The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

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Hong Kong

22 November 2013

The Directors
Goldpac Group Limited
BOCI Asia Limited
Shenyin Wanguo Capital (H.K.) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Goldpac Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2012 and six months ended 30 June 2013 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 22 November 2013 (the "Prospectus").

The Company, formerly known as Gemplus Goldpac Group Limited, was incorporated in Hong Kong as a private limited company on 8 October 2004. The Company acts as an investment holding company. Pursuant to the written resolutions passed by the shareholders of the Company, on 28 October 2013, the name of the Company was changed from Gemplus Goldpac Group Limited to Goldpac Group Limited.

At the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group at the end of each reporting period and at the date of this report	Principal activities
Goldpac Datacard Solutions Company Limited ("Goldpac Datacard")*	Hong Kong 8 May 2000	Ordinary shares - HK$500,000	100%	Sales of smart cards carrying personal identity and other payment solution services outside PRC
珠海市金邦達保密卡有限公司 Goldpac Secur-Card Zhuhai Limited ("Goldpac Secur-Card")*	Mainland China (the "PRC") 21 June 1995 for a term of 50 years as a wholly foreign owned enterprise	Registered capital - USD21,000,000	100%	Manufacture and sales of smart cards carrying personal identity and other payment solution services in PRC
廣州市金邦達智能卡有限公司 Goldpac Smart Card (Guangzhou) Limited ("Goldpac Guangzhou")	PRC 2 September 2010 limited liability company	Registered capital - RMB1,000,000	100%#	Inactive

Notes:
* Directly held by the Company.
\# Goldpac Guangzhou was acquired by the Group in May 2012 (see note 37 to section F).

The PRC statutory financial statements of the following subsidiaries for each of the three years ended 31 December 2012 were prepared in accordance with relevant accounting principles and financial regulations applicable to PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiary	Financial period	PRC auditor
Goldpac Secur-Card	Year ended 31 December 2010	立信大華會計師事務所有限公司珠海分所 (BDO China Li Xin Da Hua Certified Public Accountants Co., Ltd. Zhuhai Branch)
	Year ended 31 December 2011	大華會計師事務所有限公司珠海分所 (BDO China Da Hua Certified Public Accountants Co., Ltd. Zhuhai Branch)
	Year ended 31 December 2012	大華會計師事務所(特殊普通合伙)珠海分所 (BDO China Dahua Certified Public Accountants (Special General Partnership) Zhuhai Branch)
Goldpac Guangzhou	Year ended 31 December 2012	廣東新華會計師事務所有限公司 (Guangdong Xinhua Certified Public Accountants Co., Ltd.)

We have been appointed as the auditor of the Company since 15 November 2013. The statutory financial statements of the Company and Goldpac Datacard for each of the three years ended 31 December 2012 prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") were audited by Edwin Yeung & Company (CPA) Limited, certified public accountants registered in Hong Kong.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Prospectus. No adjustments are considered necessary to make to the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 and of the profit and cash flows of the Group for the Relevant Periods.

The comparative consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity of the Group for the six months ended 30 June 2012 together with the notes thereon have been extracted from the unaudited consolidated financial information of the Group for the same period (the "30 June 2012 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2012 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the 30 June 2012 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2012 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with International Financial Reporting Standards.

A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section F Notes	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover	7	357,156	444,255	676,609	275,735	540,373
Cost of goods sold		(230,081)	(298,255)	(473,221)	(184,171)	(384,463)
Gross profit		127,075	146,000	203,388	91,564	155,910
Other income, expenses, gains or losses	8	4,245	2,732	12,192	5,997	(2,876)
(Loss) gain on fair value changes of derivative financial instruments		—	(13,058)	13,058	(3,692)	—
Research and development costs		(20,595)	(23,605)	(28,548)	(11,327)	(19,457)
Selling and distribution costs		(35,118)	(40,640)	(41,540)	(18,130)	(25,158)
Administrative expenses		(6,536)	(8,253)	(13,783)	(5,824)	(6,417)
Finance costs	9	—	(1,153)	(6,819)	(5,565)	(548)
Profit before taxation	10	69,071	62,023	137,948	53,023	101,454
Taxation	12	(15,655)	(13,941)	(22,835)	(9,977)	(20,329)
Profit for the year/period		53,416	48,082	115,113	43,046	81,125
Other comprehensive income for the year/period — exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss		(803)	(669)	(13)	(5)	(293)
Total comprehensive income for the year/period		52,613	47,413	115,100	43,041	80,832
Earnings per share — Basic	14	10.5 cents	9.4 cents	22.6 cents	8.4 cents	15.9 cents

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section F Notes	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 June 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	15	74,433	79,381	93,313	113,685
Land use rights	16	1,459	1,356	1,251	1,199
		75,892	80,737	94,564	114,884
Current assets					
Inventories	18	69,607	92,312	145,554	168,395
Trade and bills receivables	19	93,004	84,431	183,311	459,634
Other receivables and prepayments	20	10,252	6,924	5,959	9,621
Amount due from a related company	21	276	—	—	—
Other financial assets	22	110,000	83,000	201,801	78,001
Pledged bank deposits	23	50,421	151,289	34,496	64,069
Bank balances and cash	23	44,007	22,317	42,223	86,471
		377,567	440,273	613,344	866,191
Current liabilities					
Trade and bills payables	24	94,862	113,745	338,132	534,747
Other payables	25	39,974	51,762	82,450	77,278
Government grants	26	—	1,100	3,000	6,400
Loan from/amounts due to related companies	27	1,499	27,499	11,249	3,874
Derivative financial instruments	28	—	13,058	—	—
Taxation		5,969	6,818	16,514	21,472
Bank loans	29	33,426	152,831	37,093	53,940
		175,730	366,813	488,438	697,711
Net current assets		201,837	73,460	124,906	168,480
Total assets less current liabilities		277,729	154,197	219,470	283,364
Non-current liabilities					
Government grants	26	2,900	4,400	2,300	—
Deferred taxation	30	7,809	2,750	3,703	7,287
		10,709	7,150	6,003	7,287
Net assets		267,020	147,047	213,467	276,077
Capital and reserves					
Share capital	31	1	1	1	1
Reserves		267,019	147,046	213,466	276,076
Total equity		267,020	147,047	213,467	276,077

C. STATEMENTS OF FINANCIAL POSITION

	Section F Notes	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 June 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current asset					
Investments in subsidiaries	17	47,703	47,703	47,703	47,703
Current assets					
Amount due from a subsidiary	21	—	—	9,750	3,874
Bank balances	23	160	316	302	307
		160	316	10,052	4,181
Current liabilities					
Other payables	25	41	26	26	20
Amounts due to subsidiaries	27	88	140	146	3,981
Amount due to a related company	27	—	—	9,750	3,874
		129	166	9,922	7,875
Net current assets (liabilities)		31	150	130	(3,694)
Net assets		47,734	47,853	47,833	44,009
Capital and reserves					
Share capital	31	1	1	1	1
Reserves	32	47,733	47,852	47,832	44,008
Total equity		47,734	47,853	47,833	44,009

D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Translation reserve	Other reserves	PRC statutory reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	1	43,623	3,135	—	34,496	133,152	214,407
Profit for the year	—	—	—	—	—	53,416	53,416
Exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss	—	—	(803)	—	—	—	(803)
Total comprehensive income for the year	—	—	(803)	—	—	53,416	52,613
At 31 December 2010	1	43,623	2,332	—	34,496	186,568	267,020
Profit for the year	—	—	—	—	—	48,082	48,082
Exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss	—	—	(669)	—	—	—	(669)
Total comprehensive income for the year	—	—	(669)	—	—	48,082	47,413
Transfers	—	—	—	—	16,736	(16,736)	—
Capitalisation of reserves in a subsidiary	—	—	—	37,681	(37,681)	—	—
Dividends recognised as distribution	—	—	—	—	—	(167,386)	(167,386)
	—	—	—	37,681	(20,945)	(184,122)	(167,386)
At 31 December 2011	1	43,623	1,663	37,681	13,551	50,528	147,047
Profit for the year	—	—	—	—	—	115,113	115,113
Exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss	—	—	(13)	—	—	—	(13)
Total comprehensive income for the year	—	—	(13)	—	—	115,113	115,100
Transfers	—	—	—	—	5,527	(5,527)	—
Dividends recognised as distribution	—	—	—	—	—	(48,680)	(48,680)
	—	—	—	—	5,527	(54,207)	(48,680)
At 31 December 2012	1	43,623	1,650	37,681	19,078	111,434	213,467
Profit for the period	—	—	—	—	—	81,125	81,125
Exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss	—	—	(293)	—	—	—	(293)
Total comprehensive income for the period	—	—	(293)	—	—	81,125	80,832
Contribution by a shareholder (see note 27 to section F)	—	—	—	1,499	—	—	1,499
Dividends recognised as distribution	—	—	—	—	—	(19,721)	(19,721)
At 30 June 2013	1	43,623	1,357	39,180	19,078	172,838	276,077
At 1 January 2012	1	43,623	1,663	37,681	13,551	50,528	147,047
Profit for the period	—	—	—	—	—	43,046	43,046
Exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss	—	—	(5)	—	—	—	(5)
Total comprehensive income for the period	—	—	(5)	—	—	43,046	43,041
Transfers	—	—	—	—	5,527	(5,527)	—
Dividends recognised as distribution	—	—	—	—	—	(48,680)	(48,680)
At 30 June 2012 (unaudited)	1	43,623	1,658	37,681	19,078	39,367	141,408

