**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 2019

## HIGHLIGHTS

- In 2019, the Group continued to maintain a steady business momentum and its major performance indicators including revenue and net profit remain stable. The revenue was approximately RMB1,416.0 million, flat from last year. Attributing to the continuous optimization of the business structure, the gross profit increased by approximately 2.2% year-on-year to approximately RMB399.0 million. The net profit was approximately RMB176.0 million, representing a year-on-year increase of approximately 1.0%. Basic earnings per share was approximately RMB21.4 cents, basically flat to last year.

- The Group's platform and service segment maintained a high speed of development. Its revenue increased by approximately 44.9% year-on-year to approximately RMB436.0 million, accounting for approximately 30.8% of the Group's total revenue, increasing from approximately 21.3% as in the year of 2018. The segment's gross margin also remained at a high level of approximately 37.8%.

- The embedded software and secure payment products segment recorded revenue of approximately RMB980.0 million, representing a year-on-year decrease of approximately 11.7%. The Group's innovative products have achieved good development, though the growth is insufficient to offset the decline in demand for traditional products during the year of 2019. Nevertheless, the Group has established a distinct competitive advantage in the innovative products.

- The Board proposed to declare a final dividend of HK10.0 cents (equivalent to approximately RMB9.1 cents) per ordinary share (HK10.0 cents in 2018) and a special dividend of HK6.0 cents (equivalent to approximately RMB5.5 cents) per ordinary share (HK6.0 cents in 2018) for the year ended 31 December 2019. If this proposal is approved by the shareholders of the Company at the forthcoming annual general meeting, the accumulated amount of dividend declared for the year of 2019 would be approximately HK20.0 cents (equivalent to approximately RMB18.3 cents) per ordinary share, and the dividend payout ratio for the year of 2019 would be approximately 85.5%. The total amount of dividend declared since IPO in 2013 would be approximately HKD890.0 million (equivalent to approximately RMB760.0 million).

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 2019 as below.

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

*For the year ended 31 December 2019*

| | *NOTES* | **2019** *RMB'000* | 2018 *RMB'000* |
|---|---|---|---|
| **Revenue** | *4* | **1,415,665** | 1,411,127 |
| Cost of sales | | **(1,017,129)** | (1,020,996) |
| **Gross profit** | | **398,536** | 390,131 |
| Other income | *5* | **58,412** | 88,089 |
| Other gains or losses | *6* | **2,503** | 25,672 |
| (Impairment loss) reversal of on trade receivables | | **(1,581)** | 208 |
| Impairment loss on amount due from an associate | | **(1,740)** | (11,460) |
| Reversal of (impairment loss) on interest in an associate | *11* | **3,464** | (27,191) |
| Research and development costs | | **(113,474)** | (113,854) |
| Selling and distribution costs | | **(98,798)** | (106,020) |
| Administrative expenses | | **(39,556)** | (37,489) |
| Interest on lease liabilities | | **(884)** | — |
| Share of losses of associates | *11* | **—** | (284) |
| **Profit before tax** | *7* | **206,882** | 207,802 |
| Income tax expense | *8* | **(30,459)** | (33,154) |
| **Profit for the year** | | **176,423** | 174,648 |
| Other comprehensive (expense) income for the year | | | |
| *Item that may be subsequently reclassified to profit or loss:* | | | |
| — exchange differences arising on translation of foreign operations | | **(3,017)** | 1,321 |
| **Total comprehensive income for the year** | | **173,406** | 175,969 |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | **177,125** | 175,187 |
| Non-controlling interests | | **(702)** | (539) |
| | | **176,423** | 174,648 |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **174,108** | 176,508 |
| Non-controlling interests | | **(702)** | (539) |
| | | **173,406** | 175,969 |
| Earnings per share | *10* | | |
| — Basic *(RMB cents)* | | **21.4** | 21.2 |
| — Diluted *(RMB cents)* | | **21.4** | 21.2 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2019*

