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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- The Group's turnover was approximately RMB1,400.8 million, representing an increase of approximately 0.5% as compared with that of the previous year. The gross margin was approximately 29.8% and continued to maintain a strong position in the global industry.

- The profit for the year decreased by approximately 19.7% to RMB164.5 million as compared with that of the previous year, as a result of the depreciation of USD denominated bank deposits against the RMB. Adjusted for the unrealized exchange loss of approximately RMB49.8 million, the profit for the year would have increased by approximately 31.0% to approximately RMB214.3 million as compared with that of the previous year.

- Operating profit was approximately RMB250.3 million, representing an increase of approximately 21.8% as compared with that of the previous year.

- Business segment: Turnover of the embedded software and secure payment products segment was approximately RMB1,150.0 million, representing a decrease of approximately 1.3% as compared with that of the previous year. The turnover of the platform and service segment was approximately RMB250.9 million, representing an increase of approximately 9.5% as compared with that of the previous year.

- The Group has maintained its leading market share in China's payment card market for five consecutive years. In 2017, the Group's credit card shipment volume increased by approximately 40% as compared with that of the previous year.

- Goldpac Limited, a wholly-owned subsidiary of the Group in Mainland China was once again classified as a China High-New Technology Enterprise in 2017 and was entitled to a preferential tax rate of 15.0%.

- The Group has a broad, stable and diverse customer base, spanning more than 1,000 banks globally, 200 government authorities and over 40 multinational enterprises. Despite most of the turnover were generated from Mainland China, the Group has been providing products and services to 25 countries and regions globally.

- The Group's proprietary EMV (Europay, MasterCard, and Visa) products based on the China national financial IC chip have successfully been accredited by the most stringent international payment standards, diversifying the Group's product portfolio for overseas markets.

- The Board proposed to declare a final dividend of HK10.0 cents (equivalent to approximately RMB8.0 cents) per ordinary share (HK7.0 cents in 2016) and a special dividend of HK6.0 cents (equivalent to approximately RMB5.0 cents) per ordinary share (HK6.0 cents in 2016).

The board (the "**Board**") of directors (the "**Directors**") of Goldpac Group Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Turnover	*3*	**1,400,842**	1,393,713
Cost of sales		**(983,661)**	(974,711)
Gross profit		**417,181**	419,002
Other income	*4*	**78,274**	63,256
Other losses or gains	*5*	**(40,446)**	30,939
Research and development costs		**(109,053)**	(98,050)
Selling and distribution costs		**(105,719)**	(132,105)
Administrative expenses		**(35,919)**	(32,981)
Share of losses of associates	*10*	**(5,554)**	(5,495)
Profit before taxation	*6*	**198,764**	244,566
Taxation	*7*	**(34,287)**	(39,666)
Profit for the year		**164,477**	204,900
Other comprehensive (expense) income for the year			
Item that may be subsequently reclassified to profit or loss:			
— exchange differences arising on translation of foreign operations		**(1,021)**	1,553
Total comprehensive income for the year		**163,456**	206,453
Earnings per share	*9*		
— Basic		**20.0 cents**	24.6 cents
— Diluted		**20.0 cents**	24.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**335,921**	167,579
Land use rights		**26,665**	620
Goodwill		**1,375**	1,375
Intangible assets		**8,966**	11,256
Interests in associates	*10*	**27,475**	33,052
Amount due from an associate		**819**	869
Deposits paid for acquisition of property, plant and equipment		**—**	29,456
Deferred tax assets		**8,730**	—
Pledged bank deposit		**—**	100,000
Fixed bank deposits		**100,000**	110,000
		509,951	454,207
Current assets			
Inventories	*11*	**207,609**	211,212
Trade receivables	*12*	**417,729**	339,970
Other receivables and prepayments		**45,197**	32,647
Amount due from an associate		**9,422**	8,409
Pledged bank deposits		**111,309**	39,707
Fixed bank deposits		**830,234**	687,988
Bank balances and cash		**575,424**	825,442
		2,196,924	2,145,375
Current liabilities			
Trade and bills payables	*13*	**550,703**	515,101
Other payables		**157,981**	137,410
Government grants		**17,700**	14,700
Taxation		**30,737**	48,931
		757,121	716,142
Net current assets		**1,439,803**	1,429,233
Total assets less current liabilities		**1,949,754**	1,883,440
Non-current liability			
Deferred tax liabilities		**19,871**	10,111
Net assets		**1,929,883**	1,873,329
Capital and reserves			
Share capital	*14*	**1,192,362**	1,191,941
Reserves		**737,521**	681,388
Total equity		**1,929,883**	1,873,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company acts as an investment holding company while the Group is principally engaged in delivering embedded software and secure payment products for global customers and leveraging innovative Fintech to provide personalisation service, system platform and other total solutions for customers in a wide business range including finance, government, healthcare, transportation and retails.

