
CONNECTED TRANSACTIONS



CONNECTED TRANSACTIONS

We have entered into certain transactions with our connected persons which will continue following the Listing and will constitute continuing connected transactions within the meaning of the Listing Rules.

CONNECTED PERSONS

GIHL

Upon Listing, GIHL will be the Corporate Controlling Shareholder of our Company, holding approximately 44.60% of our issued share capital (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), and therefore, a connected person of our Company.

GIHL is a company incorporated under the laws of Hong Kong and the holder of the trademarks  金邦達 Goldpac and  金邦達 Goldpac (the “**Trademarks**”) in Hong Kong, Macau and the PRC. It is an investment holding vehicle of Chairman Lu with no substantive business.

Gemalto

Upon Listing, Gemalto will be a substantial shareholder of our Company holding approximately 19.12% of our issued share capital (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), and therefore, a connected person of our Company. Each of Gemalto Taiwan Co., Ltd., Gemalto Pte. Ltd., Shanghai Axalto IC Card Technologies Co., Ltd. and Gemalto (Shanghai) (the “**Gemalto Entities**”) is a subsidiary of Gemalto, and thus a connected person of our Company.

Mr. Christophe Jacques Pagezy, our non-executive Director and an executive vice president of Gemalto, is a board representative nominated by Gemalto to the Board. For his biographical details, please refer to the section headed “Directors and Senior Management – Directors – Non-executive Directors” in this prospectus.

Gemalto is a company incorporated under the laws of Netherlands and whose shares are listed and traded on NYSE Euronext Amsterdam and NYSE Euronext Paris, respectively. According to information available from public source, Gemalto is principally engaged in the provision of digital security solution, which caters for the expanding needs for personal mobile services, payment security, authenticated cloud access, identity and privacy protection, eHealthcare and eGovernment efficiency, convenient ticketing and dependable machine-to-machine (M2M) applications. Gemalto also develops secure embedded software and secure products which it then designs and personalises. Gemalto’s platforms and services manage these products, the confidential data they contain and the trusted end user services made possible. Based on information available from public source, Gemalto had annual revenues of €2.2 billion in 2012 and more than 10,000 employees operating out of 83 offices and 13 Research & Development centres, located in 43 countries.

BOCI Investment

Upon Listing, BOCI Investment will be a substantial shareholder of our Company holding approximately 11.28% of our issued share capital (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), and therefore, a connected person of our Company.

CONNECTED TRANSACTIONS

BOC is the ultimate holding company of BOCI Investment. To the best of the knowledge, information and belief of our Directors, BOC is the ultimate holding company of certain Bank of China entities (including BOC Credit Card (International) Limited and BOC Services Co. Ltd.), which our Group supplies cards and solutions (the “**BOC Entities**”). Our Directors consider it is appropriate to regard each of the BOC Entities as a connected person of our Company.

Each of BOC Credit Card (International) Limited and BOC Services Co. Ltd. was one of our Group’s major customers throughout the Track Record Period and an Independent Third Party prior to the Pre-IPO investment by BOCI Investment as set out in section headed “History and Corporate Structure – Pre-IPO Investment” in this prospectus.

Mr. Ting Tao I, our non-executive Director and the head of the private equity division of BOC International Holdings Limited, the immediate holding company of BOCI Investment, is a board representative nominated by BOCI Investment to the Board. For his biographical details, please refer to the section headed “Directors and Senior Management – Directors – Non-executive Directors” in this prospectus. BOCI Investment is a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of BOC, whose shares are listed and traded on the Stock Exchange and the Shanghai Stock Exchange, respectively. It is the principally engaged in private equity investment.

CONTINUING CONNECTED TRANSACTIONS

Exempt Continuing Connected Transaction

Upon Listing, each of the transactions set forth below will constitute continuing connected transaction for our Company, which is exempt from the reporting, announcement and independent shareholders’ approval requirements set out in Chapter 14A of the Listing Rules:

Trademark Licensing by GIHL

On 29 March 2011, a trademark license agreement (the “**2011 Trademark License Agreement**”) was entered into between GIHL as the licensor and our Company, Goldpac Secur-Card and Goldpac Datacard as the licensees, pursuant to which GIHL agreed to grant the licensees an exclusive license to use the Trademarks at nil consideration. The 2011 Trademark License Agreement will expire upon Listing.