| | NOTES | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **325,724** | 335,019 |
| Land use rights | | — | 26,206 |
| Right-of-use assets | | **43,211** | — |
| Investment property | | **60,313** | — |
| Goodwill | | **1,375** | 1,375 |
| Intangible assets | | **4,386** | 6,676 |
| Interests in associates | 11 | **3,464** | — |
| Deferred tax assets | | **8,192** | 9,104 |
| Pledged bank deposits | | **156,000** | 150,000 |
| Fixed bank deposits | | **109,779** | 103,823 |
| | | **712,444** | 632,203 |
| **Current assets** | | | |
| Inventories | 12 | **184,676** | 211,952 |
| Trade receivables | 13 | **328,337** | 413,840 |
| Contract assets | 14 | **12,712** | 13,564 |
| Other receivables and prepayments | | **45,702** | 26,584 |
| Amount due from an associate | | — | — |
| Financial assets at fair value through profit or loss ("**FVTPL**") | 18 | **180,084** | 232,649 |
| Pledged bank deposits | | — | 15,573 |
| Fixed bank deposits | | **950,277** | 761,045 |
| Bank balances and cash | | **220,996** | 321,042 |
| | | **1,922,784** | 1,996,249 |
| **Current liabilities** | | | |
| Trade and bills payables | 15 | **399,346** | 437,721 |
| Contract liabilities | 16 | **42,468** | 27,176 |
| Other payables | | **107,197** | 124,606 |
| Warranty provision | | **4,775** | 4,775 |
| Lease liabilities | | **8,108** | — |
| Government grants | | **1,858** | 3,000 |
| Income tax payable | | **33,784** | 24,696 |
| | | **597,536** | 621,974 |
| **Net current assets** | | **1,325,248** | 1,374,275 |
| **Total assets less current liabilities** | | **2,037,692** | 2,006,478 |

| | NOTES | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities | | **9,463** | — |
| Deferred tax liabilities | | **23,825** | 26,395 |
| | | **33,288** | 26,395 |
| **Net assets** | | **2,004,404** | 1,980,083 |
| **Capital and reserves** | | | |
| Share capital | *17* | **1,192,362** | 1,192,362 |
| Reserves | | **810,210** | 785,187 |
| Equity attributable to owners of the Company | | **2,002,572** | 1,977,549 |
| Non-controlling interests | | **1,832** | 2,534 |
| **Total equity** | | **2,004,404** | 1,980,083 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2019*

### 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent and ultimate holding company is Goldpac International (Holding) Limited ("**GIHL**") (a limited liability company incorporated in Hong Kong). Its ultimate controlling party is Mr. LU Run Ting, who is also the chairman and executive director of the Company. The Company acts as an investment holding company while the Group is principally engaged in embedded software and secure payment products for smart secure payment and provision of data processing services, 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 consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle |

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance ("**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.

## 4. REVENUE AND SEGMENT INFORMATION

### (i) Disaggregation of revenue from contracts with customers

*For the year ended 31 December 2019*

| | Embedded software and secure payment products *RMB'000* | Platform and service *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Types of goods or services** | | | |
| Sales of embedded software and secure payment products | **980,012** | **—** | **980,012** |
| Sales of equipment | **—** | **176,575** | **176,575** |
| Data processing services | **—** | **259,078** | **259,078** |
| Total | **980,012** | **435,653** | **1,415,665** |
| **Timing of revenue recognition** | | | |
| A point in time | **980,012** | **435,653** | **1,415,665** |
| **Geographical markets** | | | |
| Overseas and the special administrative regions of Hong Kong ("**Hong Kong**") and Macao ("**Macao**") | **82,688** | **16,980** | **99,668** |
| Mainland China | **897,324** | **418,673** | **1,315,997** |
| Total | **980,012** | **435,653** | **1,415,665** |

### (ii) Performance obligation for contracts with customers

***a. Sale of embedded software and secure payment products***

The Group sells embedded software and secure payment products to financial institutions, government agencies, retail businesses, healthcare businesses, public transportation operators and others. Revenue on sales of embedded software and secure payment products is recognised when control of the goods has transferred to the customers, being when the goods have been shipped to the designed location.

b. ***Data processing services***

The data processing services, including encode cardholder information and/or develop and load custom software applications to embedded software and secure payment products, and prepare for delivery to card issuing customers or directly to the end users, are considered to be a distinct service as it is regularly supplied by the Group to customers on a stand-alone basis. Transaction price is allocated between sales of products and the data processing services on a relative stand-alone selling price basis and is recognised when services is completed and control of the goods has transferred to the customers.

c. ***Sales of equipment***

The Group also provides self-service kiosk and on-site card issuance system solution to its customers. Revenue on sales of self-service kiosk and on-site card issuance system is recognised when control of the goods has transferred to the customers, being when the goods have been shipped to the designed location and installation of the equipment is completed with customers' acceptance.