Other reserves represent the capitalisation of PRC statutory reserves into capital of Goldpac Secur-Card and contribution from a shareholder as detailed in note 27 to section F. On 30 August 2011, the board of directors of Goldpac Secur-Card resolved to capitalise RMB37,681,000, which was recognised as PRC statutory reserves as paid-in capital of Goldpac Secur-Card.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, Goldpac Secur-Card is required to maintain two statutory reserves, being a statutory surplus reserve fund and an enterprise expansion fund which are non-distributable, collectively referred to as PRC statutory reserves. Appropriations to such reserves are made out of net profit after taxation as reflected in the statutory financial statements of Goldpac Secur-Card while the amounts and allocation basis are decided by its board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund has been used for expanding the capital base of Goldpac Secur-Card by means of capitalisation issue.

E. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities					
Profit before taxation	69,071	62,023	137,948	53,023	101,454
Adjustments for:					
Investment income from other financial assets	(1,143)	(1,336)	(1,164)	(1,064)	(3,268)
Interest income	(185)	(860)	(5,670)	(4,678)	(200)
Interest expenses	—	1,153	6,819	5,565	548
Depreciation of property, plant and equipment	11,666	12,646	15,655	7,553	8,550
Operating lease rentals in respect of land use rights	115	103	105	45	52
Loss on disposal of property, plant and equipment	34	101	734	—	—
Loss (gain) on fair value changes of derivative financial instruments	—	13,058	(13,058)	3,692	—
Allowance for doubtful debts	46	2,154	668	571	9,204
Allowance for obsolete inventories	3,914	885	1,093	—	3,503
Operating cash flows before movements in working capital	83,518	89,927	143,130	64,707	119,843
Increase in inventories	(25,678)	(23,590)	(54,335)	(19,911)	(26,344)
(Increase) decrease in trade and bills receivables	(9,561)	7,940	(99,451)	(108,128)	(285,523)
(Increase) decrease in other receivables and prepayments	(4,325)	2,071	867	(6,547)	(3,666)
Increase in trade and bills payables	6,390	18,883	224,382	32,546	196,615
Increase (decrease) in other payables	5,759	11,788	30,693	3,921	(10,353)
Increase (decrease) in government grants	2,400	2,600	(200)	—	1,100
Cash from (used in) operations	58,503	109,619	245,086	(33,412)	(8,328)
Taxation paid	(10,999)	(18,151)	(12,186)	(9,025)	(11,698)
Net cash from (used in) operating activities	47,504	91,468	232,900	(42,437)	(20,026)
Investing activities					
Investment income received from other financial assets	1,143	1,336	1,164	1,064	3,268
Interest received	185	860	5,670	4,678	200
Purchase of property, plant and equipment	(16,015)	(17,699)	(30,321)	(11,808)	(23,741)
Purchase of other financial assets	(564,500)	(1,280,700)	(473,801)	(42,000)	(78,001)
Redemption of other financial assets	544,500	1,307,700	355,000	83,000	201,801
Placement of pledged bank deposits	(48,648)	(149,789)	(33,083)	(8,186)	(64,069)
Withdrawals of pledged bank deposits	95	48,921	149,876	8,433	34,496
Net cash (used in) from investing activities	(83,240)	(89,371)	(25,495)	35,181	73,954
Financing activities					
Dividends paid	(5)	(167,386)	(38,930)	—	(25,597)
Interest paid	—	(1,153)	(6,819)	(5,565)	(548)
Borrowings from (repayment to) a related company	—	26,000	(26,000)	—	—
Bank loans raised	33,426	200,904	84,248	26,256	47,400
Repayment of bank loans	—	(81,499)	(199,986)	(1,024)	(30,553)
Net cash from (used in) from financing activities	33,421	(23,134)	(187,487)	19,667	(9,298)
Net (decrease) increase in cash and cash equivalents	(2,315)	(21,037)	19,918	12,411	44,630
Cash and cash equivalents at the beginning of the year/period	47,111	44,007	22,317	22,317	42,223
Effect of foreign exchange rate changes	(789)	(653)	(12)	68	(382)
Cash and cash equivalents at the end of the year/period	44,007	22,317	42,223	34,796	86,471
Analysis of the balances of cash and cash equivalents					
Bank balances and cash	44,007	22,317	42,223	34,796	86,471

F. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The addresses of the registered office and principal place of business of the Company are set out in the section headed "Corporate Information" in the Prospectus.

2. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted International Accounting Standards ("IASs"), IFRSs, amendments and Interpretations ("IFRIC") which are effective for the financial periods beginning on 1 January 2013 throughout the Relevant Periods.

The Group has not early applied the following new standards, amendments and interpretation that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
IFRS 9	Financial Instruments[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 January 2015.

The directors of the Company anticipated that the application of the above new and revised IFRSs will not have material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy and standard, the price is fixed or determinable, and collectability is reasonable assured. This is generally when title passes and the goods have been delivered to the designated locations for the sale of magnetic strip cards, smart cards and the related personalisation services. Revenue from the sales of on-site card issuance equipment and the related revenue from the provision of on-site card issuance system solutions are recognised when the equipment are delivered and the services are provided at the designated locations and after inspection of the equipment.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments in subsidiaries is recognised when the owners' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	5%
Furniture, fixtures and equipment	20% – 33⅓%
Motor vehicles	10% – 20%
Plant and machinery	10%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land use rights

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

The up-front payments to acquire leasehold interests in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grant will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to profit or loss over the useful life of the assets. Grants related to expense items are recognised at the same period as those expenses are charged in the profit or loss and are reported separately as other income.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other income, expenses, gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL represent those designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other income, expenses, gains or losses line item in the consolidated statements of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, amount due from a related company, amount due from a subsidiary, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade and bills receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loan and receivable is reduced by the impairment loss directly with the exception of trade and bills receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or bills receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade, bills and other payables, loan from/amounts due to related companies, amounts due to subsidiaries and bank loans are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Equity instrument

Equity instrument issued by the group entity are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

Foreign currencies

The financial statements of each group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the functional currency of the Company and the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Retirement benefits costs

Payments to defined contribution retirement benefit plans, government-managed retirement benefit scheme and the Mandatory Provident Fund Scheme ("MPF") are recognised as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

Fair value of derivatives and other financial instruments

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Where the forward exchange rate moves unfavourably or the market performs poorer than expected so that the actual future cash inflows are less than expected, a material fair value loss may arise. Details of the assumptions used are disclosed in note 6 to section F. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

Allowances for inventories

The directors of the Company reviews the inventory aging analysis at the end of the reporting period and identifies the slow-moving inventory items that are no longer suitable for use in production or sales.

The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the carrying amount. The directors of the Company estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group normally makes full provision for inventories held over one year as the net realisable value of such inventories are considered to be minimal and also make specific provision for slow-moving and obsolete finished goods where appropriate. Allowances of approximately RMB3,914,000, RMB885,000, RMB1,093,000, RMB nil (unaudited) and RMB3,503,000 were made for obsolete inventories for the year ended 31 December 2010, 31 December 2011, 31 December 2012 and for the six months ended 30 June 2012 and 30 June 2013 respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, loan from/amounts due to related companies, bank loans and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the Financial Information.