The address of the registered office and principal place of business of the Company are Room 1301, 13th Floor, Bank of East Asia, Harbour View Center No. 56 Gloucester Road, Hong Kong.

The Company has delivered those financial statements to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (the "**Companies Ordinance**"). The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**"), issued by the Hong Kong Institute of Certified Public Accountant. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

3. 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, being the chief operating decision maker, in order to allocate resources to the operating and reportable segments and to assess their performance.

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

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

Each operating and reportable segment derives its turnover from the sales of products or provision of services. They are managed separately because each product requires different production and marketing strategies. For segment reporting, these individual operating segments have been aggregated into a single reportable segment due to similar nature of the products and services.

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

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	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Sales to external parties of				
— embedded software and secure payment products	**1,149,968**	1,164,688	**312,315**	321,454
— platform and service	**250,874**	229,025	**104,866**	97,548
	1,400,842	1,393,713	**417,181**	419,002
Research and development costs			**(109,053)**	(98,050)
Other operating expenses			**(141,638)**	(165,086)
Other income, expenses, gains or losses			**60,454**	33,349
Interest income			**23,374**	16,269
Operating profit *(Note)*			**250,318**	205,484
Investment income from other financial assets			**3,815**	3,245
Exchange (loss) gain			**(49,815)**	41,332
Share of losses of associates			**(5,554)**	(5,495)
Profit before taxation			**198,764**	244,566

Note: To better describe the Group's current and future operating results and understanding of the Group's profitability by the users of financial statements, "operating profit" is disclosed from current year.

The accounting policies of the operating segments are the same as the Group's accounting policies.

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

Other information

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

	2017	2016
	RMB'000	*RMB'000*
Turnover		
— Mainland China	**1,312,173**	1,290,826
— Overseas and the special administrative regions of Hong Kong ("**Hong Kong**") and Macau ("**Macau**")	**88,669**	102,887
	1,400,842	1,393,713

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

	2017	2016
	RMB'000	*RMB'000*
Hong Kong	**179,342**	11,946
Mainland China	**221,060**	230,692
Philippines	**—**	700
	400,402	243,338

Information about major customers

For the year ended 31 December 2017, there was one customer with turnover of RMB151,473,000 in aggregate (2016: one customer with turnover of RMB181,739,000) from the segments of both embedded software and secure payment products and platform and service which accounted for more than 10% of the Group's total turnover.

4. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Government grants	**23,304**	18,359
Interest income	**23,374**	16,269
Investment income from other financial assets	**3,815**	3,245
Value-added tax refund	**24,905**	24,081
Others	**2,876**	1,302
	78,274	63,256

5. OTHER LOSSES OR GAINS

	2017	2016
	RMB'000	*RMB'000*
Impairment loss reversed (recognised) on trade receivables	**9,384**	(10,393)
Loss on disposal of property, plant and equipment	**(15)**	—
Net exchange (loss) gain	**(49,815)**	41,332
	(40,446)	30,939

6. PROFIT BEFORE TAXATION

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**20,672**	17,470
Other staff costs	**167,468**	164,275
Other staff's equity-settled share-based payments	**11,329**	7,866
Other staff's retirement benefits scheme contributions	**5,903**	5,044
	205,372	194,655
Allowance for inventories included in cost of sales	**4,925**	12,015
Amortisation of intangible assets	**2,290**	2,290
Auditor's remuneration	**1,508**	1,528
Depreciation of property, plant and equipment	**44,475**	39,704
Operating lease rentals in respect of		
— land use rights	**624**	135
— office premises	**7,685**	7,571
Cost of inventories recognised as expense	**810,877**	810,375