The normal credit period is 30–150 days upon delivery. Retentions held by customers are normally payable between 6 months to 1 year by the customers from the date of issuance of invoice. Such retentions include retentions for embedded software and secure payment products required by customers to insure performance of IC chips during the warranty period. The card issuance system solutions also have retentions ranging from 5% to 10%, which are payable after the expiration of the warranty period. These warranties associated with the goods cannot be purchased separately and they serve as an assurance that the goods sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

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

**(iii) Segment information**

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

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

| | | |
|---|---|---|
| Embedded software and secure payment products | — | Embedded software and secure payment products for smart secure payment |
| Platform and service | — | Provision of data processing services, equipment, system platforms and other total solutions for customers |

Each operating and reportable segment derives its revenue from the sales of products and platform and services. They are managed separately because each product requires different production and marketing strategies.

Segments results represent the gross profit earned by each segment.

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

| | Revenue | | Results | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Sales to external parties of | | | | |
| — embedded software and secure payment products | **980,012** | 1,110,420 | **234,044** | 271,549 |
| — platform and service | **435,653** | 300,707 | **164,492** | 118,582 |
| | **1,415,665** | 1,411,127 | **398,536** | 390,131 |
| Research and development costs | | | **(113,474)** | (113,854) |
| Other operating expenses | | | **(138,354)** | (143,509) |
| Other income, gains or losses | | | **19,174** | 53,549 |
| Interest income | | | **30,450** | 28,061 |
| Investment income from financial assets at FVTPL | | | **7,508** | 9,034 |
| Net exchange gain | | | **3,783** | 23,117 |
| (Impairment loss) reversal of on trade receivables | | | **(1,581)** | 208 |
| Impairment loss on amount due from an associate | | | **(1,740)** | (11,460) |
| Reversal of (impairment loss) on interest in an associate | | | **3,464** | (27,191) |
| Interest on lease liabilities | | | **(884)** | — |
| Share of losses of associates | | | **—** | (284) |
| Profit before taxation | | | **206,882** | 207,802 |

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

**Other information**

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

| | 2019<br>*RMB'000* | 2018<br>*RMB'000* |
|---|---|---|
| Revenue | | |
| — Mainland China | **1,315,997** | 1,328,934 |
| — Others | **99,668** | 82,193 |
| | **1,415,665** | 1,411,127 |

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

| | 2019<br>*RMB'000* | 2018<br>*RMB'000* |
|---|---|---|
| Hong Kong | **163,322** | 171,587 |
| Mainland China | **275,151** | 197,689 |
| | **438,473** | 369,276 |

**Information about major customer**

For the year ended 31 December 2019, there was one customer with revenue of RMB147,348,000 in aggregate (2018: one customer with revenue of RMB152,019,000 in aggregate) from the segments of both embedded software and secure payment products and platform and service which accounted for more than 10% of the Group's total revenue.

## 5. OTHER INCOME

| | 2019<br>*RMB'000* | 2018<br>*RMB'000* |
|---|---|---|
| Government grants | **5,504** | 31,091 |
| Interest income from bank deposits | **30,450** | 28,061 |
| Investment income from financial assets at FVTPL | **7,508** | 9,034 |
| Value-added tax refund | **13,538** | 18,987 |
| Rental income from investment property | **1,172** | — |
| Others | **240** | 916 |
| | **58,412** | 88,089 |

## 6. OTHER GAINS OR LOSSES

| | 2019 *RMB'000* | 2018 *RMB'000* |
|---|---|---|
| Net exchange gain | **3,783** | 23,117 |
| Gain on fair value changes of financial assets at FVTPL | **84** | 2,649 |
| Loss on disposal of property, plant and equipment | **(1,364)** | (94) |
| | **2,503** | 25,672 |

## 7. PROFIT BEFORE TAX

| | 2019 *RMB'000* | 2018 *RMB'000* |
|---|---|---|
| Profit before tax has been arrived at after charging: | | |
| Directors' emoluments | **15,998** | 17,399 |
| Other staff costs | **208,723** | 197,650 |
| Other staff's equity-settled share-based payments | **1,009** | 6,896 |
| Other staff's retirement benefits scheme contributions | **8,027** | 6,879 |
| | **233,757** | 228,824 |
| Depreciation of property, plant and equipment | **39,637** | 43,916 |
| Depreciation of right-of-use assets | **9,322** | — |
| Depreciation of investment property | **2,194** | — |
| Amortisation of intangible assets (included in administrative expenses) | **2,290** | 2,290 |
| Total depreciation and amortisation | **53,443** | 46,206 |
| Allowance for inventories included in cost of sales | **2,843** | 2,887 |
| Auditor's remuneration | **1,991** | 1,924 |
| Cost of inventories recognised as expense | **799,887** | 833,630 |