On 15 November 2013, a trademark assignment and license agreement was entered into between GIHL and our Company, in respect of the Trademarks registered in each of Hong Kong, Macau and the PRC (the “**Trademark Assignment and License Agreement**”), pursuant to which (i) GIHL agreed to transfer the Trademarks to our Company at a consideration of US\$3 million, which will be payable within 14 days after the Listing Date and was determined after arm’s length negotiation between the parties by reference to an appraised value of the Trademarks prepared by an independent valuer payable, and (ii) for the period from the date of Listing (the day of expiry of the 2011 Trademark License Agreement) and until the date when our Company becomes the registered owner of the Trademarks (when the transfer process is completed at the relevant trademark registries), GIHL agreed to grant our Group companies an exclusive license to use the Trademarks at nil consideration (the “**Trademark Licensing**”).

As the Trademark Licensing is on normal commercial terms or more favourable to our Group and none of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) in respect of the Trademark Licensing contemplated under the Trademark Transfer Agreements will exceed 0.1%, the Trademark Licensing is exempt from the reporting, announcement and shareholders approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules.

Supply of Cards and Solutions to Gemalto

During the Track Record Period, Goldpac Datacard, one of our principal operating subsidiaries, supplied cards and solutions to Gemalto Taiwan Co., Ltd. and Gemalto Pte. Ltd., each of which is a

CONNECTED TRANSACTIONS

subsidiary of Gemalto, accordingly, the transactions with Gemalto Taiwan Co., Ltd. and Gemalto Pte. Ltd. were and shall be aggregated pursuant to Rule 14A.27 of the Listings Rules.

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, Goldpac Datacard supplied cards and solutions to Gemalto Taiwan Co., Ltd. and Gemalto Pte. Ltd., on prevailing market prices, in the aggregate amount of RMB1,398,000, RMB903,000, RMB193,000 and nil, respectively.

Our Directors anticipated that the aggregate annual transaction values for the supply of cards and solutions by Goldpac Datacard to Gemalto Taiwan Co., Ltd. and Gemalto Pte. Ltd. would not exceed HK\$1,000,000 for each of the three years ending 31 December 2013, 31 December 2014 and 31 December 2015, respectively, on the basis of the historical annual transaction values and expected trend of purchase from Gemalto Taiwan Co., Ltd and Gemalto Pte. Ltd.

As the supply of cards and solutions is on normal commercial terms and none of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) in respect of such supply will not exceed 5% and the annual transaction value will be less than HK\$1,000,000, the supply of cards and solutions is exempt from the reporting, announcement and shareholders approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules.

Non-exempt Continuing Connected Transactions

Upon Listing, the transactions set forth below will constitute non-exempt continuing connected transactions for our Company, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules:

Module Supply from Gemalto

Background

During the Track Record Period, Goldpac Secur-Card, one of our principal operating subsidiaries, purchased certain microprocessor composed of an electronic component embedding a card operating system, also known as IC chips, from certain Gemalto Entities, accordingly the transactions with such Gemalto Entities were and shall be aggregated pursuant to Rule 14A.27 of the Listings Rules.

On 29 March 2011, a module supply agreement was entered into between Gemalto as the supplier, and our Company, Goldpac Secur-Card and Goldpac Datacard as the purchasers (the "**2011 Module Supply Agreement**"), pursuant to which Gemalto or its affiliates agreed to supply and our Group agreed to purchase certain IC chips exclusively from Gemalto. The 2011 Module Supply Agreement will expire upon Listing.

Under the 2011 Module Supply Agreement, Gemalto agreed to offer our Group the most favourable terms and conditions as compared with the terms and conditions offered by Gemalto or its affiliates to other customers (including Gemalto's affiliates) in China, Hong Kong and Macau. Our Group is entitled to purchase IC chips from other suppliers if (i) the terms and conditions offered by such suppliers are more favourable than those available from Gemalto; and (ii) Gemalto is not able to match such terms and conditions offered by such other suppliers.

On 15 November 2013, a module supply agreement was entered into between Gemalto and our Company, Goldpac Secur-Card and Goldpac Datacard (the "**Module Supply Agreement**"), pursuant to which Gemalto agreed to supply and our Group agreed to purchase from Gemalto or its affiliates each year not less than 75% of the IC chips required by the Group to the extent the IC chips are available from the product list of Gemalto, on substantially the terms as those in the 2011 Module Supply Agreement for a term commencing from the date of Listing and ending on 31 December 2015.