The management of the Group reviews the capital structure on a regular basis. The Group considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of bank loans.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Financial assets				
Designated at FVTPL				
— structured deposits	110,000	83,000	16,801	78,001
— funds	—	—	185,000	—
Loans and receivables (including cash and cash equivalents)	197,508	264,676	265,288	616,027
Financial liabilities				
Designated at FVTPL				
— derivative financial instruments	—	13,058	—	—
Amortised cost	135,154	300,712	401,398	613,207
THE COMPANY				
Financial assets				
Loans and receivables (including cash and cash equivalents)	160	316	10,052	4,181
Financial liabilities				
Amortised cost	129	166	9,922	7,875

Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, amount due from a related company, other financials assets, pledged bank deposits, bank balances and cash, trade, bills and other payables, loan from/amounts due to related companies, bank loans and derivative financial instruments. The Company's major financial instruments include amount due from a subsidiary, bank balances, other payables, amounts due to subsidiaries and amount due to a related company. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to perform an obligation by the counterparties in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position of the Group and statements of financial position of the Company, respectively.

The Group's credit risk is primarily attributable to its trade, bills and other receivables. In order to minimise the credit risk, the management of the Group continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is minimal as such amounts are placed in banks with good reputation.

The Group has concentration of credit risk as 49.3%, 67.0%, 80.3% and 85.5% of the total trade and bills receivables as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, respectively, was due from customers engaged in the banking industry.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to risk of United States dollar ("USD"). The percentage of the Group's sales and purchases that are denominated in USD, currency other than the functional currency of the relevant group companies are as follows:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	%	%	%	%
Sales	1.4	2.1	1.7	0.4
Purchases	24.7	28.4	26.1	7.4

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of each of the reporting period are as follows:

	Assets			
	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Hong Kong Dollars ("HKD")	5,766	13,228	2	3
USD	8,322	4,247	4,965	2,548
RMB	—	3,975	659	1,051
Euros ("EUR")	231	149	206	154
Japanese Yen ("JPY")	—	—	—	1
THE COMPANY				
HKD	—	—	9,750	3,874
USD	160	153	152	149
EUR	—	149	150	146

	Liabilities			
	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
HKD	55	1,166	12,665	14,752
USD	67,515	38,281	66,563	56,092
RMB	—	2,151	—	—
EUR	498	143,186	678	—
JPY	—	—	—	1,071
THE COMPANY				
HKD	—	—	9,750	3,874
USD	88	140	146	3,981

In addition, the Group is exposed to foreign currency risk as a result of inter-group balances denominated in currencies other than the respective functional currencies of the relevant group companies, as follows:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Amounts due from (to) group companies				
USD	13,744	19,567	21,003	26,195
USD	(13,744)	(19,567)	(21,003)	(26,195)
RMB	(8,610)	(30,187)	(17,280)	(41,996)

The sensitivity analysis below includes the Group's and the Company's outstanding foreign currency denominated monetary items as well as the Group's intra-group outstanding balances where the denomination of the balances is in a currency other than the functional currency of the respective group companies at the end of each of the reporting period and has been determined based on the exposure to exchange rates against the functional currency of relevant group companies. For a 5% weakening of these currencies against the functional currency of relevant group companies and all other variables being held constant, the Group's and the Company's profit/loss for the year/period is as follows:

	Year ended 31 December			Six months ended 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
(Decrease) increase in profit for the year/period				
— HKD	(286)	(606)	633	737
— USD	2,960	1,689	3,067	2,677
— RMB	431	1,418	831	2,047
— EUR	13	7,152	24	(8)
— JPY	—	—	—	54
THE COMPANY				
(Decrease) increase in profit/(increase) decrease in loss for the year/period				
— USD	(3)	(1)	—	192
— EUR	—	(7)	(8)	(7)

There would be an equal and opposite impact on the profit/loss for the year/period where the respective currencies strengthens against the functional currency of relevant group companies by 5%.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 29 to section F for details of these borrowings).

The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing bank balances and bank loans at variable interest rates. The Company has no significant interest rate risk exposure. The Group currently does not have an interest rate hedging policy.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and bank loans at variable rates at the end of each of the reporting period and assumed that the amount of assets and liabilities outstanding at the end of each of the reporting period was outstanding for the whole year/period. 50 basis points was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate in the next financial year having regard to the trends in market interest rates and global economic environment. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

If interest rates on pledged bank deposits, bank balances and bank loans had been 50 basis points higher and all other variables were held constant, the potential effect on profit for the year/period is as follows:

	Year ended 31 December			Six months ended 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Increase in profit for the year/period	220	63	25	162

Liquidity risk management

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

As at 30 June 2013, the Company had net current liabilities which exceeded its current assets of which amounts due to subsidiaries of RMB3,981,000 are with terms of repayable on demand at the end of the reporting period. The directors of the Company are of the opinion that it is appropriate to prepare the financial information of the Company on a going concern basis because the subsidiaries had agreed not to demand for repayment until the Company has the financial ability to do so at the end of the reporting period.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period for the Relevant Periods.

Financial liabilities	Weighted average interest rate	On demand	Less than 3 month	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP							
At 31 December 2010							
Non-derivative financial liabilities							
Trade and bills payables	—	—	27,045	27,611	40,206	94,862	94,862
Other payables	—	—	4,483	884	—	5,367	5,367
Amounts due to related companies	—	1,499	—	—	—	1,499	1,499
Bank loans							
— fixed rate	1.11	—	29,782	—	4,023	33,805	33,426
		1,499	61,310	28,495	44,229	135,533	135,154
At 31 December 2011							
Non-derivative financial liabilities							
Trade and bills payables	—	—	40,195	23,829	49,721	113,745	113,745
Other payables	—	—	4,364	2,273	—	6,637	6,637
Loan from a related company	0.01	—	—	—	26,004	26,004	26,000
Amount due to a related company	—	1,499	—	—	—	1,499	1,499
Bank loans							
— fixed rate	4.34	—	—	—	149,154	149,154	143,103
— variable rate	4.00	9,728	—	—	—	9,728	9,728
		11,227	44,559	26,102	224,879	306,767	300,712
Derivative — gross settlement							
Foreign currency forward contracts							
— inflow	—	—	—	—	(134,136)	(134,136)	(134,136)
— outflow	—	—	—	—	147,194	147,194	147,194
		—	—	—	13,058	13,058	13,058
At 31 December 2012							
Non-derivative financial liabilities							
Trade and bills payables	—	—	170,806	167,326	—	338,132	338,132
Other payables	—	—	4,850	5,302	4,772	14,924	14,924
Amounts due to related companies	—	1,499	—	9,750	—	11,249	11,249
Bank loans							
— variable rate	2.40	7,682	21,949	7,676	—	37,307	37,093
		9,181	197,605	190,054	4,772	401,612	401,398
At 30 June 2013							
Non-derivative financial liabilities							
Trade and bills payables	—	—	210,972	323,775	—	534,747	534,747
Other payables	—	—	16,154	2,322	2,170	20,646	20,646
Amounts due to related companies	—	—	—	—	3,874	3,874	3,874
Bank loans							
— variable rate	2.40	6,540	26,980	15,995	5,057	54,572	53,940
		6,540	254,106	342,092	11,101	613,839	613,207

Financial liabilities	Weighted average interest rate	On demand	Less than 3 month	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE COMPANY							
At 31 December 2010							
Non-derivative financial liabilities							
Other payables	—	—	41	—	—	41	41
Amounts due to subsidiaries	—	88	—	—	—	88	88
		88	41	—	—	129	129
At 31 December 2011							
Non-derivative financial liabilities							
Other payables	—	—	26	—	—	26	26
Amounts due to subsidiaries	—	140	—	—	—	140	140
		140	26	—	—	166	166
At 31 December 2012							
Non-derivative financial liabilities							
Other payables	—	—	26	—	—	26	26
Amount due to a related company	—	—	—	9,750	—	9,750	9,750
Amounts due to subsidiaries	—	146	—	—	—	146	146
		146	26	9,750	—	9,922	9,922
At 30 June 2013							
Non-derivative financial liabilities							
Other payables	—	—	20	—	—	20	20
Amount due to a related company	—	—	—	—	3,874	3,874	3,874
Amounts due to subsidiaries	—	3,981	—	—	—	3,981	3,981
		3,981	20	—	3,874	7,875	7,875

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2011, 31 December 2012 and 30 June 2013, the aggregate carrying amounts of these bank loans amounted to RMB9,728,000, RMB7,682,000 and RMB6,540,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid by instalments through 2016 in accordance with the scheduled repayment dates set out in the loan agreements. If such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, the aggregate principal and interest cash outflows of the Group will be as follows:

	Weighted average interest rate	Less than 1 year	Over 1 year but not more than 2 years	Over 2 years but not more than 3 years	Over 3 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011							
Bank loans							
— variable rate	4.00	2,504	2,325	2,243	3,727	10,799	9,728
At 31 December 2012							
Bank loans							
— variable rate	4.00	2,325	2,243	2,162	1,567	8,297	7,682
At 30 June 2013							
Bank loans							
— variable rate	4.00	2,244	2,163	2,083	508	6,998	6,540

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates as input.