## 8. INCOME TAX EXPENSE

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Income tax expense comprises: | | |
| Current tax | | |
| The PRC Enterprise Income Tax ("**EIT**") | **(18,713)** | (21,497) |
| Underprovision of EIT in prior years | **—** | (2,332) |
| PRC withholding tax on dividend distribution | **(9,290)** | — |
| | **(28,003)** | (23,829) |
| Hong Kong Profits Tax | **(3,929)** | (3,257) |
| (Under)overprovision of Hong Kong Profits Tax in prior years | **(185)** | 82 |
| | **(32,117)** | (27,004) |
| Deferred taxation | **1,658** | (6,150) |
| | **(30,459)** | (33,154) |

Hong Kong Profit 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 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

The Company's subsidiaries in Mainland China are subject to EIT at 25% except for Goldpac Limited which was approved as a High-New Technology Enterprise and entitles to preferential tax rate at 15% for the each of the year ended 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 by Goldpac Limited prior to 1 January 2008, when distributed to foreign investors, can be grandfathered with the exemption from withholding EIT. Whereas, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% or reduced tax rate if tax treaty or arrangement applies. Under the relevant tax arrangement of the Group, the withholding tax rate on dividend distribution to the qualifying Hong Kong resident companies is 5%. Deferred tax liability on the undistributed profits earned since 1 January 2008 have been accrued at the tax rate of 5%.

## 9. DIVIDENDS

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 2019 Interim — HK4.0 cents (2018 Interim — HK4.0 cents) per ordinary share | **30,065** | 28,954 |
| 2018 Final — HK10.0 cents (2017 Final — HK10.0 cents) per ordinary share | **73,150** | 68,060 |
| 2018 Special — HK6.0 cents (2017 Special — HK6.0 cents) per ordinary share | **43,890** | 40,836 |
| | **147,105** | 137,850 |

Subsequent to the end of the reporting period, a final dividend of HK10.0 cents (2018: HK10.0 cents) and a special dividend of HK6.0 cents (2018: HK6.0 cents) per ordinary share in respect of the year ended 31 December 2019 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.

## 10. EARNINGS PER SHARE

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

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company) | **177,125** | 175,187 |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share *(note)* | **826,047** | 826,134 |

*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.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price for shares for the year ended December 2018.

No diluted earnings per share for the year ended 31 December 2019 were presented as there were no potential ordinary shares in issue.

## 11. INTERESTS IN ASSOCIATES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Unlisted investments in associates, at cost | **32,120** | 32,120 |
| Share of post-acquisition results and reserves | **(4,929)** | (4,929) |
| Impairment loss on interest in an associate | **(23,727)** | (27,191) |
| | **3,464** | — |

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** |
|---|---|---|---|---|
| | | **2019** | 2018 | |
| Kaixin Holdings Limited | British Virgin Islands | **45%** | 45% | Investment holding |
| Sichuan Zhongruan Technology Ltd. ("**SCZR**") | Mainland China | **19.68%** *(note)* | 19.68% *(note)* | Smart city platform |

*Note:* The Group was able to exercise significant influence over SCZR because it had the power to appoint two out of the seven directors of SCZR under its article of association.

**Aggregate information of associates that are not individually material**

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| The Group's share of losses of associates | **—** | (284) |
| Aggregate carrying amount of the Group's interests in these associates | **3,464** | — |

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:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Unrecognised share of losses of the associates for the year | **(1,550)** | (1,157) |
| Accumulated unrecognised share of losses of the associates | **(2,707)** | (1,157) |

## 12. INVENTORIES

| | 2019<br>*RMB'000* | 2018<br>*RMB'000* |
|---|---|---|
| Raw materials | **115,099** | 135,974 |
| Work in progress | **4,007** | 4,787 |
| Finished goods | **65,570** | 71,191 |
| | **184,676** | 211,952 |

## 13. TRADE RECEIVABLES

| | 2019<br>*RMB'000* | 2018<br>*RMB'000* |
|---|---|---|
| Trade receivables | | |
| — goods and services | **337,513** | 421,435 |
| Less: allowance for credit losses | **(9,176)** | (7,595) |
| | **328,337** | 413,840 |

As at 1 January 2018, trade receivable from contracts with customers amounted to RMB400,338,000.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

| | 2019<br>*RMB'000* | 2018<br>*RMB'000* |
|---|---|---|
| 0–90 days | **206,329** | 308,371 |
| 91–180 days | **51,447** | 41,946 |
| 181–365 days | **38,209** | 32,416 |
| Over 365 days | **32,352** | 31,107 |
| | **328,337** | 413,840 |

As at 31 December 2019, included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB14,453,000 (2018: RMB11,544,000) which are past due as at the reporting date. The past due balances have been past due 90 days or more and are not considered as in default. The directors of the Company consider that these debts are recoverable based on historical experience with these debtors.