CONNECTED TRANSACTIONS

If the IC chips on the product list of Gemalto does not contain the IC chips that the Group requires, or the Group does not require any IC chips at all, there is no requirement to purchase from Gemalto or its affiliates. Accordingly, there is no minimum volume nor dollar amount to be purchased each year by the Group from Gemalto or its affiliates under the Module Supply Agreement.

Under the Module Supply Agreement, Gemalto agreed to offer our Group the most favourable terms and conditions as compared with the terms and conditions offered by Gemalto or its affiliates to other customers (excluding Gemalto's affiliates) in China, Hong Kong and Macau and our Group is entitled to purchase IC chips from other suppliers if the terms and conditions offered by such suppliers are more favourable than those available from Gemalto (the "**Most Favourable Terms Arrangements**").

Gemalto, being a renowned global digital security solution provider with presence both overseas and in the PRC, has the capability and track record to supply high quality IC chips to Group in a timely manner. Leveraged on the previous long term business relationship, our Company and Gemalto are able to agree on conducting their transactions based on the Most Favourable Terms Arrangements.

China is an important market for suppliers of the raw materials globally, accordingly, suppliers, both international and local, are available for the raw materials required by our Group. Leveraged on the leading market position of our Group in the Greater China region, our Group is able to identify and engage other suppliers for its raw materials including those that are compatible with the raw materials currently supplied by Gemalto and its affiliates to us, with comparable quality and procurement terms. Our Group has established long term business relationship with other IC chip suppliers, including no less than five other IC chip suppliers, both international and local. The IC chips offered by these suppliers are comparable to those supplied by Gemalto and its affiliates. If the Module Supply Agreement is terminated, our Directors believe that our Group is in a position to source similar products with comparable procurement terms and quality from other suppliers.

As (i) the supply of IC chips under the Module Supply Agreement is conducted on an arm's length basis and on terms no less favourable than those offered by other suppliers, (ii) from their past long term business relationship, Gemalto has an established track record of being a reliable and stable supplier, and (iii) in the event that the Module Supply Agreement is terminated, other suppliers, both overseas and in the PRC, of comparable procurement terms and quality are available to our Group, the Directors consider that (a) our Group is able to source its IC chips without reliance on Gemalto, (b) the procurement from Gemalto which is conducted based on the Most Favourable Terms Arrangements is in the interest of our Group and the Shareholders as a whole, and (c) the purchase of IC chips from Gemalto and its affiliates is for the mutual benefit of and reflecting commercial reality for both Gemalto and the Group.

Historical Transaction Values

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our Group purchased IC chips from certain Gemalto Entities in the amount of approximately RMB8,283,000, RMB15,751,000, RMB131,534,000 and RMB24,976,000 and RMB212,066,000, respectively representing:

- (i) an increase by approximately 90.2% or RMB7,468,000, from RMB8,283,000 in 2010 to RMB15,751,000 in 2011;
- (ii) an increase by approximately 735.1% or RMB115,783,000, from RMB15,751,000 in 2011 to RMB131,534,000 in 2012; and
- (iii) an increase by approximately 749.1% or RMB187,090,000, from RMB24,976,000 for the first six months in 2012 to RMB212,066,000 for the first six months in 2013.

CONNECTED TRANSACTIONS

The procurement from Gemalto or its affiliates accounted for 4.4%, 6.9%, 31.3% and 60.2% of our Group's total purchase and 12.4%, 19.4%, 57.8% and 79.0% of our purchase of IC chips incurred for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. The increase in procurement of IC chips from Gemalto and its affiliates as a percentage of our Company's total purchase of IC chips amounted to 8.6% (2010 vs 2011), 43.1% (2011 vs 2012), and 36.8% (half year of 2012 vs 2013), respectively. The increase in sales of magnetic strip cards and smart cards amounted to 13.5% (2010 vs 2011), 60.1% (2011 vs 2012), 131.9% (half year of 2012 vs 2013), respectively. Accordingly, while the overall procurement of IC chips from Gemalto and its affiliates as a percentage of our Company's total purchase of IC chips was in an upward trend, it was in line with the upward trend in sales of magnetic strip cards and smart cards during the Track Record Period.