7. TAXATION

	2017	2016
	RMB'000	*RMB'000*
The (charge) credit comprises:		
Mainland China Enterprise Income Tax ("**EIT**")	**(31,180)**	(29,544)
Underprovision of EIT in prior years	**(1,906)**	(2,525)
	(33,086)	(32,069)
Mainland China withholding tax on dividend distribution	**—**	(20,234)
Hong Kong Profits Tax	**(405)**	—
Overprovision of Hong Kong Profits Tax in prior years	**234**	—
	(33,257)	(52,303)
Deferred taxation		
Current tax	**(10,429)**	12,637
Underprovision in prior years	**9,399**	—
	(1,030)	12,637
	(34,287)	(39,666)

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

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

The Company's subsidiaries in Mainland China are subject to EIT at 25% except that Goldpac Limited is approved for 3 years as enterprise satisfied as a High-New Technology Enterprise and entitles the preferential tax rate of 15% in 2017, 2018 and 2019.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui (2008) No. 1, only the profits earned by Goldpac Limited prior to 1 January 2008, when distributed to foreign investors, can be grandfathered with the exemption from withholding 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 2008 have been accrued at the tax rate of 5%.

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
2017 Interim — HK4.0 cents per ordinary share (declared on 17 August 2017 and based on 833,561,000 shares)		
2016 Interim — HK4.0 cents per ordinary share (declared on 16 August 2016 and based on 834,029,000 shares)	**28,105**	28,322
2016 Final — HK7.0 cents per ordinary share (declared on 21 March 2017 and based on 833,561,000 shares)		
2015 Final — HK11.0 cents per ordinary share (declared on 16 March 2016 and based on 834,029,000 shares)	**51,353**	76,389
2016 Special — HK6.0 cents per ordinary share (declared on 21 March 2017 and based on 833,561,000 shares)		
2015 Special — HK4.0 cents per ordinary share (declared on 16 March 2016 and based on 834,029,000 shares)	**44,017**	27,778

Subsequent to the end of the reporting period, a final dividend of HK10.0 cents (2016: HK7.0 cents) and a special dividend of HK6.0 cents (2016: HK6.0 cents) per ordinary share in respect of the year ended 31 December 2017 have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**164,477**	204,900
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**822,949**	833,856

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

The computation of diluted earnings per share does not assume the exercise of the Company's Pre-IPO share options and share awards because the exercise price of those options and the fair value of those share awards were both higher than the average market price for shares for both 2017 and 2016.

10. INTERESTS IN ASSOCIATES

	2017	2016
	RMB'000	*RMB'000*
Unlisted investments in associates, at cost	**32,120**	32,120
Exchange realignment	**193**	216
Share of post-acquisition results and reserves	**(4,838)**	716
	27,475	33,052

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

Name of entity	Country/region of incorporation and operation	Proportion of issued ordinary share and capital indirectly held by the Group		Principal activity
		2017	2016	
Kaixin Holdings Limited	British Virgin Islands	**45%**	45%	Investment holding
Goldpac ACS Technologies Inc.	Philippines	**45%**	45%	Personalisation service
Sichuan Zhongruan Technology Ltd. ("**SCZR**")	Mainland China	**19.68%** *(Note)*	19.68% *(Note)*	Smart city platform

Note: The Group is able to exercise significant influence over SCZR because it has the power to appoint two out of the seven directors of that company under the Article of Association of that company.

Aggregate information of associates that are not individually material

	2017	2016
	RMB'000	*RMB'000*
The Group's share of losses of associates	**(5,554)**	(5,495)
Aggregate carrying amount of the Group's interests in these associates	**27,475**	33,052

11. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**150,625**	162,974
Work in progress	**5,316**	4,939
Finished goods	**51,668**	43,299
	207,609	211,212

12. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**401,079**	323,709
Retentions held by customers	**16,650**	16,261
	417,729	339,970

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 receivables net of allowance for doubtful debt presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	2017	2016
	RMB'000	*RMB'000*
Age		
0 – 90 days	**297,292**	223,697
91 – 180 days	**56,046**	58,413
181 – 365 days	**34,794**	36,801
Over 1 year *(Note)*	**29,597**	21,059
	417,729	339,970

Note: Included in the above balance aged over one year at 31 December 2017 were retentions held by customers for sales of goods of RMB7,553,000 (2016: RMB7,256,000).

The Group does not hold any collateral over these balances.

At 31 December 2017, included in the Group's trade receivable balances are trade receivables with aggregate carrying amount of RMB21,251,000 (2016: RMB16,800,000) which are past due at the reporting date for which the Group has not provided for impairment loss as counterparties have sound financial background.