The Group does not hold any collateral over these balances.

## 14. CONTRACT ASSETS

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Embedded software and secure payment products | **5,253** | 7,163 |
| Equipment | **7,459** | 6,401 |
| | **12,712** | 13,564 |

The contract assets primarily relate to the Group's right to receive remaining payments from customers and not billed because the rights are conditioned on the satisfaction of quality over the products delivered at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The condition is fulfilled upon the completion of retention period which is normally between 6 months to 1 year.

## 15. TRADE AND BILLS PAYABLES

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | | |
| — Subsidiaries of Gemalto N.V. ("**Gemalto**") *(note)* | **—** | 9,533 |
| — Related company of Gemalto | | |
| — DataCard Corporation | **—** | 10,621 |
| — Third parties | **282,336** | 249,476 |
| | **282,336** | 269,630 |
| Bills payables — secured | | |
| — Subsidiaries of Gemalto | **—** | 23,021 |
| — Third parties | **117,010** | 145,070 |
| | **117,010** | 168,091 |
| | **399,346** | 437,721 |

*Note:* Gemalto is a company incorporated under the laws of the Netherlands and whose shares were listed traded on NYSE Euronext Amsterdam and NYSE Euronext Paris. In April 2019, Thales, a company incorporated in France, has accomplished the whole acquisition of Gemalto and Gemalto delisted on 29 May 2019. Gemalto controlled Gemplus International S.A., a related party and a substantial shareholder of the Company throughout both years, which is a limited liability company incorporated in Luxembourg.

The Group normally receives credit terms of 60 to 180 days from its suppliers. The following is an aged analysis of the Group's trade and bills payables based on invoice date at the end of the reporting period:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0–90 days | **346,814** | 353,550 |
| 91–180 days | **40,931** | 65,026 |
| 181–365 days | **4,529** | 11,911 |
| Over 1 year | **7,072** | 7,234 |
| | **399,346** | 437,721 |

## 16. CONTRACT LIABILITIES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Embedded software and secure payment products | **42,468** | 27,176 |

As at 1 January 2018, contract liabilities amounted to RMB35,475,000.

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 2019, revenue recognised in the current year relating to contract liabilities at the beginning of the year is RMB27,176,000 (2018: RMB35,475,000).

## 17. SHARE CAPITAL

| | **Number of ordinary shares** | **Amount** |
|---|---|---|
| | *'000* | *HKD'000* |
| Issued and fully paid: | | |
| At 1 January 2018, 31 December 2018 and 2019 | 833,561 | 1,499,498 |

| | *RMB'000* |
|---|---|
| Shown in the financial statements as | |
| — at 31 December 2018 and 2019 | 1,192,362 |

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Structured deposits | **180,084** | 232,649 |
| Analysed for reporting purposes as: | | |
| Current assets | **180,084** | 232,649 |

At as 31 December 2019, the structured deposits represent principal-guaranteed financial products amounting to RMB180,000,000 (2018: RMB230,000,000) issued by banks in the PRC with an expected but not guaranteed return varying with the range from 2.5% to 3.9% per annum (2018: 2.6% to 3.35% per annum), which depending on the market price of the underlying financial instruments, including money market funds, inter-banking lending and debentures. The structured deposits were designated as financial assets at FVTPL on initial recognition.

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, the Group continued to maintain a steady business momentum and its major performance indicators including revenue and net profit remained stable. The innovative growth driver continued to be strengthened, and the platform and service segment has been growing rapidly. At the same time, the Group has further clarified the development strategies so as to set sail for the future.

## STEADY PERFORMANCE

In 2019, the Group's revenue was approximately RMB1,416.0 million, flat from last year. The gross profit increased by approximately 2.2% year-on-year to approximately RMB399.0 million. Attributing to the continuous optimization of the business structure, the gross margin increased by 0.6 percentage points to approximately 28.2%. The net profit was approximately RMB176.0 million, representing a year-on-year increase of approximately 1.0%. Basic earnings per share was approximately RMB21.4 cents, basically flat to last year.

The Group has recorded steady and healthy financial performance with adequate flexibility and sufficient cash flow. As at 31 December 2019, the Group's current assets totaled approximately RMB1,922.8 million, which provides strong support for the Group to advance its innovative business and explore new growth drivers.