The growth in historical transaction values is principally due to the migration from the magnetic strip card technology to the more advanced smart card technology, especially with the adoption of national regulation and standards for smart card technology, PBOC 2.0, in the PRC in 2012, which have driven increased growth in demand for smart cards and faster migration and in turn lead to change in our product mix to increase our production of smart cards.

2010 vs 2011 — An increase by approximately 90.2% or RMB7,468,000, from RMB8,283,000 in 2010 to RMB15,751,000 in 2011

For the increase in transaction values of our Group's purchase of IC chips from Gemalto or its affiliates from RMB8,283,000 in 2010 to RMB15,751,000 in 2011 (approximately 90.2%), it was mainly due to the increase in market demand for smart cards, thus IC chips, from our customers during 2011 primarily as a result of the anticipation of the adoption of PBOC 2.0 in the PRC in 2012. In order to cater for the rapid increase in demand for smart cards and the change of our Group's product mix to increase our production of smart cards, our Group substantially increased its purchase of IC chips from Gemalto in 2011.

2011 vs 2012 — An increase by approximately 735.1% or RMB115,783,000, from RMB15,751,000 in 2011 to RMB131,534,000 in 2012

For the increase in transaction values of our Group's purchase of IC chips from Gemalto or its affiliates from RMB15,751,000 in 2011 to RMB131,534,000 in 2012 (approximately 735.1%), it was mainly due to the increase in demand for smart cards, thus IC chips, from our customers during 2012 primarily as a result of the policies of the PRC government promoting the migration towards smart cards and the change of our Group's product mix to increase our production of smart cards.

First six months in 2012 vs First six months in 2013 — An increase by approximately 749.1% or RMB187,090,000, from RMB24,976,000 for the first six months in 2012 to RMB212,066,000 for the first six months in 2013.

For the increase of transaction values of our Group's purchase of IC chips from Gemalto or its affiliates from RMB24,976,000 for the first six months in 2012 to RMB212,066,000 for the first six months in 2013 (approximately 749.1%), it was mainly due to the increase in the demand for smart cards, thus IC chips, from our customers during the first half of 2013 primarily as a result of the financial card industry continuing to adapt to the policies of the PRC government promoting the migration towards smart cards and the change of our Group's product mix to increase our production of smart cards.

Annual Caps

It is proposed by our Directors that the annual caps for the purchase of IC chips from Gemalto or its affiliates are RMB500,000,000, RMB650,000,000 and RMB750,000,000 for the three years ending 31 December 2013, 2014 and 2015, respectively, representing:

- (i) an increase of approximately 289.1%, or RMB368,466,000, from RMB131,534,000 in 2012 (actual value) to RMB500,000,000 in 2013 (annual cap);

CONNECTED TRANSACTIONS

- (ii) an increase of approximately 30.0%, or RMB150,000,000, from RMB500,000,000 in 2013 (annual cap) to RMB650,000,000 in 2014 (annual cap); and
- (iii) an increase of approximately 15.0%, or RMB100,000,000, from RMB650,000,000 in 2014 (annual cap) to RMB750,000,000 in 2015 (annual cap).

For the six months ended 30 June 2013 and nine months ended 30 September 2013, our Group purchased IC chips from Gemalto or its affiliates in the aggregate amount of approximately RMB212,066,000 (audited) and RMB346,089,000 (unaudited), respectively.

2013 Annual Cap — An increase of approximately 289.1%, or RMB368,466,000, from RMB131,534,000 in 2012 (actual value) to RMB500,000,000 in 2013 (annual cap)

The annual cap of RMB500,000,000 for the year ending 31 December 2013 is arrived by reference to (i) our Group's historical purchase of IC chips from Gemalto or its designated subsidiaries for the six months ended 30 June 2013 and nine months ended 30 September 2013 of approximately RMB212,066,000 (audited) and RMB 346,089,000 (unaudited), respectively; and (ii) a prudent growth in the projected purchase taking into account:

- (a) the historical increase of purchase of approximately 426.0% from approximately RMB24,976,000 for the six months ended 30 June 2012 to RMB131,534,000 for the year ended 31 December 2012;
- (b) the historical increase of purchase of approximately 63.2% from approximately RMB212,066,000 for the six months ended 30 June 2013 to RMB346,089,000 for the nine months ended 30 September 2013; and
- (c) the continuous growth of the sales of smart cards, which based on, among other matters, the demand for smart cards in view of the policies of the PRC government on the migration to smart cards and the industry development.