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

	2017	2016
	RMB'000	*RMB'000*
Age		
91 – 180 days	**8,796**	2,959
181 – 365 days	**6,042**	8,184
Over 1 year	**6,413**	5,657
	21,251	16,800

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the debtors since the credit was granted and up to the reporting date.

No interest is charged on trade receivables. Allowance 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 by aging and credit portfolio of each debtor.

Movements in the allowance for doubtful debt are as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**17,431**	7,226
(Reversal of) impairment loss recognised on receivables	**(9,384)**	10,393
Bad debts written off	**(793)**	(188)
At 31 December	**7,254**	17,431

At the end of the reporting period, the allowance for doubtful debt 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.

13. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables		
— Subsidiaries of Gemalto N.V. ("**Gemalto**") *(Note)*	**85,258**	126,157
— Related company of Gemalto		
— DataCard Corporation	**10,066**	16,331
— Third parties	**319,403**	190,848
	414,727	333,336
Bills payables - secured		
— Subsidiaries of Gemalto	**78,383**	88,290
— Third parties	**57,593**	93,475
	135,976	181,765
	550,703	515,101

Note: Gemalto is a company incorporated under the laws of the Netherlands and whose shares are listed and traded on NYSE Euronext Amsterdam and NYSE Euronext Paris. It controlled Gemplus International S.A., a substantial shareholder of the Company throughout both years, which is a limited liability company incorporated in Luxembourg.

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

	2017	2016
	RMB'000	*RMB'000*
Age		
0 – 90 days	**391,592**	414,616
91 – 180 days	**129,681**	87,678
181 – 365 days	**27,579**	8,637
Over 1 year	**1,851**	4,170
	550,703	515,101

14. SHARE CAPITAL

	Notes	Number of ordinary shares '000	Amount HK$'000
Issued and fully paid:			
At 1 January 2016		833,667	1,497,123
Issue of shares upon exercise of share options	*(a)*	362	1,872
Shares repurchased and cancelled	*(b)*	(565)	—
At 31 December 2016		833,464	1,498,995
Issue of shares upon exercise of share options	*(c)*	97	503
At 31 December 2017		833,561	1,499,498
			RMB'000
Shown in the financial statements as			
— at 31 December 2017			1,192,362
— at 31 December 2016			1,191,941

Notes:

(a) During the year ended 31 December 2016, 362,000 share options were exercised and converted into 362,000 ordinary shares at the conversion price of HK$2.71.

(b) During the year ended 31 December 2016, the Company repurchased and cancelled a total of 565,000 ordinary shares of the Company at an aggregate cost of HK$1,351,000 (equivalent to approximately RMB1,135,000) on the Stock Exchange.

(c) During the year ended 31 December 2017, 97,000 share options were exercised and converted into 97,000 ordinary shares at the conversion price of HK$2.71.

During the year ended 31 December 2016, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
June 2016	565,000	2.41	2.37	1,351
				1,351

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

All the shares which were issued during the year ended 31 December 2017 rank pari passu with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

"Regulatory Reinforcement" was the theme for the financial industry's development in China for the year of 2017. The Government Work Report delivered in March 2018 by the State Council emphasized the importance of enhancing financial regulations in order to prevent systemic financial risks. Substantial measures were reinforced by the Chinese governmental authorities aimed at eliminating financial irregularities, circumvention of financial regulations and facilitation of regulatory arbitrage. These measures have promoted the progressive, steady and healthy development of China's financial industry. As such, a favorable external environment is created for the Group's development.

Banks have always held a dominant position in China's financial system. Their stringent security have made them an important cornerstone for national financial security. The secure payment model based on bank account forms the core foundation and mainstay of the banking payment system and has always maintained its steady development. In 2017, the number of bank card transactions in China reached nearly 150 billion times, representing an increase of approximately 29.4% as compared with that of the previous year. Furthermore, the average single transaction amount for bank cards was approximately RMB5,097, which is ten times as compared to third party payment services*.

Credit card is a globally recognized payment tool and possesses a competitive advantage that drives consumer credit. Under the strong push of major banks, China's credit card market obtained a rapid growth in 2017. The number of credit cards per capita has increased from approximately 0.31 to approximately 0.39 in the year of 2017. The total value of credit card loans reached approximately RMB12.48 trillion, representing an increase of approximately 36.6% as compared with that for the year of 2016*.