The Board proposed to declare a final dividend of HK10.0 cents (equivalent to approximately RMB9.1 cents) per ordinary share (HK10.0 cents in 2018) and a special dividend of HK6.0 cents (equivalent to approximately RMB5.5 cents) per ordinary share (HK6.0 cents in 2018) for the year ended 31 December 2019. If this proposal is approved by the shareholders of the Company at the forthcoming annual general meeting, the accumulated amount of dividend declared for the year of 2019 would be approximately HK20.0 cents (equivalent to approximately RMB18.3 cents) per ordinary share, and the dividend payout ratio for the year of 2019 would be approximately 85.5%. The total amount of dividend declared since IPO in 2013 would be approximately HKD890.0 million (equivalent to approximately RMB760.0 million).

## ADVANCE INNOVATIVE PRODUCTS AND STRENGTHEN DIFFERENTIATED ADVANTAGES

In 2019, summing up the lessons brought by the disorderly and chaotic development of China's Internet financial industry over the past few years, the People's Bank of China and the China Banking and Insurance Regulatory Commission further strengthened the compliance regulation over the banking industry to guard against systematic financial risks. The issuance of guidance documents at the national level, such as "*the Guidelines on Risk Management of Bank Card Issuing Business*", has effectively refined and improved the protection of the legitimate rights and interests of consumers, further improved the regulatory system and promoted the healthy development of the smart secure payment industry.

With the reinforcement of compliance regulations, the characteristics of the segment market for the embedded software and secure payment products had been changed. Financial institutions such as banks, being on the main demand side of this market, enforced more precise management processes. Due to the influence of two factors, namely, the bank's business strategy and the preference of end consumers, the demands for fashionable, high value added and innovative products are continuing to grow.

The Group has actively adjusted and quickly responded to this remarkable change and promoted a high value added and innovative product strategy so as to meet the bank's demand for differentiated products and the consumers' preference for personalized products. The unique differentiated advantage has been built up.

In 2019, the Group's embedded software and secure payment products segment recorded revenue of approximately RMB980.0 million, representing a decrease of approximately 11.7% year-on-year. As high value added and innovative products are at the stage of market growth, its growth is insufficient to offset the decline in demand for traditional products in the year of 2019. Nevertheless, the Group has established a distinct competitive advantage in the high value added and innovative products.

In 2019, the Group's platform and service segment maintained a high speed of development. Its revenue increased approximately 44.9% year-on-year to approximately RMB436.0 million, accounting for approximately 30.8% of the Group's total revenue, increasing from approximately 21.3% as in the year of 2018. The segment's gross margin also remained at a high level of approximately 37.8%. As the important growth driver for the Group, the different product lines of the platform and service segment, inclusive of card issuance system solution, the A.I. self-serve kiosks, logistics service, data processing service and so on, have achieved notable growth, attributing to the Chinese government's promotion of the implementation of the "Internet+" initiative to further hasten reforms in government service, the digital transformation of financial services sectors and the increasing demand for customized consumer services. The Group will invest more resources to support the organic growth and external expansion of this segment.

Benefiting from the development of the Guangdong-Hong Kong-Macao Greater Bay Area, businesses in Hong Kong and Macao were expanding greatly and overseas businesses were growing rapidly. In 2019, the overseas revenue was approximately RMB99.0 million, representing a year-on-year increase of approximately 21.3%.

## OUTLOOK

The Group will continue implementing firmly its corporate level strategies, which are consolidating core business advantages, accelerating the development of diversified payments and expanding overseas markets. With the mission of being a leading provider of fintech products and services, the Group is guided by "*FinTech Development Plan (2019–2021)*" issued by the People's Bank of China and has also formulated a practical business level strategy to achieve the goal of leading market value, leading business size, leading customer base and satisfying employees.

### 1. Consolidating the Core Competitiveness of Smart Secure Payment Products

The Group will continue the research on the characteristics and preferences of different consumer groups in depth. By combining fashionable elements such as cultural creativity and Internet, the Group will increase R&D investment in new materials, new technology, new design, and eco-friendly materials so as to promote more customized and fashionable high value added and innovative products. The objective of those measures is to lead the market trend, make smart secure payment products more attractive to the end consumers and optimize the one-stop value-added services for financial institutions, and to enhance the value contribution of innovation products to the Group.

### 2. Accelerating the Development of Ecological Fintech Services through the Digital Transformation of Smart Outlets

In order to promote the digital transformation of banking, social security and other industries, save labor costs, and improve service efficiency, the use of the A.I. self-service kiosks in place of manual labor has become a promising development trend. All relevant Chinese authorities are vigorously promoting the application of the A.I. self-service kiosks. In July 2019, the Ministry of Social Security officially issued a notice, explicitly requiring local social security institutions to set up at least 2 fast card issuing outlets in each county or district, further encouraging self-service card issuing kiosks where possible. Many banks have also begun the digital transformation of smart outlets.