The fair value of structured deposits is determined with reference to discounted cash flow model, which is based on the expected return of the structured deposits. The fair value of unlisted funds is determined based on the redemption value quoted by the relevant investment trust, which is same as the nominal value of the funds.

The fair value of the derivative financial instruments is determined based on discounted cash flow using quoted forward exchange rates and yield curves derived from the market interest rates matching the remaining maturities of the contracts.

The directors of the Company consider the carrying amounts of financial assets and liabilities recorded at amortised cost in the Financial Information approximate their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 31 December 2010			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Financial assets at FVTPL				
Other financial assets				
— structured deposits	—	110,000	—	110,000

	At 31 December 2011			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Financial assets at FVTPL				
Other financial assets				
— structured deposits	—	83,000	—	83,000
Financial liabilities at FVTPL				
Derivative financial instruments	—	(13,058)	—	(13,058)

	At 31 December 2012			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Financial assets at FVTPL				
Other financial assets				
— structured deposits	—	16,801	—	16,801
— funds	185,000	—	—	185,000
	185,000	16,801	—	201,801

	At 30 June 2013			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Financial assets at FVTPL				
Other financial assets				
— structured deposits	—	78,001	—	78,001

There were no transfers between Level 1 and 2 throughout the Relevant Periods.

7. TURNOVER AND SEGMENT INFORMATION

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

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

Magnetic strip cards and smart cards	—	manufacture and sales of magnetic strip cards and smart cards
Personalisation service	—	provision of personalisation solutions services
On-site card issuance system solutions	—	provision of on-site card issuance equipment and related accessories and solutions services

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

Turnover represents the fair value of the consideration received or receivables for goods sold or services rendered to outside customers during the year/period.

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:

	Turnover					Results				
	Year ended 31 December			Six months ended 30 June		Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of										
— magnetic strip cards and smart cards . . .	274,753	311,878	499,227	187,877	435,763	83,173	84,873	125,986	52,924	105,994
— personalisation service	52,924	69,950	81,859	37,954	55,660	32,262	37,549	42,722	20,957	27,513
— on-site card issuance system solutions	29,479	62,427	95,523	49,904	48,950	11,640	23,578	34,680	17,683	22,403
	357,156	444,255	676,609	275,735	540,373	127,075	146,000	203,388	91,564	155,910
Research and development costs . .						(20,595)	(23,605)	(28,548)	(11,327)	(19,457)
Other operating expenses						(41,654)	(48,893)	(55,323)	(23,954)	(31,575)
Other income, expenses, gains or losses						4,060	1,872	6,522	1,319	(3,076)
(Loss) gain on fair value changes of derivative financial instruments .						—	(13,058)	13,058	(3,692)	—
Interest income						185	860	5,670	4,678	200
Finance costs						—	(1,153)	(6,819)	(5,565)	(548)
Profit before taxation . . .						69,071	62,023	137,948	53,023	101,454

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

Other information

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

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover					
— PRC	309,825	397,430	602,234	250,995	508,779
— Hong Kong and Macau	42,950	37,710	64,259	19,117	29,275
— Philippines	2,766	6,353	6,436	3,325	1,610
— Mongolia	632	1,671	1,827	646	509
— Other countries	983	1,091	1,853	1,652	200
	357,156	444,255	676,609	275,735	540,373

All the non-current assets of the Group are situated in the PRC (including Hong Kong).

Information about major customers

For the year ended 31 December 2010, there was one customer from the segments of magnetic strip cards and smart cards and personalisation service with turnover of RMB46,742,000 which accounted for more than 10% of the Group's total turnover.

For the year ended 31 December 2011, there was one customer from the segments of magnetic strip cards and smart cards and personalisation service with turnover of RMB68,662,000 which accounted for more than 10% of the Group's total turnover.

For the year ended 31 December 2012, there were two customers from the segments of magnetic strip cards and smart cards and personalisation service with turnover of RMB140,035,000 and RMB72,849,000 respectively which individually accounted for more than 10% of the Group's total turnover.

For the six months ended 30 June 2012, there was no single customer with turnover which accounted for more than 10% of the Group's total turnover.

For the six months ended 30 June 2013, there were two customers from the segments of magnetic strip cards and smart cards and personalisation service with turnover of RMB228,397,000 and RMB58,079,000 respectively which individually accounted for more than 10% of the Group's total turnover.

8. OTHER INCOME, EXPENSES, GAINS OR LOSSES

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Allowance for) reversal of doubtful debts					
— trade receivables	(49)	(633)	(571)	(571)	(9,200)
— other receivables	3	(1,257)	(97)	—	(4)
— amount due from a related company	—	(264)	—	—	—
Listing expenses	—	—	—	—	(3,890)
Loss on disposal of property, plant and equipment	(34)	(101)	(734)	—	—
Government grants	1,661	12	2,172	100	300
Interest income	185	860	5,670	4,678	200
Investment income from other financial assets	1,143	1,336	1,164	1,064	3,268
Net exchange gain	950	2,622	2,432	168	2,534
Value-added tax refund	—	—	914	—	3,282
Others	386	157	1,242	558	634
	4,245	2,732	12,192	5,997	(2,876)

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on					
— bank borrowings wholly repayable within five years	—	(1,153)	(6,815)	(5,561)	(548)
— loan from a related company	—	—	(4)	(4)	—
	—	(1,153)	(6,819)	(5,565)	(548)

10. PROFIT BEFORE TAXATION

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation has been arrived at after charging:					
Directors' remuneration (note 11 to section F)	1,173	3,377	7,242	3,239	2,355
Other staff's retirement benefits scheme contributions	883	1,201	1,603	833	1,106
Other staff costs	54,574	68,881	81,636	38,489	48,903
	56,630	73,459	90,481	42,561	52,364
Less: Staff costs included in research and development costs	(14,191)	(13,319)	(18,146)	(6,914)	(11,611)
	42,439	60,140	72,335	35,647	40,753
Allowance for obsolete inventories	3,914	885	1,093	—	3,503
Auditors' remuneration	63	79	64	54	619
Depreciation of property, plant and equipment	11,666	12,646	15,655	7,553	8,550
Operating lease rentals in respect of					
— land use rights	115	103	105	45	52
— office premises	2,220	2,142	2,752	1,216	1,668

The cost of goods sold represented the cost of inventories recognised as expenses during the Relevant Periods.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors' fees	—	—	—	—	—
Other emoluments to independent non-executive directors	—	—	—	—	—
Other emoluments to non-executive directors	—	—	—	—	—
Other emoluments to executive directors					
— basic salaries and allowances	900	1,616	3,535	1,687	1,878
— bonus	251	1,738	3,673	1,535	460
— retirement benefits scheme contributions	22	23	34	17	17
	1,173	3,377	7,242	3,239	2,355

The bonus of the directors was determined with reference to the Group's performance.