At the same time, third-party payment services have maintained a positive development. With a majority of these services typically bounding with consumer bank cards, the third-party payment services act as complementary tools in the banking system in terms of convenience and small amount payment amongst others. The coordinated development between the banks and third-party payment services has gradually merged the boundary between online and offline payment services. For example, the "Cloud Pay" service launched by China UnionPay is a powerful tool that can support various types of online and offline scenarios. In the future, with maturation and popularization of the Internet of Things (IoT), online and offline payment services may be further integrated to an IoT transaction era.

* *Payment System Report by People's Bank of China*

2017 Review

In 2017, the Group maintained its leading market share position in China's payment card market with credit card shipment volumes increased by approximately 40% as compared with that of the previous year. Turnover was approximately RMB1,400.8 million, representing an increase of approximately 0.5% as compared with that of the previous year. Gross margin was 29.8%, remaining approximately at par as compared with that of the previous year.

The profit for the year decreased by approximately 19.7% to RMB164.5 million as compared with that of the previous year, as a result of the depreciation of USD denominated bank deposits against the RMB. Adjusted for the unrealized exchange loss of approximately RMB49.8 million, the profit for the year would have increased by approximately 31.0% as compared with that of the previous year to approximately RMB214.3 million. Operating profit was approximately RMB250.3 million, representing an increase of approximately 21.8% as compared with that of the previous year.

Research and development (R&D) costs increased by approximately 11.2% as compared with that of the previous year to approximately RMB109.1 million. This accounts for approximately 7.8% of turnover. With the efforts on improving operation efficiency, the sales and distribution costs, and the administrative costs decreased by approximately 14.2% as compared with that of the previous year to approximately RMB141.6 million.

In the business segment, turnover of the embedded software and secure payment products segment was approximately RMB1,150.0 million, representing a decrease of approximately 1.3% as compared with that of the previous year. By adopting "Platform + Service" strategy, turnover of the platform and service segment was approximately RMB250.9 million, representing an increase of 9.5% as compared with that of the previous year, resulting in an increase in contribution to turnover to approximately 17.9%.

The year of 2017 marked the fifth anniversary of the Group's listing on the Main Board of the Stock Exchange. Over the past five years, the Group has maintained a steady pace of growth and has achieved a total turnover and profit for the year of RMB7.1 billion and RMB965.5 million respectively. With the growing scale of the business, the Group has maintained a robust profitability. The dividend rate has been increasing progressively. The Board proposed to declare a final dividend of HK10.0 cents and a special dividend of HK6.0 cents per ordinary share for the year ended 31 December 2017. If this proposal is approved by the shareholders of the Company at the forthcoming annual general meeting, the dividend payout ratio for the year of 2017 would be approximately 81.8%.

Continuously Reinforcing Our Four Core Strengths

The Group has reinforced and enhanced the following four core competitive advantages.

1. *Secure Encryption Technology*

   Secure encryption and authentication are the Group's core technological capabilities, which provide an effective, economical, and reliable way to ensure the security of financial payments as well as forming the foundation and core technology for the popularization and commercialization of IoT deployments. The Group's world's largest financial data personalization center integrates with the secure chip technologies and the cloud platform to establish the Group's core technological strengths in the field of smart secure payment as well as building up the Group's core competitiveness in the future IoT era.

   The Group has also proactively engaged in technology exchange and cooperation with the world's top universities, globally leading secure technology companies and chip manufacturers, focusing on the future advancement of R&D of secure encryption technology applications. At present, the Group has made progress in its technical preparations for IoT secure modules, mobile phone APP white boxes, smart homes, machine interaction and other related areas. In the application of electronic identity cards (eID), the Group also possessed essential technologies and related products. In the future, these technologies will be applied to the emerging areas of artificial intelligence (AI) financial self-service kiosks and identity documents for overseas markets, becoming the new driving forces for the Group's growth.

   The Group is the IoT Secure Payment Engineering Technology Center for Guangdong Province, excelling in its role on commercializing the national financial IC chip as assigned by the Ministry of Industry and Information Technology of China. The Group is committed to accelerating the development of OSCCA (Office of State Commercial Cryptography Administration)-compliant financial chips to contribute to the enhancement of China's national information security.

   In 2017, the Group's proprietary EMV products based on China's national financial IC chip has successfully attained accreditation by the most stringent international payment standards and opened the international financial payment markets for China national financial IC chips.