2014 Annual Cap — An increase of approximately 30.0%, or RMB150,000,000, from RMB500,000,000 in 2013 (annual cap) to RMB650,000,000 in 2014 (annual cap)

The annual cap of RMB650,000,000 for the year ending 31 December 2014 is arrived by reference to (i) the annual cap for the year ending 31 December 2013; (ii) the proportion of raw materials to be sourced from other suppliers; and (iii) the growth in demand for smart cards in view of the migration to smart cards which is expected to be in line with the industry development, which according to Frost & Sullivan, the sales value of the Greater China financial card market is projected to grow from RMB3.8 billion in 2013 to RMB10.9 billion in 2017, with a CAGR of approximately 30.1%. As a leading supplier of financial cards, our Directors believe that our Company is well positioned to tap into the growth in demand of smart cards and achieve growth in our sales of smart cards to the extent in line with or exceeding the industry development.

2015 Annual Cap — An increase of approximately 15.0%, or RMB100,000,000, from RMB650,000,000 in 2014 (annual cap) to RMB750,000,000 in 2015 (annual cap)

The annual cap of RMB750,000,000 for the year ending 31 December 2015 is arrived by reference to (i) the annual cap for the year ending 31 December 2014; (ii) the proportion of raw materials to be sourced from other suppliers; and (iii) the growth in demand for smart cards in view of the migration to smart cards which is expected to be in line with the industry development referred to in the report from Frost & Sullivan mentioned above. As a leading supplier of financial cards, our Directors believe that our Company is well positioned to tap into the growth in demand of smart cards and achieve growth in our sales of smart cards to the extent in line with or exceeding the industry development.

As the migration to smart cards progresses, our Company expects the increase in demand for smart cards, thus IC chips, to maintain in a steady level in 2014 and 2015 but less substantial as compared with the period between 2010 to 2013.

CONNECTED TRANSACTIONS

On the premises that our Group will purchase the IC chips from Gemalto or its affiliates in accordance with the Most Favourable Terms Arrangements under the Module Supply Agreement, which will be prevailing market terms and conditions, our Directors (including our independent non-executive Directors) are of the view that:

- (i) the Module Supply Agreement (a) will be conducted on normal commercial terms, or on terms no less favourable than those available from independent third parties under prevailing market conditions; (b) is entered into in the ordinary and usual course of business of Group; and (c) is fair and reasonable and in the interests of our Company and the Shareholders as a whole; and
- (ii) the proposed annual caps for the three years ending 31 December 2013, 2014 and 2015, respectively, mentioned above are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) in respect of the proposed annual caps for the module supply under the Module Supply Agreement for the three years ending 31 December 2013, 2014 and 2015, respectively, exceed 5% and more than HK\$10,000,000, the transactions under the Module Supply Agreement constitute non-exempt continuing connected transactions and will be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules of the Listing Rules.

Provision of Services to BOC Entities

Background

During the Track Record Period, Goldpac Datacard and Goldpac Secur-Card, our principal operating subsidiaries, following a tender and bidding process, provided card personalisation services, including card embossing, personalisation and delivery services (the “**Services**”) to certain BOC Entities. Following a successful tender and bidding process, a service agreement will be entered into between Goldpac Datacard or Goldpac Secur-Card and the relevant BOC Entities, which sets out the terms and conditions for the provision of the Services. The volume of the provision of the Services is then set out in the individual purchase orders. Accordingly, the transactions with such BOC Entities were and shall be aggregated pursuant to Rule 14A.27 of the Listings Rules.

On 7 March 2011, a service agreement was entered into between Goldpac Datacard as the service provider and BOC Credit Card (International) Limited as the customer (the “**BOC International Service Agreement**”) in respect of the card services of Bank of China (Hong Kong) Limited outside China, pursuant to which Goldpac Datacard agreed to provide the Services to BOC Credit Card (International) Limited, on prevailing market terms and conditions, in accordance with the specification, fees and procedures set out therein, for an initial period of three years, ending on 8 March 2014, which will automatically be renewed for a further period of three years unless terminated by either party in accordance with the terms therein.