Based on the advantages of customer resources and the digital transformation needs of financial services, the Group has developed and promoted the multi-functional A.I. self-service kiosks and related services to enable customers to enjoy enhanced value service. Those efforts have started to be paid off in 2019. In the future, the Group will continue to expand the size of its customer base, while further improve product standardization management and risk control to better meet the potential growth of market demand, so as to promote the sustainable development of the A.I. self-serve kiosks.

**3. Building the Bank-oriented Credit Card Ecological Service Platform**

The Group's Internet platform business focused on the banks' need to expand credit card business. The platform integrates the industry resources to deliver mass customized credit card solution. The platform will build a bank-oriented credit card ecological service platform which integrated the industry application, rights, design, material and technology and special customization of credit cards. Capitalizing on the core competitive advantage of the Group, the platform is to take the Internet as vehicle for development and fully tap the innovative business growth opportunities.

**4. Building a Deep Link with the Internet of Things Industry through Data Processing Advantages**

Security data processing is the core advantage of the Group. The Group has the world's largest bank card data processing service center, and has accumulated abundant successful experience in this area. Leveraging the advantages in this field, the Group will actively participate in the key deployment of the Internet of Things **(IoT)** industry as promoted under the National 13th Five-Year Plan, explore and expand the data processing services of the IoT module, promote the exploration and R&D of the Group in the IoT security information collection and control system and the operation and management of the IoT equipment, and participate in the next trillion RMB industrial construction. The Group has reached cooperation agreements with a number of companies in related fields to play an active role jointly in the R&D and application of software and hardware in the IoT solutions, cloud platforms and other IoT-related industries.

**5. Further Expanding Overseas Business with Financial Technology**

Based on mature financial technology products and services, the Group is further expanding the scale of its market activities in overseas regions and is continuously promoting products and services such as customized products, data processing and A.I. self-service kiosks. At the same time, the Group has started the certification of more overseas market applications, and will enhance the local sales channel capacity through the gradual establishment of local sales teams, to better promote the sales in overseas areas. Overseas business will gradually enhance their revenue contribution to the Group.

The Guangdong-Hong Kong-Macao Greater Bay Area is one of the most open and dynamic regions in China and has an important strategic position in China's development. In 2019, the "*Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*" was officially issued, further clarifying and enhancing the supporting and leading role of the Guangdong-Hong Kong-Macao Greater Bay Area in national economic development and opening-up. This plan covers a number of initiatives to promote the development of the financial sector, including the joint efforts of Guangdong, Hong Kong and Macao, to build an international financial hub, vigorously develop the characteristic financial sector, and promote orderly financial market connectivity.

Located in the heart of the Guangdong-Hong Kong-Macao Greater Bay Area, the "Zhuhai Fintech Center", which is now under construction, is the leading support bridge of the Group to connect the world by leveraging the Greater Bay Area and constantly leverages its advantages in the field of Fintech. In 2019, the Group launched a comprehensive strategic partnership with China Mobile to create the first 5G+ innovation demonstration base for fintech applications in the Greater Bay Area, aiming at developing and exploring more cutting-edge technologies in the context of the convergence of the financial and IoT industries.

More and more overseas international talents, projects, funds and technology are now entering into China through the window of the Greater Bay Area. "Zhuhai Fintech Center" will bring together global professionals in the IoT, intelligent security payment, data encryption, integrated circuits and other industries, and will jointly make forward-looking technological exploration and technological innovation in areas such as block chain, artificial intelligence, big data, biometrics and other areas.

Novel Coronavirus ("**COVID-19**") that ravaged China and other parts of the world in early 2020 has brought and is likely to continue to bring uncertainty to China's national economic growth and the global economy. Despite the challenge ahead, the Group remains confident in the market potential and will be committed to explore more development opportunities.

## SUBSEQUENT EVENTS

The outbreak of COVID-19 in China and other countries in early 2020 has brought uncertainty to China's national economic growth as well as the business of the Group. The Group had resumed its operations since February 2020 and the Directors anticipate that the COVID-19 will have no material impact at the date these financial statements are authorised for issue.