2. *Intelligent Operation*

The Group's intelligent operation capabilities are at the forefront of the global industry. As the "National Standards Implementation Pilot Enterprise in the Integration of Information Technology and Industrialization (2i Integration)", the Group has been awarded the title of "The Model Enterprise for the 2017 Innovative Pilot Enterprise in Guangdong Province" and "the Backbone Enterprise for the 2017 Strategic Emerging Industries in Guangdong Province", as recognition and affirmation of the Group's remarkable achievements in intelligent operation.

With its versatile and automated intelligent operation system, the Group was able to shorten product delivery cycle, swiftly respond to customers' unique demands and reduce operating cost. The balance between manufacturing customized products, maintaining operational flexibility and cost control has been achieved and will aid the Group in improving operational efficiency.

Precise and efficient intelligent automated operation systems, technical and management experience are the core strengths of the Group and have built a solid foundation for the Group's larger-scale global operation in the future.

3. *Creating Demand for Innovation in Fashion*

With international leading design capabilities, trend-setting innovative idea and technical craftsmanship, the Group is able to generate market demand, boost growth and create value for customers. This also contributes greatly to induce a differentiating competitive advantage for the Group.

In 2017, the credit card market experienced a rapid growth in China. Market demand for high-end, fashionable designed and customized product continued to increase. The Group's competitive advantages in innovative fashion came into full play. The Group's credit card shipment volume in 2017 increased by approximately 40% as compared with that of the previous year. All three fastest-growing credit card issuing national banks in China were the Group's long-term and stable customers. Furthermore, the Group received in 2017 seven ICMA Elan Awards, the most renowned award in the global payment card industry. The Group was also recognized as world leader in terms of number of awards received.

The Group has launched six major product categories in 24 innovative products spanning payment watches, payment jewelry, payment mobile phone accessories and blue-tooth payment tools. In 2017, the Group launched payment wristband, payment bracelets for VISA, mobile payment phone accessories for an internationally recognized franchised coffee chain, GPS navigation payment watches for a domestic leading joint-stock commercial bank during the Shanghai Marathon, and joint development of payment jewelry with a leading jewelry brand in the Shanghai Fashion Week. The Group demonstrated that its core security encryption technology has been applied to much broader and fashionable fields. The products were well-recognized, implicating potential growth of the Groups' product portfolio.

Metal card products are one of the main focuses of the Group's innovative fashion product portfolio. The prestigious and luxurious product design allows financial institutions such as banks to enhance their brand image and to attract high-end and fashion-conscious consumers. At present, the metal card has already experienced a fast pace of growth in markets such as the United States. The Group believes its technologies and market experiences will allow it to become a leading forerunner in China's metal card market segment.

4. *Stable, Sizable and Diverse Customer Base*

The Group has a broad, stable and diverse customer base comprising more than 1,000 banks globally, over 200 government authorities in China as well as over 40 multinational enterprises.

Despite China is the most essential market for the Group, the Group's products and services have already been distributed to 25 countries and regions. In response to the "Belt and Road" initiative, the Group's overseas key markets include Bangladesh, Mongolia, the Philippines, Pakistan, and other Southeast Asian and Central Asian countries. In 2017, the Group successfully entered into the Central American market. At the same time, through setting up of office in Mongolia, the Group has aimed to strengthen its expansion into Russia and Central Asian countries.

In addition to maintaining its leading edge in the financial sector, the Group has been expanding into various non-financial sectors such as in government, social security, transportation, healthcare, enterprises and retail segments to establish a multi-level customer structure.

Future Development

The Group is now establishing its second Five-Year Development Plan with the focus on becoming the expert in smart financial service solutions within the next three to five years.

Despite the increasingly intense competition in the smart secure payment products market, the Group has distinguished itself through its competitive advantages in technology, innovative products and financial capability. The Group is fully capable of striving for more market share in China and in overseas countries, especially in Asia.

Additionally, the Group will prudently utilize its cash reserves and will focus on the development of the following six aspects.

1. *Continual Strengthening in Core Security Technologies and Expansion of IoT.*

   The Group will engage in the future development of IoT through the secure chip and trusted service platforms (TSM, TSP). IoT security chips enable secure data transmission while trusted service platforms enable secure authentication. With secure cloud technologies, the Group is delivering total solutions that enable inter-equipment interaction and connectivity, so as to create huge development opportunities for the Group in fields including automobile networking, smart cities, smart homes, human-computer interactions, the sharing economy and other related fields. The Group will continue to participate in the formulation of IoT security technology standards and will actively promote industry standardization.

