G, the Group will actively develop the application of proprietary and controllable secure transaction technology in SIM cards. This will combine traditional business competitive advantages to create secure authentication and payment products across multiple industry applications, such as finance, telecommunications, transportation and licensing.

Thirdly, Accelerating the Expansion of the Business Scale for Digital Equipment

The global pandemic-induced new-normal has led to “non-contact” socio-economic activities becoming widely accepted. The continued rise in labor costs has also made “unmanned” economic activities a common occurrence. This in turn brings opportunities for the development of the Group’s digital equipment. At the same time, the Group’s extensive security transaction and technology experience will aid the Group in achieving excellent results in the digital equipment business for banking and government customers.

At present, the digital equipment business is growing rapidly and has made an important contribution to the Group’s overall revenue. The Group will continue to speed up its innovation and exert R&D efforts in this business to expand its product categories, especially with respect to harmonization with ITIIA’s products. The Group will also attract new target customers and extend application scenarios to accelerate the expansion of the scale of the digital equipment business.

On the one hand, during the digital transformation process of commercial banks in relation to their brick-and-mortar branch, the Group will expand the scale of its business by providing the banking customers with new and creative choices in digital equipment so as to adapt to the ever-evolving customer use case scenario needs of customers in various scenarios such as self-service, counter service and mobile device service.

On the other hand, the Group will actively expand the application of digital equipment in government and civilian services, transportation and retail, to extend the use of digital equipment to a wider range of “non-contact” application scenarios to achieve business growth. In order to efficiently support the development of the digital equipment business, the Group will join forces with ecosystem alliances within the ITAII, technology partners, business channel partners, universities, laboratories and other institutions to promote the technological application, innovation, ecological construction and industrial synergistic development of digital equipment with the Group’s Guangdong Province IoT Security Transaction Engineering Technology Research Center.

Fourthly, Establishing a Digital Business Platform to Form a Fintech Business Ecosystem

The Group is confident that the future of secure payment and related fintech products and services lies in digitalization and platformization is the key future business model for this industry. Looking ahead, commercial banks, card organizations, end-users, product and technology providers, business channel providers and other key industry players are expected to communicate and interact on the same platform, to meet their respective needs and create new business models through complementary advantages and technology integration, to jointly form a fintech business ecosystem.

Alongside with the trend of digitization and platformization of the industry, the Group is committed to the promotion and building of the UMV platform to create a digital business ecosystem with diverse industry engagement. Through the integrated application of next-generation information technology such as Artificial Intelligence (“A.I.”), big data and image processing, commercial banks and card organizations can access a variety of products and services of digital marketing, digital customer acquisition, and digital operations. At the same time, consumers can access individualized, customized and secure payment products as well as other fintech products and services more easily and conveniently.

Over the past 30 years, the Group has served more than 1,000 banking customers with secure payment products and has built up deep relationships with them. In addition, the Group has accumulated an abundance of the world’s leading secure transaction technologies and rich customer service experience in the banking industry. Based on these valuable resources, the Group’s UMV platform aims to advocate and promote future business models that connect various industry players, enabling them to provide more competitive products and services and to create an innovative fintech industry. In 2021, the UMV platform has already entered into service contracts with 16 commercial banks, including the biggest six state-owned banks in China.

The Group has developed a series of new digital applications such as “Smart Production”, “Digital Operation”, “Digital Process Control” and “Data Governance” to effectively enhance its digital service and operation capability and provide a reliable capability guarantee for the construction of a digital business platform.

Fifthly, Boosting Overseas Markets Expansion

As a leading global provider of fintech products and services, the Group has successfully delivered products and services to customers over 30 countries and regions. The Group has recovered from the pandemic and achieved significant growth in overseas market with a year-on-year revenue increase of approximately 33.8% in 2021.

The Group will strengthen its marketing capabilities by utilizing digitization and its competitive advantages in embedded software and secure payment products to enhance penetration into new markets and customers overseas to achieve its extension of overseas markets.

At the same time, relying on a stable supply chain and mature fintech products within Mainland China, the Group will leverage its capability advantages and further export high-quality products such as digital equipment, secure payment products and embedded modules for overseas markets in order to expand its overseas market share and enhance customer satisfaction.

The Zhuhai Fintech Center

The construction of the Zhuhai Fintech Center will be completed in 2022 and basic preparations finished. Relying on this center, the Group will concentrate quality resources and strengthen cooperation with the local government. With competitive supporting policies to attract talent, resource pools and projects in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will integrate its own funds, special government funds and third-party industry funds to boost the innovative development of the Group's fintech business.

Looking ahead, the Group will leverage digital technology to enhance its marketing and service experience and fully deepen its strategic partnership with core customers. On this basis, the Group will also accelerate innovation in fintech services to support the digital transformation of core customers and realize its vision of being a “trustworthy provider for fintech products and services”.

SUBSEQUENT EVENTS

No material events occurred subsequent to 31 December 2021 and up to the date of this annual results announcement.

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 Tuesday, 17 May 2022, 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 Wednesday, 11 May 2022. The register of members of the Company will be closed from Thursday, 12 May 2022 to Tuesday, 17 May 2022, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Thursday, 2 June 2022. The register of members of the Company will be closed from Monday, 6 June 2022 to Wednesday, 8 June 2022, 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 Tuesday, 17 May 2022, the dividends will be paid on Thursday, 30 June 2022 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 8 June 2022.