Details of emoluments paid by the Group to the executive directors of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Mr. Lu Run Ting					
— basic salaries and allowances	—	535	1,265	571	667
— bonus	—	1,576	1,903	725	—
— retirement benefits scheme contributions	—	3	12	6	6
	—	2,114	3,180	1,302	673
Mr. Lu Runyi					
— basic salaries and allowances	301	307	231	114	119
— bonus	87	61	109	109	270
— retirement benefits scheme contributions	11	10	10	5	5
	399	378	350	228	394
Mr. Hou Ping					
— basic salaries and allowances	—	243	1,479	724	807
— bonus	—	—	1,552	592	—
— retirement benefits scheme contributions	—	—	2	1	1
	—	243	3,033	1,317	808
Mr. Lu Xiaozhong					
— basic salaries and allowances	599	531	560	278	285
— bonus	164	101	109	109	190
— retirement benefits scheme contributions	11	10	10	5	5
	774	642	679	392	480
Total	1,173	3,377	7,242	3,239	2,355

The five highest paid individuals for the year ended 31 December 2010, 31 December 2011, 31 December 2012, six months ended 30 June 2012 and 30 June 2013 included one, two, three, three (unaudited) and three director(s) of the Company, details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals during the Relevant Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Employees					
— basic salaries and allowances	2,148	1,470	887	357	423
— bonus	653	187	219	216	534
— retirement benefits scheme contributions	43	30	20	10	10
	2,844	1,687	1,126	583	967

The emoluments of the employees were within the following bands:

	Number of employees				
	At 31 December			At 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Up to HK$1,000,000	3	3	2	2	2
HK$1,000,001 to HK$1,500,000	1	—	—	—	—

During the Relevant Periods, no emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the Relevant Periods.

12. TAXATION

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The charge comprises:					
PRC Enterprise Income Tax ("EIT")	(7,696)	(9,298)	(15,226)	(7,061)	(14,854)
(Under) overprovision of EIT in prior years/ periods	(4,060)	(679)	(691)	(36)	10
	(11,756)	(9,977)	(15,917)	(7,097)	(14,844)
PRC withholding tax on dividend distribution	—	(7,523)	(2,211)	(2,211)	—
Hong Kong Profits Tax	(2,512)	(1,500)	(3,754)	(1,342)	(1,901)
Deferred taxation	(1,387)	5,059	(953)	673	(3,584)
	(15,655)	(13,941)	(22,835)	(9,977)	(20,329)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Relevant Periods.

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

The Company's PRC subsidiaries are subject to EIT at 25% except that Goldpac Secur-Card was officially endorsed as a High-New Technology Enterprise from 1 January 2008 to 31 December 2013 and entitles the preferential tax rate of 15%.

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 Secur-Card prior to 1 January 2008, when distributed to foreign investors, can be grandfathered with the exemption from withholding tax. Whereas, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% or reduced tax rate if tax treaty or arrangement applies. Under the relevant tax arrangement, withholding tax rate on dividend distribution to the qualifying Hong Kong resident companies is 5%. Deferred tax liability on the undistributed profits earned since 1 January 2010 have been accrued at the tax rate of 5%.

Tax charge for the Relevant Periods is reconciled to profit before taxation as follows:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Profit before taxation	69,071		62,023		137,948		53,023		101,454	
Tax at the applicable income tax rate (Note)	(17,268)	(25.0)	(15,506)	(25.0)	(34,487)	(25.0)	(13,256)	(25.0)	(25,364)	(25.0)
Tax effect of expenses not deductible for tax purpose	(324)	(0.5)	(3,648)	(5.9)	(2,020)	(1.5)	(922)	(1.7)	(1,084)	(1.1)
Tax effect of income not taxable for tax purpose	—	—	—	—	3,264	2.4	—	—	—	—
Tax effect of deductible temporary difference not recognised	(990)	(14)	(760)	(1.2)	(440)	(0.3)	(143)	(0.3)	(3,177)	(3.1)
Tax effect of tax concession granted to a PRC subsidiary	7,081	10.3	8,352	13.5	12,773	9.3	5,556	10.5	11,899	11.7
Tax effect of different tax rate of subsidiaries operating in other tax jurisdiction	1,293	1.8	764	1.2	1,930	1.4	362	0.7	971	1.0
PRC withholding tax on undistributed earnings	(1,387)	(2.0)	(2,464)	(4.0)	(3,164)	(2.3)	(1,538)	(3.0)	(3,584)	(3.5)
(Under) over provision of EIT in prior periods	(4,060)	(5.9)	(679)	(1.1)	(691)	(0.5)	(36)	(0.1)	10	0.0
Tax charge and effective tax rate for the year/period	(15,655)	(22.7)	(13,941)	(22.5)	(22,835)	(16.5)	(9,977)	(18.9)	(20,329)	(20.0)

Note: The rate applied is the applicable tax rate in the PRC where the operation of the Group is substantially based.

At 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, the Group has deductible temporary differences of RMB27,221,000, RMB30,262,000, RMB32,024,000 and RMB44,731,000 in relation to allowance for doubtful debts and obsolete inventories. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that the temporary differences can be utilised.

13. DIVIDENDS

During the Relevant Periods, the Group and the Company have distributed the following dividends:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The Company (note)	—	167,386	48,680	48,680	19,721
Goldpac Datacard	—	23,773	6,751	6,751	19,721
Goldpac Secur-Card	—	150,626	44,212	44,212	—
	—	341,785	99,643	99,643	39,442
Less: Inter-company dividends	—	(174,399)	(50,963)	(50,963)	(19,721)
	—	167,386	48,680	48,680	19,721

Note: The Company has declared the following dividends during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
2011 Interim — EUR18,223 per share	—	167,386	—	—	—
2011 Interim — RMB42,002 per share	—	—	42,002	42,002	—
2011 Interim — HKD8,327 per share	—	—	6,678	6,678	—
2012 Interim — HKD24,322 per share	—	—	—	—	19,721
	—	167,386	48,680	48,680	19,721

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the consolidated profit for each reporting period during the Relevant Periods and on the 509,770,603 shares in issue during these periods on the assumption that the subdivision of shares and capitalisation issue as detailed in the paragraph headed "Information about the Company — 3A. Resolutions in writing of the Shareholders passed on 28 October 2013" and "Information about the Company — 3B. Resolutions in writing of the Shareholders passed on 15 November 2013", respectively in Appendix IV to the Prospectus have been effective on 1 January 2010.

No diluted earnings per share is presented because there were no potential ordinary shares in issue during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furnitures, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP						
COST						
At 1 January 2010	34,734	12,256	4,297	102,211	457	153,955
Currency realignment	—	(6)	(7)	—	—	(13)
Additions	—	903	—	14,963	149	16,015
Disposals	—	(571)	—	(141)	—	(712)
Transfers	—	—	—	540	(540)	—
At 31 December 2010	34,734	12,582	4,290	117,573	66	169,245
Currency realignment	—	(5)	(10)	—	—	(15)
Additions	—	1,269	361	14,451	1,618	17,699
Disposals	—	(9)	(877)	(87)	—	(973)
Transfers	—	—	—	982	(982)	—
At 31 December 2011	34,734	13,837	3,764	132,919	702	185,956
Additions	—	854	—	15,267	14,200	30,321
Disposals	—	(278)	—	(2,662)	—	(2,940)
Transfers	—	—	—	4,876	(4,876)	—
At 31 December 2012	34,734	14,413	3,764	150,400	10,026	213,337
Currency realignment	—	(5)	(4)	—	—	(9)
Additions	10,406	1,656	318	11,601	4,941	28,922
Disposals	—	(435)	(162)	(9,384)	—	(9,981)
Transfers	10,025	—	—	—	(10,025)	—
At 30 June 2013	55,165	15,629	3,916	152,617	4,942	232,269
DEPRECIATION						
At 1 January 2010	8,043	8,090	2,683	65,016	—	83,832
Currency realignment	—	(5)	(3)	—	—	(8)
Provided for the year	1,742	1,799	251	7,874	—	11,666
Eliminated on disposals	—	(537)	—	(141)	—	(678)
At 31 December 2010	9,785	9,347	2,931	72,749	—	94,812
Currency realignment	—	(7)	(4)	—	—	(11)
Provided for the year	1,875	1,598	200	8,973	—	12,646
Eliminated on disposals	—	(9)	(776)	(87)	—	(872)
At 31 December 2011	11,660	10,929	2,351	81,635	—	106,575
Provided for the year	1,742	1,864	230	11,819	—	15,655
Eliminated on disposals	—	(273)	—	(1,933)	—	(2,206)
At 31 December 2012	13,402	12,520	2,581	91,521	—	120,024
Currency realignment	—	(5)	(4)	—	—	(9)
Provided for the period	871	1,124	55	6,500	—	8,550
Eliminated on disposals	—	(435)	(162)	(9,384)	—	(9,981)
At 30 June 2013	14,273	13,204	2,470	88,637	—	118,584
CARRYING VALUE						
At 31 December 2010	24,949	3,235	1,359	44,824	66	74,433
At 31 December 2011	23,074	2,908	1,413	51,284	702	79,381
At 31 December 2012	21,332	1,893	1,183	58,879	10,026	93,313
At 30 June 2013	40,892	2,425	1,446	63,980	4,942	113,685

The Group's buildings are erected on land held under medium-term land use rights in the PRC.