Various service agreements were entered into and will be entered into, from time to time and as necessary, between Goldpac Secur-Card as the service provider and certain individual BOC Entities (being different branches or service entities under Bank of China Limited in the PRC) as the customer (the “**BOC China Service Agreements**”) in respect of the card services of Bank of China Limited in China, pursuant to which Goldpac Secur-Card agreed and will agree to provide the Services to such BOC Entities, on prevailing market terms and conditions, in accordance with the specification, fees and procedures set out therein. As the BOC China Service Agreements were entered into and will be entered into separately with each of such BOC Entities, the validity period of the contracts varies, generally ranging from one year to two years. The commencement dates and expiry dates of the BOC China Services Agreements still in force generally fell into 2011 to 2013 and 2013 and 2015,

CONNECTED TRANSACTIONS

respectively. According to our previous course of dealings, it is an internal policy of such BOC Entities that the terms for agreements similar to the BOC China Service Agreements will be generally between one year to two years.

On 5 November 2013, a framework agreement was entered into between Goldpac Secur-Card and Bank of China Limited to govern the BOC China Service Agreements to be entered into between Goldpac Secur-Card and the relevant BOC Entities (the “**BOC China Framework Agreement**”, together with the “**BOC International Service Agreement**” and the “**BOC China Service Agreements**”, the “**BOC Service Agreements**”) for a term commencing from the date of signing and ending on 31 December 2015. The BOC China Service Agreements will be entered into between Goldpac Secur-Card and the relevant BOC Entities and will be within the ambit of and governed by the BOC China Framework Agreement.

Our Group companies have been generally successful in the tender and bidding process and able to enter into a new service agreement with the relevant BOC Entities upon or shortly after the expiry of such agreements since the commencement of the business relationship with the respective BOC Entities. On such premises, we believe that there should not be any impediment for our Group to renew the relevant BOC Service Agreements.

Historical Transaction Values

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the fees for the Services provided by our Group to relevant BOC Entities were in the amount of approximately RMB30,217,000, RMB41,807,000, RMB107,816,000, RMB29,694,000 and RMB77,584,000, respectively, representing:

- (i) an increase by approximately 38.4% or RMB11,590,000, from RMB30,217,000 in 2010 to RMB41,807,000 in 2011;
- (ii) an increase by approximately 157.9% or RMB66,009,000, from RMB41,807,000 in 2011 to RMB107,816,000 in 2012; and
- (iii) an increase by approximately 161.3% or RMB47,890,000, from RMB29,694,000 for the first six months in 2012 to RMB77,584,000 for the first six months in 2013.

The sales to such BOC Entities accounted for 8.5%, 9.4%, 15.9% and 14.4% of our Group’s total revenue for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively.

The growth in historical transaction values is principally due to the migration from the magnetic strip card technology to the more advanced smart card technology, especially with the adoption of national regulation and standards for smart card technology, PBOC 2.0, in the PRC in 2012, which have driven increased growth of demand for the Services and faster migration.

2010 vs 2011 — An increase by approximately 38.4% or RMB11,590,000, from RMB30,217,000 in 2010 to RMB41,807,000 in 2011

For the increase in transaction values of our Group’s provision of the Services to relevant BOC Entities from RMB30,217,000 in 2010 to RMB41,807,000 in 2011 (approximately 38.4%), it was mainly due to the increase in market demand for smart cards from commercial banks in China during 2011 primarily as a result of the anticipation of the adoption of PBOC 2.0 in the PRC in 2012. In order to replace the old magnetic strip cards in the market with new smart cards, such BOC Entities required our Group to substantially increase the provision of the Services in 2011.

CONNECTED TRANSACTIONS

2011 vs 2012 — An increase by approximately 157.9% or RMB66,009,000, from RMB41,807,000 in 2011 to RMB107,816,000 in 2012

For the increase in transaction values of our Group's provision of the Services to certain BOC Entities from RMB41,807,000 in 2011 to RMB107,816,000 in 2012 (approximately 157.9%), it was mainly due to the increase in demand for smart cards from commercial banks in China during 2012 in the midst of the adoption of PBOC 2.0 in the PRC primarily as a result of the policies of the PRC government promoting the migration towards smart cards. In order to replace the old magnetic strip cards in the market with new smart cards rapidly, such BOC Entities required our Group to substantially increase the provision of the Services in 2012.