## 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 Monday, 18 May 2020, 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, 12 May 2020. The register of members of the Company will be closed from Wednesday, 13 May 2020 to Monday, 18 May 2020, 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 Friday, 5 June 2020. The register of members of the Company will be closed from Monday, 8 June 2020 to Wednesday, 10 June 2020, 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 Monday, 18 May 2020, the dividends will be paid on Tuesday, 30 June 2020 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 10 June 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 31 December 2019, the Company utilized approximately RMB819.1 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 2019, the Group's aggregate amount of bank balances and cash, fixed bank deposits and pledged bank deposits reached approximately RMB1,437.1 million (2018: approximately RMB1,351.5 million), of which approximately RMB770.1 million (2018:

approximately RMB942.7 million) was denominated in RMB, representing approximately 53.6%, and approximately RMB667.0 million (2018: approximately RMB394.7 million) was denominated in USD and HKD, etc., representing approximately 46.4%.

As at 31 December 2019, the Group's financial assets at FVTPL amounted to RMB180.1 million, which was the structured deposits represented by principal-guaranteed financial products issued by banks, among which approximately RMB60.0 million was in China Construction Bank, approximately RMB60.0 million was in Ping An Bank and approximately RMB60.0 million was in Agricultural Bank of China.

As at 31 December 2019 and 31 December 2018, the Group had no bank loans.

As at 31 December 2019, the Group's trade receivables was approximately RMB328.3 million (2018: approximately RMB413.8 million). It is the industry practice that settlement of trade receivables peaks around the end of year.

As at 31 December 2019, the Group's total current assets amounted to approximately RMB1,922.8 million (2018: approximately RMB1,996.2 million), representing a decrease of approximately 3.7% compared to that of the previous year.

As at 31 December 2019, the Group's current ratio was approximately 3.2 (2018: approximately 3.2), representing a high liquidity.

As at 31 December 2019, 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 23.9% (2018: approximately 24.7%).

## CURRENCY EXPOSURE

In terms of currency exposure, the Group's sales were mainly denominated in RMB, USD and HKD while the operating expenses and purchases were mainly denominated in RMB with 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 2019, the Group's capital expenditure was approximately RMB94.3 million. (2018: approximately RMB43.1 million). The capital expenditure includes expenses in fixed assets and intangible assets.

## CAPITAL COMMITMENT

The aggregate capital commitment of the Group as at 31 December 2019 was approximately RMB24.8 million (2018: approximately RMB18.0 million).

## PLEDGED ASSETS

As at 31 December 2019, bank deposits of approximately RMB156.0 million (2018: approximately RMB165.6 million) were pledged to secure the bills payables and bank guarantee.

## CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2019, the Group's purchasing volume from Gemalto N.V. ("**Gemalto**") amounted to approximately RMB2.3 million, representing a year-on-year decrease of approximately 97.5%. 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 accordance with Rule 14.07 of 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.

## SIGNIFICANT INVESTMENTS

The Group had no significant investments for the year ended 31 December 2019.

## CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities.

## MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

In September 2019, the Group entered into a sale and purchase agreement with remaining four shareholders of SCZR and one third party to dispose of 19.68% interest in SCZR held by the Group for a total consideration of RMB32,920,000. Save as disclosed above, the Group had no material acquisitions and disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2019.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company.

## 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 2019, the Group's environmental, social and governance ("**ESG**") management team had managed, monitored, recommended and reported on environmental and social aspects. An ESG report is prepared with reference to Appendix 27 to the Listing Rules (Environmental, Social and Governance Reporting Guide) and will be published on the Company's and the Stock Exchange's websites.

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

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

## HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 1,711 employees (as at 31 December 2018: 1,735), with a decrease of 24 employees as compared to that as at 31 December 2018.

The human resources are one of the Group's most important assets. In addition to offering competitive remuneration and welfare packages, the Group is also committed to providing specialized and challenging career development and training programs. Generally, a salary review is conducted annually. The Group also adopted the Pre-IPO share option scheme, the share option scheme and the share award scheme to motivate prospective employees. Apart from basic remuneration, for employees in the Mainland China, the Group makes contributions towards employee mandatory social security, pensions, work-related injury insurance, maternity insurance and medical and unemployment insurance in accordance with the applicable laws and regulations of the Mainland China. The Group also provides full coverage of housing provident fund contributions as required by local regulations in the Mainland China. For overseas employees, the Group also makes contributions towards relevant insurance scheme as required by the local regulations.

## REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's annual results for the year ended 31 December 2019.

## 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 year ended 31 December 2019.

## 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 2019.

## NON-STATUTORY FINANCIAL STATEMENTS

The financial information relating to the year ended 31 December 2018 and 31 December 2019 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 2018 and will deliver its financial statements for the year ended 31 December 2019 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 2019

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 2019 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, 23 March 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. LU Xiaozhong, Mr. WU Siqiang and Mr. LING Wai Lim; and the independent non-executive Directors of the Company are Mr. MAK Wing Sum Alvin, 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.*