16. LAND USE RIGHTS

THE GROUP

The balance represents the prepayment of rentals for medium-term land use rights situated in the PRC for a period of 50 years.

17. INVESTMENTS IN SUBSIDIARIES

THE COMPANY

The balance represents unlisted capital contributions in subsidiaries at cost.

18. INVENTORIES

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Raw materials	57,462	63,528	86,721	79,487
Work in progress	1,916	1,608	5,196	6,770
Finished goods	10,229	27,176	53,637	82,138
	69,607	92,312	145,554	168,395

19. TRADE AND BILLS RECEIVABLES

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Trade receivables				
— Gemalto's subsidiaries (as defined in note 21 to section F)	284	—	8	8
— third parties	88,618	76,797	172,945	442,159
Retentions held by customers	1,651	6,719	10,358	17,467
Bills receivables	2,451	915	—	—
	93,004	84,431	183,311	459,634

Payment terms with customers are mainly on credit. Invoices are normally payable in 30 to 150 days by the customers from date of issuance while retentions held by customers are normally payable between 6 months to 1 year by the customers from the date of issuance of invoices. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Age				
0 — 90 days	51,492	57,125	123,076	267,078
91 — 180 days	16,564	10,164	32,465	136,905
181 — 365 days	18,394	13,936	18,781	46,824
Over 1 year (note)	6,554	3,206	8,989	8,827
	93,004	84,431	183,311	459,634

Note: Included in the above balance aged over one year at 31 December 2012 and 30 June 2013 were retentions held by customers for sales of cards of RMB1,712,000 and RMB4,658,000 respectively.

The Group does not hold any collateral over these balances.

At 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, included in the Group's trade receivable balances are trade receivables with aggregate carrying amount of RMB7,551,000, RMB2,238,000, RMB8,786,000 and RMB14,203,000 respectively which are past due at the reporting date for which the Group has not provided for impairment loss as continuous repayment was noted subsequent to the end of the reporting period.

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

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Age				
91 — 180 days	417	1,028	1,333	11,331
181 — 365 days	6,238	1,167	6,851	2,624
Over 1 year	896	43	602	248
	7,551	2,238	8,786	14,203

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors of the Company considered that the concentration of credit risk is limited due to the customer base being large and unrelated.

No interest is charged on trade receivables. Allowances on trade receivables are made based on estimated irrecoverable amounts from the sales of goods or provision of services by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimated future cash flow discounted at the original effective interest rate.

Movements in the allowance for doubtful debts are as follows:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
At 1 January	1,382	1,431	2,000	2,553
Allowances recognised on receivables	49	633	571	9,200
Bad debts written off	—	(64)	(18)	—
At the end of the reporting year/period	1,431	2,000	2,553	11,753

At 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, the allowance for doubtful debts represented individually impaired trade receivables which have been overdue for a long time and the directors of the Company consider that the recoverability of these debts are low based on historical experience.

Included in trade and bills receivables are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
HKD	5,749	10,990	2	2
USD	2,764	3,572	2,914	1,350
RMB	—	25	45	45

20. OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Rental and utility deposits	421	434	638	806
Tender deposits	2,162	2,130	2,288	2,917
Deposits paid to contractors	—	—	—	1,290
Deposits paid to suppliers	4,829	771	500	2,270
Other prepayments and deposits	2,840	3,589	2,533	2,338
	10,252	6,924	5,959	9,621

Included in other receivables and prepayments are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
USD	1,302	—	—	—
EUR	220	—	—	—

21. AMOUNT DUE FROM A RELATED COMPANY/A SUBSIDIARY

		At 31 December			At 30 June
	Notes	2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP					
Amount due from a related company	(a)	276	—	—	—
THE COMPANY					
Amount due from a subsidiary	(b)	—	—	9,750	3,874

	Maximum amount outstanding			
	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Amount due from a related company	276	264	263	263

Notes:

(a) The amount due from a related company, Gemalto Technologies Asia Limited ("Gemalto Asia"), being a fellow subsidiary of Gemplus International S.A. ("Gemplus"), a shareholder of the Company and a limited liability company incorporated in Luxembourg, was denominated in USD, unsecured, interest-free, repayable on demand and was fully impaired in 2011.

Both Gemalto Asia and Gemplus are controlled by Gemalto N.V. ("Gemalto"), a company incorporated under the laws of the Netherlands and whose shares are listed and traded on NYSE Euronext Amsterdam and NYSE Euronext Paris.

(b) The balance represents dividend receivable from Goldpac Datacard which was denominated in HKD, unsecured, interest-free and repayable on demand.

22. OTHER FINANCIAL ASSETS

	Notes	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 June 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Financial assets designated at FVTPL					
— unlisted funds in the PRC	(a)	—	—	185,000	—
— structured deposits placed in the PRC	(b)	110,000	83,000	16,801	78,001
		110,000	83,000	201,801	78,001

Notes:

(a) The unlisted funds in the PRC represented funds managed by a PRC investment trust with underlying financial instrument mainly consist of PRC bonds. The financial product is designated at FVTPL on initial recognition as it was managed together with the structured deposits. The fair value of the unlisted funds is based on the redemption value quoted by the relevant investment trust at the end of the reporting period, which is same as the nominal value of the funds. The unlisted funds can be redeemed at anytime at the discretion of the Group and it was fully redeemed during the six months ended 30 June 2013.

(b) The structured deposits represented financial product issued by certain banks in the PRC, with an expected but not guaranteed return of 1.8% to 6.2% per annum, depending on the market price of its underlying financial instruments, including listed shares and debentures. The financial product is designated at FVTPL on initial recognition as it contains embedded derivatives that are not closely related to the host contract. The directors of the Company consider the fair value of the financial product approximate to its principal amount as at the end of each of the reporting period and the fair value of the embedded derivatives is insignificant.

The structured deposits were settled within two months of the following year/period at the principal amounts together with returns which approximated the expected return.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The pledged bank deposits were pledged for bills payables and fixed rate secured bank loans and carried interest at the prevailing market interest rate ranging from 2.25% to 2.5%, 3.1% to 3.7%, 2.6% to 2.8% and 2.9% to 3.1% per annum at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 respectively.

Bank balances held by the Company carry interest at the rate of 0.1% per annum at the end of each reporting period.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group companies.

	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 June 2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
HKD	17	2,238	—	1
USD	3,980	675	2,051	1,198
EUR	11	149	206	154
RMB	—	3,950	614	1,006
JPY	—	—	—	1

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE COMPANY				
USD	160	153	152	149
EUR	—	149	150	146

24. TRADE AND BILLS PAYABLES

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Trade payables				
— Gemalto's subsidiaries	10,957	12,300	129,123	228,156
— Gemalto's related company — DataCard Corporation	18,974	19,927	15,258	7,274
— third parties	50,143	59,584	96,184	114,111
	80,074	91,811	240,565	349,541
Secured bills payables				
— Gemalto's subsidiaries	—	—	—	85,421
— third parties	14,788	21,934	97,567	99,785
	14,788	21,934	97,567	185,206
	94,862	113,745	338,132	534,747

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 each of the reporting period:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Age				
0 — 90 days	79,641	93,614	281,626	278,269
91 — 180 days	9,174	15,069	34,617	132,347
181 — 365 days	3,078	4,727	21,480	116,786
Over 1 year	2,969	335	409	7,345
	94,862	113,745	338,132	534,747

Included in trade and bills payables are the following amounts denominated in currencies other than the functional currency of the relevant group companies.

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
HKD	55	1,116	2,677	5,939
USD	33,651	38,281	37,914	14,702
EUR	498	83	154	—

25. OTHER PAYABLES

	At 31 December 2010 RMB'000	At 31 December 2011 RMB'000	At 31 December 2012 RMB'000	At 30 June 2013 RMB'000
THE GROUP				
Payroll and welfare payables	16,113	21,222	27,327	23,885
Customers' deposits	13,498	13,048	18,748	10,042
Delivery and postage payables	3,851	5,431	9,953	13,293
Value-added tax payables	4,105	9,934	20,557	21,165
Other tax payables	891	921	894	1,540
Payables for property, plant and equipment	—	—	—	5,181
Other payables	1,516	1,206	4,971	2,172
	39,974	51,762	82,450	77,278

	At 31 December 2010 RMB'000	At 31 December 2011 RMB'000	At 31 December 2012 RMB'000	At 30 June 2013 RMB'000
THE COMPANY				
Other payables in RMB	41	26	26	20

Included in other payables of the Group are the following amounts denominated in currencies other than the functional currency of the relevant group companies.