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 2021, the Company utilized approximately RMB836.5 million for the purposes of production capacity expansion, innovative product and service research and development, investment in associates and acquisition, market expansion outside of China, working capital supplementation and other general corporate purposes. The balances of the net proceeds were deposited in banking account. The Company has utilized and will utilize the net proceeds pursuant to the purposes and the proportions as disclosed in the prospectus of the Company dated 22 November 2013.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2021, the Group's aggregate amount of bank balances and cash, fixed bank deposits and pledged bank deposits reached approximately RMB1,233.6 million (2020: approximately RMB1,344.7 million), of which approximately RMB767.1 million (2020: approximately RMB804.0 million) was denominated in RMB, representing approximately 62.2%, and approximately RMB466.5 million (2020: approximately RMB540.7 million) was denominated in USD and HKD, etc., representing approximately 37.8%.

As at 31 December 2021, the Group's financial assets at FVTPL amounted to approximately RMB180.2 million, which was the structured deposits represented by principal-guaranteed financial products issued by banks, among which approximately RMB30.0 million was in Industrial and Commercial Bank of China, approximately RMB50.0 million was in Ping An Bank Company Limited, approximately RMB50.0 million was in China Citic Bank and approximately RMB50.2 million was in Shanghai Pudong Development Bank.

As at 31 December 2021 and 31 December 2020, the Group had no bank loans.

As at 31 December 2021, the Group's trade receivables was approximately RMB342.3 million (2020: approximately RMB271.0 million).

As at 31 December 2021, the Group's total current assets amounted to approximately RMB1,785.2 million (2020: approximately RMB2,020.7 million), representing a decrease of approximately 11.7% compared to that of the previous year.

As at 31 December 2021, the Group's current ratio was approximately 3.2 (2020: approximately 3.7), representing a high liquidity.

As at 31 December 2021, the Group's gearing ratio (the gearing ratio is equivalent to total liabilities divided by total assets as at the end of the year) was approximately 23.0% (2020: approximately 22.5%).

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 certain 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 2021, the Group's capital expenditure was approximately RMB81.7 million (2020: approximately RMB80.3 million). The capital expenditure represents the expenses incurred in purchasing fixed assets.

CAPITAL COMMITMENT

The aggregate capital commitment of the Group as at 31 December 2021 was approximately RMB33.0 million (2020: approximately RMB68.1 million). Such capital commitment was mainly related to the construction of "Zhuhai Fintech Center", which is currently in progress.

PLEDGED ASSETS

As at 31 December 2021, bank deposits of approximately RMB219.2 million (2020: approximately RMB244.0 million) were pledged to secure the bills payables and bank guarantee.

SIGNIFICANT INVESTMENTS

The Group had no significant investments for the year ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group plans to utilize its own funds of approximately RMB88.4 million for the purpose of construction of "Zhuhai Fintech Center" during 2022.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In February 2021, two external professional firms were appointed by the court to act as the liquidation administrators of Sichuan Zhongruan Technology Ltd. (“SCZR”), which is the associate of the Group, pursuant to the court order ((2020)川0104破4號決定書). The operation and management of SCZR during the period of bankruptcy and liquidation is undertaken by the bankruptcy administrator. On 24 November 2021, the court declared the bankruptcy of SCZR, but the liquidation process was still in progress at the end of the year 2021. Therefore, according to HKAS28R (“**Investments in Associates and Joint Ventures**”), the Group has reclassified the equity investment of SCZR from interest in an associate to FVTPL as the Group has lost significant influence over SCZR. The Group has reviewed and estimated the fair value of SCZR on a regular basis under the requirement of HKFRS9.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 December 2021, the Company purchased 8,870,000 ordinary shares of the Company on the Stock Exchange at an aggregate price of approximately HK\$15,286,000 (equivalent to approximately RMB12,661,000). The shares were acquired at an average price of HK\$1.72 per share, with prices ranging from HK\$1.62 to HK\$1.80. Among the shares purchased, 5,556,000 ordinary shares of the Company were canceled during the year and the rest of 3,314,000 ordinary shares were cancelled in January 2022.

The details of the purchase of shares are as follows:

Month	Number of shares purchased	Highest price per share (HK\$)	Lowest price per share (HK\$)	Aggregate consideration paid (HK\$)
September 2021	3,623,000	1.70	1.62	6,114,676.93
October 2021	3,025,000	1.77	1.78	5,212,031.88
November 2021	<u>2,222,000</u>	1.80	1.74	<u>3,958,999.50</u>
Total	<u><u>8,870,000</u></u>			<u><u>15,285,708.31</u></u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

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 2021, 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 in all material aspects. 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 2021, the Group had 1,624 employees (as at 31 December 2020: 1,643), with a decrease of 19 employees as compared to that as at 31 December 2020. Total employee benefits expenses including Directors' emoluments, for the year ended 31 December 2021, amounted to approximately RMB216.3 million (for the year ended 31 December 2020: approximately RMB198.0 million).

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 pensions and unemployment insurance belong to defined contribution plans, the Group doesn't have the right to confiscate the contributions and therefore has no use of the contributions. 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 makes contributions towards relevant insurance scheme as required by the local regulations.

The Group emphasises on employee performance and development, and is committed to enhancing their knowledge and skills. The Group provides comprehensive internal and external trainings, such as compulsory orientation, job skills training, improvement training, information security training, compliance and legal training, business etiquette training and etc.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2021.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2021.

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 2021.

NON-STATUTORY FINANCIAL STATEMENTS

The financial information relating to the year ended 31 December 2020 and 31 December 2021 included in this annual results announcement does not constitute the Company's statutory annual consolidated financial statements for the respective year but is derived from those financial statements. The Company has delivered its financial statements for the year ended 31 December 2020 and will deliver its financial statements for the year ended 31 December 2021 in due course to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong). 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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT OF 2021

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 2021 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 2022

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 of this announcement shall prevail over the English version.