2. *AI Financial Self-service Kiosks and Solutions*

   In response to the trend of unmanned and mobile financial services, the Group's proprietary customized and intelligent kiosks, and solutions are going to be launched. Using artificial intelligence, these financial self-service kiosks and solutions utilize the advantages of human-computer interaction, facial recognition as well as other biometrics. The Group will amalgamate all these specifications to enable account enquiry and application, card retrieval and replacement. The technology will assist financial institutions in improving their intelligent operation efficiency, while reducing staff cost and providing an easier and faster service experience for consumers. The Group will expand the functionality and areas of application for financial self-service kiosks towards opportunities in intelligent unmanned counters and branches to help bringing the Group new areas of growth.

3. *Intelligent Operation Upgrades and Expansion*

The Group will further optimize its operational processes. Capitalizing on the Group's world-leading automation equipment and their core technologies and systems, the Group will promote IoT technology applications to a larger extent. The Group is in the position of building an advanced, practical and independent industrial IoT system so as to improve operational stability and efficiency as well as preparing for a wider global operation in the future. At the same time, the Group will utilize its experience and technologies to develop a modular industrial IoT system and provide relevant consulting services to potential third parties in the area of industrial IoT technology.

4. *Expansion of the Financial Service Outsourcing Industry Chain*

The increasingly competitive financial industry is giving rise to the inevitable trend for financial institutions to seek for broader financial services outsourcing as a way for financial institutions to maintain their performance growth and competitiveness. The Group's relationship with its broad, stable and diverse financial customer base and over 20 years of experience have given the Group a deep understanding of their operational processes and needs, and full capability of providing a broad range of financial services outsourcing. The Group will jointly develop a series of training, services and internship platforms for financial industry related systems and software outsourcing with financial information service enterprises. It will extend the Group's financial services outsourcing industry chain further. Simultaneously, the Group will make full use of the technical strength and experience of its R&D team to provide diversified solutions for financial institutions to optimize their operation processes and expand their businesses in emerging areas.

5. *"Platform + Service" Upgrade*

The Group continues to execute its strategy of upgrading its "Platform + Service" by utilizing its personalized solutions to undertake customer operated functions, such as credit card operations, urban transportation operation and other value chain systems. At present, relevant projects have been implemented in Shanghai, Zhuhai, Zhongshan, Handan and other locations. In 2018, the Group will utilize its experience with successful projects and will start building customized platforms for national small and medium-sized financial institutions and national public transportation, further expanding its coverage area and business scale through the personalized and customized concept of "Product + Service" upgrade.

6. *Expansion into Overseas Markets*

In 2018, the Group will rapidly enter into the overseas financial payment market and accelerate China's national financial chip's overseas expansion, with the advantage of the China national chip. China UnionPay is increasing its expansion in countries as stipulated by the "Belt and Road" Initiative. By the end of 2017, China UnionPay has issued nearly 100 million payment cards overseas. The Group will capitalize opportunities on China UnionPay's overseas promotion, striving for more market share.

Along with the Group's efforts in reinforcing profitability, the Group will also pay attention to external expansion, seek opportunities in areas such as collaboration within the same industry, IoT, banking services, payments, and further upstream. By means of capital operations such as domestic and international mergers and acquisitions, the Group will combine internal growth and external expansion, to create synergies and accelerate the overall development of the enterprise.

The construction of the Goldpac Fintech Innovation Hub will be commenced in the middle of 2018 and will be one of the key strategic platforms for external expansion of the Group. With substantial government support, the Group aims to attract innovative enterprises, projects, and talents from financial technology fields within the Guangdong-Hong Kong-Macau Bay area. Building financial information services industry cluster area and innovation city, as well as forming collaborative integration development allied with the Group, will allow a constant supply of innovation and business opportunities leading to the synergistic development of financial technology.

Subsequent Events

Subsequent to 31 December 2017, no material events have occurred.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attendance and for voting at the forthcoming annual general meeting of the Company to be held on Thursday, 17 May 2018, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Friday, 11 May 2018. The register of members of the Company will be closed from Monday, 14 May 2018 to Thursday, 17 May 2018, both days inclusive, during which period, no transfer of Shares will be registered.