	At 31 December 2010 RMB'000	At 31 December 2011 RMB'000	At 31 December 2012 RMB'000	At 30 June 2013 RMB'000
THE GROUP				
USD	438	—	—	—
RMB	—	2,151	—	—

26. GOVERNMENT GRANTS

	Year ended 31 December 2010 RMB'000	Year ended 31 December 2011 RMB'000	Year ended 31 December 2012 RMB'000	Six months ended 30 June 2013 RMB'000
THE GROUP				
CARRYING VALUE				
At 1 January	500	2,900	5,500	5,300
Government grants received during the year/period	4,061	2,612	1,972	1,400
Released to profit or loss during the year/period	(1,661)	(12)	(2,172)	(300)
At the end of the year/period	2,900	5,500	5,300	6,400

	At 31 December 2010 RMB'000	At 31 December 2011 RMB'000	At 31 December 2012 RMB'000	At 30 June 2013 RMB'000
THE GROUP				
Analysed as				
— current	—	1,100	3,000	6,400
— non-current	2,900	4,400	2,300	—
At the end of the year/period	2,900	5,500	5,300	6,400

Goldpac Secur-Card received government grants throughout the Relevant Periods from the relevant PRC local authorities as an incentive in relation to technical know-how on the development of smart cards and solutions services. Such government grants were recognised in the profit or loss as other income, gains or losses when the research was completed and the related verification procedures was completed and approved by the PRC local authorities.

27. LOAN FROM/AMOUNTS DUE TO RELATED COMPANIES/SUBSIDIARIES

The amounts represent unsecured balances due to subsidiaries and Gemalto and its subsidiaries as follows:

	Notes	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 June 2013
		RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP					
Dividend payable to Gemplus	(a)	—	—	9,750	3,874
Amount due to Gemplus	(b)	1,499	1,499	1,499	—
Loan from a subsidiary of Gemalto	(c)	—	26,000	—	—
		1,499	27,499	11,249	3,874

	Notes	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 June 2013
		RMB'000	RMB'000	RMB'000	RMB'000
THE COMPANY					
Dividend payable to Gemplus	(a)	—	—	9,750	3,874
Amounts due to subsidiaries	(d)	88	140	146	3,981

Notes:

(a) The amount as at 31 December 2012 was interest-free, payable within six months from 31 December 2012, denominated in HKD and was fully paid in June 2013. The amount as at 30 June 2013 was interest-free, denominated in HKD and payable within one year from 30 June 2013.

(b) The amount was interest-free and repayable on demand. During the six months ended 30 June 2013, Gemplus agreed to release the repayment of this amount. Such release was recognised as a contribution to the Group.

(c) At 31 December 2011, the Group has an outstanding balance of RMB26,000,000 due to a subsidiary of Gemalto, 金雅拓科技（上海）有限公司 (Gemalto Technologies (Shanghai) Co., Ltd., "Gemalto (Shanghai)") which was arranged through an entrusted loan agreement administrated by a bank with a term of 18 months, which carries interest at 0.01% per annum and was unsecured. It was fully repaid in 2012.

(d) The amounts are unsecured, interest free, repayable on demand and are denominated in USD.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	At 31 December 2010	At 31 December 2011	At 31 December 2012	At 30 June 2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Derivatives (not under hedge accounting):				
Foreign currency forward contracts liability	—	13,058	—	—

The fair value of the above derivative financial instruments are calculated using prevailing forward exchange rates matching the remaining maturities of the contracts.

Major terms of the foreign currency forward contracts outstanding as at 31 December 2011 are as follows:

Notional amount	Currency conversion	Maturity date
Buy EUR2,088,294	RMB/EUR 9.29	2 July 2012
Buy EUR5,222,123	RMB/EUR 9.07	11 July 2012
Buy EUR2,088,733	RMB/EUR 8.89	11 July 2012
Buy EUR3,125,620	RMB/EUR 9.08	12 July 2012
Buy EUR3,733,866	RMB/EUR 8.97	Any dates between 12 July 2012 and 23 July 2012

29. BANK LOANS

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Fixed rate secured bank loans	33,426	143,103	—	—
Variable rate unsecured bank loans	—	9,728	37,093	53,940
	33,426	152,831	37,093	53,940
Carrying amount repayable within one year	33,426	143,103	29,411	47,400
Carrying amount that contains a repayment on demand clause repayable				
— within one year	—	2,046	2,046	2,046
— between one to two years	—	2,046	2,046	2,046
— between two to five years	—	5,636	3,590	2,448
Amounts shown under current liabilities	33,426	152,831	37,093	53,940

The secured bank loans as at 31 December 2010 and 31 December 2011 were secured by certain of the Group's bank deposits. Details of the assets pledged was disclosed in note 23 to section F. All of the assets pledged have been released upon settlement of the relevant borrowings during 2012.

All the variable rate bank loans carry interests at the borrowing rate offered by the People's Bank of China which were repriced monthly to every three months or at 1% per annum below the lender's prime rate for HKD. At 31 December 2011, 31 December 2012 and 30 June 2013, the Group has variable rate bank loans carrying interest at 4.0% per annum, 1.9% to 4.0% per annum and 1.8% to 4.0% per annum respectively.

At 31 December 2010 and 31 December 2011, the Group has fixed rate bank loans carrying interest at 0.87% to 3.09% per annum and 4.28% to 4.38% per annum respectively.

At 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, the following unsecured bank loans are guaranteed by:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
The Government of the Hong Kong Special Administrative Region and Mr. Lu Run Ting	—	9,728	7,682	6,540

The guarantee given by Mr. Lu Run Ting was fully released upon the settlement of the bank loans in October 2013.

At 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, the Group has unutilised available credit facilities amounting to RMB40,839,000, RMB152,759,000, RMB142,554,000 and RMB115,887,000 respectively.

Included in bank loans are the following amounts denominated in currencies other than the functional currency of the relevant group companies.

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
HKD	—	—	238	4,939
USD	33,426	—	28,649	41,390
EUR	—	143,103	524	—
JPY	—	—	—	1,071

30. DEFERRED TAXATION

The following is the deferred taxation recognised and movements thereon during the Relevant Periods:

	PRC withholding tax on undistributed earnings
	RMB'000
THE GROUP	
At 1 January 2010	6,422
Charged to profit or loss during the year	1,387
At 31 December 2010	7,809
Credited to profit or loss during the year	(5,059)
At 31 December 2011	2,750
Charged to profit or loss during the year	953
At 31 December 2012	3,703
Charged to profit or loss during the period	3,584
At 30 June 2013	7,287

31. SHARE CAPITAL

	Number of shares	Amount
	'000	HK$'000
THE GROUP AND THE COMPANY		
Ordinary shares of HK$1 each		
Authorised:		
At 1 January 2010, 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013	10	10
Issued and fully paid:		
At 1 January 2010, 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013	1	1

32. RESERVES

	Share premium	Retained profits	Total
	RMB'000	RMB'000	RMB'000
THE COMPANY			
At 1 January 2010	43,623	4,195	47,818
Loss and total comprehensive expense for the year	–	(85)	(85)
At 31 December 2010	43,623	4,110	47,733
Profit and total comprehensive income for the year	–	167,505	167,505
Dividends recognised as distribution	–	(167,386)	(167,386)
At 31 December 2011	43,623	4,229	47,852
Profit and total comprehensive income for the year	–	48,660	48,660
Dividends recognised as distribution	–	(48,680)	(48,680)
At 31 December 2012	43,623	4,209	47,832
Profit and total comprehensive income for the period	–	15,897	15,897
Dividends recognised as distribution	–	(19,721)	(19,721)
At 30 June 2013	43,623	385	44,008

33. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each of the reporting period, the Group was committed to make the following future minimum lease payments for office premises under non-cancellable operating leases which fall due as follows:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,579	1,725	2,432	3,028
In the second to fifth year inclusive	1,966	928	733	160
	3,545	2,653	3,165	3,188

Leases are negotiated for a term of 1 to 4 years and rentals are fixed for an average of 2 years.