First six months in 2012 vs First six months in 2013 — an increase by approximately 161.3% or RMB47,890,000, from RMB29,694,000 for the first six months in 2012 to RMB77,584,000 for the first six months in 2013

For the increase of transaction values of our Group's provision of the Services to certain BOC Entities from RMB29,694,000 for the first six months in 2012 to RMB77,584,000 for the first six months in 2013 (approximately 161.3%), it was mainly due to the increase in the demand for smart cards from commercial banks in China during the first half of 2013 in the midst of the adoption of PBOC 2.0 in the PRC primarily as a result of the financial card industry continuing to adapt to the policies of the PRC government promoting the migration towards smart cards. In order to replace the old magnetic strip cards in the market with new smart cards rapidly, such BOC Entities required our Group to substantially increase the provision of the Services in the first half of 2013.

Annual Caps

It is proposed by our Directors that the annual caps for the provision of the Services by our Group to certain BOC Entities are RMB186,840,000, RMB243,000,000 and RMB316,000,000 for the three years ending 31 December 2013, 2014 and 2015, respectively, representing:

- (i) an increase of approximately 73.3%, or RMB79,024,000, from RMB107,816,000 in 2012 (actual value) to RMB186,840,000 in 2013 (annual cap);
- (ii) an increase of approximately 30.1%, or RMB56,160,000, from RMB186,840,000 in 2013 (annual cap) to RMB243,000,000 in 2014 (annual cap); and
- (iii) an increase of approximately 30.0%, or RMB73,000,000, from RMB243,000,000 in 2014 (annual cap) to RMB316,000,000 in 2015 (annual cap).

For the six months ended 30 June 2013 and nine months ended 30 September 2013, the fees for the provision of the Services by our Group to certain BOC Entities were in the amount of approximately RMB77,584,000 (audited) and RMB130,929,000 (unaudited), respectively.

2013 Annual Cap — An increase of approximately 73.3%, or RMB79,024,000, from RMB107,816,000 in 2012 (actual value) to RMB186,840,000 in 2013 (annual cap)

The annual cap of RMB186,840,000 for the year ending 31 December 2013 is arrived by reference to (i) the historical transaction amount for the provision of the Services by our Group to certain BOC Entities for the six months ended 30 June 2013 and nine months ended 30 September 2013 of approximately RMB77,584,000 (audited) and RMB130,929,000 (unaudited), respectively, and (ii) a prudent growth in the projected demand by the BOC Entities taking into account:

- (a) the historical increase in sales to BOC Entities by approximately 161.3% or RMB47,890,000, from RMB29,694,000 for the first six months in 2012 to RMB77,584,000 for the first six months in 2013;

CONNECTED TRANSACTIONS

- (b) the historical increase in sales to BOC Entities by approximately 68.8% or RMB53,345,000, from RMB77,584,000 for the first six months in 2013 to RMB130,929,000 for the nine months ended 30 September 2013; and
- (c) the continuous growth of the sales of smart cards, which based on, among other matters, the demand for smart cards in view of the policies of the PRC government on the migration to smart cards and the industry development. As a leading supplier of financial cards, our Directors believe that our Company is well positioned to tap into the growth in demand of smart cards and achieve growth in our sales of smart cards to the extent in line with or exceeding the industry development.

As the annual cap for the provision of the Services for year ending 31 December 2013 is pursuant to the BOC Services Agreements entered into between Goldpac Datacard or Goldpac Secur-Card and the relevant BOC Entities as a result of successful tender and bidding process, the annual cap is not contingent upon successful tenders in the future. The volume of the provision of the Services is to be determined in the individual purchase orders.

2014 Annual Cap — an increase of approximately 30.1%, or RMB56,160,000, from RMB186,840,000 in 2013 (annual cap) to RMB243,000,000 in 2014 (annual cap)

The annual cap of RMB243,000,000 for the year ending 31 December 2014 is arrived by reference to (i) the annual cap for the year ending 31 December 2013 for the provision of the Services by the Group to certain BOC Entities of approximately RMB186,840,000; and (ii) a prudent growth in the projected demand by the BOC Entities taking into account the continuous growth of the sales of smart cards, which based on, among other matters, the demand for smart cards in view of the policies of the PRC government on the migration to smart cards and the industry development. According to Frost & Sullivan, the sales value of the Greater China financial card market is projected to grow from RMB3.8 billion in 2013 to RMB10.9 billion in 2017, with a CAGR of approximately 30.1%. As a leading supplier of financial cards, our Directors believe that our Company is well positioned to tap into the growth in demand of smart cards and achieve growth in our sales of smart cards to the extent in line with or exceeding the industry development.

2015 Annual Cap — an increase of approximately 30.0%, or RMB73,000,000, from RMB243,000,000 in 2014 (annual cap) to RMB316,000,000 in 2015 (annual cap)

The annual cap of RMB316,000,000 for the year ending 31 December 2015 is arrived by reference to (i) the annual cap for the year ending 31 December 2014 for the provision of the Services by the Group to certain BOC Entities of approximately RMB243,000,000; and (ii) a prudent growth in the projected demand by the BOC Entities taking into account the continuous growth of the sales of smart cards, which based on, among other matters, the demand for smart cards in view of the policies of the PRC government on the migration to smart cards and the industry development. According to Frost & Sullivan, the sales value of the Greater China financial card market is projected to grow from RMB3.8 billion in 2013 to RMB10.9 billion in 2017, with a CAGR of approximately 30.1%. As a leading supplier of financial cards, our Directors believe that our Company is well positioned to tap into the growth in demand of smart cards and achieve growth in our sales of smart cards to the extent in line with or exceeding the industry development.

On the premises that our Group will provide the Services to certain BOC Entities on prevailing market terms and conditions under the BOC Service Agreements, our Directors (including our independent nonexecutive Directors) are of the view that:

- (i) the BOC Service Agreements (a) will be conducted on normal commercial terms, or on terms no less favourable than those available to independent third parties under prevailing market conditions; (b) are entered into in the ordinary and usual course of business of our Group; and (c) is fair and reasonable and in the interests of our Company and the Shareholders as a whole; and

CONNECTED TRANSACTIONS

- (ii) the proposed annual caps for the three year ending 31 December 2013, 2014 and 2015, respectively, mentioned above are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) in respect of the proposed annual caps for the provision of services under the BOC Service Agreements for the three year ending 31 December 2013, 2014 and 2015, respectively, exceeds 5% and more than HK\$10,000,000, the transactions under the BOC Service Agreements constitute non-exempt continuing connected transactions and will be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules of the Listing Rules.

Application for waivers

As the above non-exempt continuing connected transactions will continue after the Listing on a recurring basis, the Directors consider that strict compliance with the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules would be burdensome and would add unnecessary administrative costs to our Company each time when such transactions arise. With respect to the above non-exempt continuing connected transactions, we have, pursuant to Rule 14A.42(3) of the Listing Rules, applied for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules.

Confirmation from the Directors

The Directors (including the independent non-executive Directors) are of the view that (i) the above non-exempt continuing connected transactions (a) will be conducted on normal commercial terms, or on terms no less favourable than those available to and from independent third parties under prevailing market conditions; (b) are entered into in the ordinary and usual course of business of the Group; and (c) is fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) the proposed annual caps for the Module Supply Agreement for the three years ending 31 December 2013, 2014 and 2015, respectively, and the proposed annual cap for the BOC Service Agreements for the three years ending 31 December 2013, 2014 and 2015, respectively, are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Confirmation from the Joint Sponsors

Each of the Joint Sponsors considers that (i) the above non-exempt continuing connected transactions (a) will be conducted on normal commercial terms, or on terms no less favourable than those available to and from independent third parties under prevailing market conditions; (b) are entered into in the ordinary and usual course of business of our Group; and (c) is fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) the proposed annual caps for the Module Supply Agreement for the three years ending 31 December 2013, 2014 and 2015, respectively, and the proposed annual caps for the BOC Service Agreements for the three years ending 31 December 2013, 2014 and 2015, respectively, are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period (the "**Related Party Transactions**"). Details of the Related Party Transactions are set out in Note 35 of the Accountants' Report set out in Appendix I to this prospectus.

Save and except for the continuing connected transactions mentioned above, which are expected to continue after the Listing, all other Related Party Transactions have either been discontinued or settled or are expected to be discontinued or settled upon or prior to the Listing.