In order to determine who are entitled to the proposed final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Friday, 1 June 2018. The register of members of the Company will be closed from Monday, 4 June 2018 to Wednesday, 6 June 2018, both days inclusive, during which period no transfer of shares will be registered. Subject to shareholders' approval of the proposed dividends at the annual general meeting of the Company to be held on Thursday, 17 May 2018, the dividends will be paid on Friday, 29 June 2018 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 6 June 2018.

USE OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING

The Company's shares were listed on the Main Board of the Stock Exchange on 4 December 2013 with net proceeds from the global offering of approximately RMB975 million (after deducting underwriting commissions and related expenses). As at 31 December 2017, the Company utilized approximately RMB757 million for the purposes of production capacity expansion, innovative product and service research and development, investment in associates and acquisition, market expansion outside of China, working capital supplementation and other general corporate purposes. The balances of the net proceeds were deposited in banking account. The Company has utilized and will utilize the net proceeds pursuant to the purposes and the proportions as disclosed in the prospectus of the Company dated 22 November 2013.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2017, the Group's aggregate amount of bank balances and cash, fixed bank deposits and pledged bank deposits reached approximately RMB1,617.0 million (2016: approximately RMB1,763.1 million), of which approximately RMB781.7 million (2016: approximately RMB892.5 million) was denominated in RMB, representing approximately 48.3%, and approximately RMB835.3 million (2016: approximately RMB870.6 million) was denominated in USD and HKD, representing approximately 51.7%.

As at 31 December 2017 and 31 December 2016, the Group had no bank loans.

As at 31 December 2017, the Group's trade receivables was approximately RMB417.7 million (2016: approximately RMB340.0 million). It is the industry practice that settlement of trade receivables peaks around the end of year.

As at 31 December 2017, the Group's total current assets amounted to RMB2,196.9 million (2016: approximately RMB2,145.4 million), representing an increase of approximately 2.4% compared with that of the previous year.

As at 31 December 2017, the Group's current ratio was 2.9 (2016: 3.0), representing a high liquidity.

As at 31 December 2017, the Group's gearing ratio (gearing ratio is equivalent to total debt divided by total assets as at the end of the year) was 28.7% (2016: 27.9%).

CURRENCY EXPOSURE

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

CAPITAL EXPENDITURE

For the year ended 31 December 2017, the Group's capital expenditure was approximately RMB213.0 million. (2016: approximately RMB11.1 million). The capital expenditure includes expenses in fixed assets, intangible assets and deferred assets.

CAPITAL COMMITMENT

The aggregate capital commitment of the Group as at 31 December 2017 was approximately RMB14.8 million (2016: approximately RMB146.2 million).

PLEDGED ASSETS

As at 31 December 2017, bank deposits of approximately RMB111.3 million (2016: approximately RMB139.7 million) was pledged to secure the bills payables and bank guarantee.

SIGNIFICANT INVESTMENTS

The Group had no significant investments for the year ended 31 December 2017.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Group is committed to maintaining high levels of environmental and social standards to ensure sustainable development of its business. During the year ended 31 December 2017, the Group's environmental, social and governance ("**ESG**") management team had managed, monitored, recommended and reported on environmental and social aspects. An ESG report is prepared with reference to Appendix 27 to the Listing Rules (Environmental, Social and Governance Reporting Guide) and will be published on the Company's and the Stock Exchange's websites.

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

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

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 1,731 employees (as at 31 December 2016: 1,642), with an increase of 89 employees as compared with that as at 31 December 2016. This was mainly attributable to the enlargement of the operation scale, overseas market expansion and further optimization of the structure of R&D professionals.

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

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's annual results for the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company meets all the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended 31 December 2017.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT 2017

This annual results announcement is published on the websites of the Stock Exchange (*www.hkexnews.hk*) and the Company (*www.goldpac.com*). The Annual Report for the year ended 31 December 2017 will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Goldpac Group Limited
LU Run Ting
Chairman & Executive Director

Hong Kong, 16 March 2018

As at the date of this announcement, the executive Directors of the Company are Mr. LU Run Ting, Mr. HOU Ping, Mr. LU Runyi, Mr. LU Xiaozhong and Mr. WU Siqiang; the non-executive Director of the Company is Mr. LING Wai Lim; and the independent non-executive Directors of the Company are Mr. MAK Wing Sum Alvin, Mr. LIU John Jianhua and Ms. YE Lu.

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