The Company has no significant operating lease commitments at the end of each of the reporting period.

34. CAPITAL COMMITMENTS

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP				
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of property, plant and equipment	—	445	7,690	4,783
Capital expenditure authorised for but not contracted for in respect of acquisition of property, plant and equipment	—	—	12,284	21,615

The Company has no significant capital commitments at the end of each of the reporting period.

35. CONTINGENT LIABILITIES

The Group and the Company have no significant contingent liabilities at the end of each of the reporting period.

36. RETIREMENT BENEFITS SCHEME

The Group's qualifying employee in Hong Kong participates in MPF in Hong Kong. The assets of the MPF are held separately from those of the Group in fund under the control of trustee. Under the MPF scheme in Hong Kong, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 per annum (increased to HK$25,000 per annum effective from 1 June 2012). Contributions to the scheme vest immediately.

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

37. RELATED PARTY TRANSACTIONS

Other than the transactions and balances with related parties disclosed in respective notes to section F, during the Relevant Periods, the Group has the following significant transactions with related parties:

Relationship and name of related company	Nature of transactions	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Companies controlled by Gemalto:						
Gemalto Taiwan Co., Ltd.	Sales of goods	859	126	101	—	—
Gemalto Pte. Ltd.	Sales of goods	539	777	92	—	—
	Purchase of materials	5,803	15,626	18,771	17,973	3,142
Shanghai Axalto IC Card Technologies Co., Ltd. (上海雅斯拓智能卡技術有限公司)	Purchase of materials	—	—	112,749	7,003	208,924
Gemalto (Shanghai)	Purchase of materials	2,480	125	14	—	—

Pursuant to a sales and purchase agreement entered into between Goldpac Secur-Card and 珠海市金邦達金卡片設備有限公司 (Goldpac Golden Card Equipment Co. Ltd, "Goldpac Golden Card"), a company which was controlled by the Company's controlling shareholder, Mr. Lu Run Ting (the "Controlling Shareholder") at the time of entering into the agreement, Goldpac Secur-Card acquired the entire equity interests in Goldpac Guangzhou, a shell company at the time of acquisition from Goldpac Golden Card for a consideration of RMB1,000,000. The acquisition was effective on 15 May 2012, upon approval by the PRC government authority. The consideration was settled by the assignment of the amount due from Goldpac Golden Card in the books of Goldpac Guangzhou to Goldpac Secur-Card.

On 29 March 2011, a trademark license agreement was entered into between Goldpac International (Holding) Limited ("GIHL", a limited liability company incorporated in Hong Kong and controlled by the Controlling Shareholder) as the licensor and the Company, Goldpac Secur-Card and Goldpac Datacard as the licensees pursuant to which GIHL agreed to grant the licensees an exclusive license to use certain trademarks up to the date of the commencement of listing of the ordinary shares of the Company on the Main Board of Stock Exchange (the "Listing") at nil consideration. Prior to 29 March 2011, the Group was using the trademarks owned by GIHL free of charge.

On 15 November 2013, a trademark agreement was entered into between GIHL and the Company, in respect of the trademarks registered in Hong Kong, Macau and the PRC, and pursuant to which (i) GIHL agreed to transfer the trademarks to the Company at a consideration of US$3 million, and (ii) for the period from the date of the Listing and prior to the date when the Company becomes the registered owner of the trademarks, GIHL agreed to grant the Group an exclusive license to use the trademarks at nil consideration.

The details of remuneration of key management personnel, represents directors of the Company paid during the Relevant Periods, are set out in note 11 to section F.

G. IMMEDIATE AND ULTIMATE HOLDING COMPANY/PARTY

The immediate and ultimate holding company/party of the Company during the Relevant Periods are as follow:

Period	Name of immediate holding company	Name of ultimate holding company/party
From 1 January 2010 to 29 August 2011	Gemplus	Gemalto
From 30 August 2011 to date of this report	GIHL	Controlling Shareholder

H. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the directors of the Company during the Relevant Periods.

Under the arrangement presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2013, excluding discretionary bonus and the share-based payment regarding the conditionally granted pre-IPO share option, is approximately RMB3.5 million.

I. SUBSEQUENT EVENTS

The following events took place subsequent to 30 June 2013:

(a) On 1 July 2013, interim dividends of RMB71,972 per share amounting to RMB71,971,792 in respect of the year ended 31 December 2012 and RMB71,971,792 have been approved by the directors of the Company and Goldpac Secur-Card respectively for the year ended 31 December 2012. The dividends declared by Goldpac Secur-Card were made to the Company.

(b) Pursuant to a share subscription agreement dated 3 July 2013 (the "Subscription Agreement") entered into between the Company and BOCI Investment Limited ("BOCI Investment"), BOCI Investment agreed to subscribe and the Company agreed to issue and allot 177 new shares in the Company to BOCI Investment representing in aggregate approximately 15.04% of the enlarged total issued share capital of the Company at that time. The consideration of the share subscription was HK$ equivalent of RMB187,000,000, being HK$234,618,087.

According to the Subscription Agreement, if (a) the Company fails to meet the consolidated net profit of RMB96,000,000 for any of the financial year 2013 or 2014 or (b) the Listing fails to happen within 18 months after the date of the Subscription Agreement, BOCI Investment shall have the right (but not obligation), at any time but no later than five business days after the date falling 18 months after the date of the Subscription Agreement, on one or more occasions, to require the Company to repurchase or redeem all or any part of the shares held by BOCI Investment (the "Redemption Shares"). The price for each redemption share shall be equal to a price which is HK$1,325,525.91 per share (as appropriately adjusted for share splits, share dividends, combinations and the like) plus an amount necessary to produce an internal rate of return of 15% per annum thereon (minus any dividend or distribution actually paid to BOCI Investment as a holder of such redemption share) calculated from the issue date of such Redemption Share to (and including) the actual date of payment.

Such Redemption Shares of RMB187,000,000 is then classified as a financial liability and carried at amortised cost, using the effective interest method. Up to 15 November 2013, being the latest practicable date, the Group recognised approximately RMB11 million of finance costs in the profit or loss in respect of these share repurchase obligations.

The carrying value of Redemption Shares at the date prior to the Listing, which represent the aggregate of the principal of RMB187 million and the relevant accumulated finance costs incurred up to the date prior to the Listing will be reclassified to the equity of the Company upon the Listing, when the redemption obligation is terminated.

On 23 October 2013, BOCI Investment executed an unilateral waiver of its redemption rights under the Shareholders Agreement in the event that the Company fails to meet the consolidated net profit of RMB96,000,000 for any of the financial year 2013 or 2014.

(c) Pursuant to the shareholders' resolutions which were passed to approve the matters set out in paragraph headed "Information about the Company — 3A. Resolutions in writing of the Shareholders passed on 28 October 2013" in Appendix IV to the Prospectus, every share of HK$1 each in the issued and unissued share capital of the Company was subdivided into 1,000 shares of HK$0.001 each and the authorised share capital of the Company was increased from HK$10,000 divided into 10,000,000 shares of HK$0.001 each to HK$4,000,000 divided into 4,000,000,000 shares of HK$0.001 each by the creation of 3,990,000,000 shares of HK$0.001 each.

(d) Pursuant to the shareholders' resolutions which were passed to approve the matters set out in paragraph headed "Information about the Company — 3B. Resolutions in writing of the Shareholders passed on 15 November 2013" in Appendix IV to the Prospectus, conditional on the share premium account being credited as a result of the issue of the shares by the Company pursuant to the proposed listing of the Company's shares, an amount of HK$598,823 which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par a total of 598,823,000 shares of HK$0.001 each for allotment and issue to holders of shares whose names shall appear on the register of members of the Company at the close of business on 15 November 2013 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their respective then existing shareholdings in the Company, and the directors of the Company were authorised to give effect to the capitalisation issue and the shares to be allotted and issued shall, save for the entitlements to the capitalisation issue, rank pari passu in all respects with all existing shares.

(e) Pursuant to a written resolution passed by the shareholders of the Company on 15 November 2013, the pre-IPO share option scheme was adopted. As at the date of this report, options to subscribe for an aggregate of 36,000,000 ordinary shares have been conditionally granted by the Company to the eligible participants of the scheme, including directors, full-time employees of the Company or its subsidiaries ("eligible participants").

Details of the share option scheme are set out in section headed "Other Information — 15B. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus.

J. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 30 June 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong