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

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

HIGHLIGHTS

For the six months ended 30 June 2021, despite the adverse impact of the global chip shortage, the Group delivered stable performance with rapid innovative businesses growth and continued recovery of overseas business and the Group recorded revenue of approximately RMB619.7 million, representing a year-on-year increase of approximately 12.2%.

Benefiting from the growth of innovative business and the improvement of operational efficiency as a result of the “Digital Goldpac” initiative, the Group recorded gross profit of approximately RMB189.7 million, representing a year-on-year increase of approximately 19.2%. The year-on-year gross profit margin increased by 1.8 percentage points, and the operating profit was approximately RMB85.2 million, representing a year-on-year increase of approximately 4.6%.

Affected by the exchange loss resulting from the depreciation of USD against RMB, the Group’s net profit for the six months ended 30 June 2021 was approximately RMB68.4 million, representing a year-on-year decrease of approximately 16.6%. Should the book loss caused by exchange loss/gain be eliminated, the year-on-year net profit shall increase by approximately 7.2%.

Revenue from the embedded software and secure payment products segment increased by approximately 10.1% year-on-year to approximately RMB360.8 million. The platform and service segment maintained its growth momentum, recording revenue of approximately RMB258.9 million, representing a year-on-year increase of approximately 15.1%.

The Board proposed to declare an interim dividend of HK2.5 cents (equivalent to approximately RMB2.1 cents) per ordinary share for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK3.0 cents, equivalent to approximately RMB2.7 cents).

The board (the “**Board**”) of directors (the “**Directors**”) of Goldpac Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**Interim Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		For the six months ended 30 June	
	Notes	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	4	619,688	552,453
Cost of sales		(430,007)	(393,360)
Gross profit		189,681	159,093
Other income		24,592	33,518
Other (loss)/gains, net		(4,714)	13,173
Research and development costs		(55,344)	(49,580)
Selling and distribution costs		(58,240)	(45,056)
Administrative expenses		(20,089)	(17,899)
Reversal of impairment loss on trade receivables		2,427	1,222
Impairment loss on amount due from an associate		(25)	(1,246)
Finance costs		(398)	(403)
Reversal of impairment loss on interests in an associate		—	1,500
Profit before income tax	5	77,890	94,322
Income tax expense	6	(9,528)	(12,323)
Profit for the period		68,362	81,999
Other comprehensive income for the period			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
— exchange differences arising on translation of foreign operations		(792)	1,315
Total comprehensive income for the period		67,570	83,314
Profit for the period attributable to:			
Owners of the Company		69,050	82,084
Non-controlling interests		(688)	(85)
		68,362	81,999
Total comprehensive income attributable to:			
Owners of the Company		68,258	83,399
Non-controlling interests		(688)	(85)
		67,570	83,314
Earnings per share (RMB cents)			
— Basic	8	8.4 cents	9.9 cents
— Diluted	8	8.4 cents	9.9 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	9	384,102	365,212
Right-of-use assets	9	39,698	41,920
Investment property	9	52,931	54,582
Goodwill		1,375	1,375
Intangible assets	9	954	2,096
Interests in associates		—	4,964
Financial assets at fair value through profit or loss (“FVTPL”)		—	—
Deferred tax assets		8,513	9,400
Pledged bank deposits		184,587	76,984
Fixed bank deposits		101,198	—
Total non-current assets		773,358	556,533
Current assets			
Inventories	10	221,155	190,375
Trade receivables	11	393,299	271,046
Contract assets	12	13,999	13,512
Other receivables and prepayments		30,842	21,392
Financial assets at fair value through profit or loss (“FVTPL”)		150,407	256,733
Pledged bank deposits		62,724	166,971
Fixed bank deposits		528,123	724,123
Cash and cash equivalents		361,209	376,578
Total current assets		1,761,758	2,020,730
Total assets		2,535,116	2,577,263
EQUITY			
Share capital	14	1,192,362	1,192,362
Reserves		777,210	803,747
Equity attributable to owners of the Company		1,969,572	1,996,109
Non-controlling interests		739	1,427
Total equity		1,970,311	1,997,536

		As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		9,172	11,360
Deferred tax liabilities		<u>24,695</u>	<u>21,759</u>
Total non-current liabilities		<u>33,867</u>	<u>33,119</u>
Current liabilities			
Trade and bills payables	13	388,779	365,428
Contract liabilities		39,705	50,864
Other payables		69,281	96,940
Lease liabilities		6,982	5,150
Government grants		1,858	1,858
Income tax payable		<u>24,333</u>	<u>26,368</u>
Total current liabilities		<u>530,938</u>	<u>546,608</u>
Total liabilities		<u>564,805</u>	<u>579,727</u>
Total equity and liabilities		<u>2,535,116</u>	<u>2,577,263</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. GENERAL INFORMATION

The Company is an investment holding company and the principal activities of its subsidiaries (together, the “**Group**”) are engaged in manufacture and sale of embedded software and secure payment products for smart secure payment, provision of data processing services, digital equipment, system platform, Artificial Intelligence (A.I.) self-service kiosks, and other total solutions services for customers in a wide business range including financial, government, healthcare, transportation and retails by leveraging innovative financial technology (“**Fintech**”).

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office is Room 1301, 13th Floor, Bank of East Asia, Harbour View Centre, No. 56 Gloucester Road, Wanchai, Hong Kong.

Its parent and ultimate holding company is Goldpac International (Holding) Limited (“**GIHL**”) (a limited liability company incorporated in Hong Kong). Its ultimate controlling party is Mr. Lu Run Ting, who is also the Chairman and Executive Director of the Company.

The Group’s condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 19 August 2021.

2. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The condensed consolidated financial information does not include all the notes of the type normally included in the annual financial statements. Accordingly, the condensed consolidated financial information should be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period. The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial assets at FVTPL, which are measured at fair values.

The financial information relating to the year ended 31 December 2020 that is included in this condensed consolidated financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) (“**Companies Ordinance**”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 622(3) of, and Part 3 of Schedule 6 to, 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 (Cap. 622).

The preparation of condensed consolidated interim information requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key resources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020, except that income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in this condensed consolidated financial information are consistent with those of the annual financial statements of the Group for the year ended 31 December 2020, as described in those annual financial statements, except for the estimation of income tax and standards as mentioned below.

(a) New and amendments to standards adopted by the Group

During the six months ended 30 June 2021, the Group has adopted the following new and amendments to standards for the first time for accounting periods beginning on 1 January 2021:

Interest Rate Benchmark Reform — Phase 2	Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16
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The adoption of these new and amendments to standards does not have significant impact to the Group's results of operation and financial position.

(b) New standard and amendments to existing standards issued but not yet effective for the financial year beginning on or after 1 January 2021 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Merger Accounting for Common Control Combinations	Amendments to AG 5 (revised)	1 January 2022
Property, Plant and Equipment — Proceeds before Intended Use	Amendments to HKAS 16	1 January 2022
Onerous contracts — Costs of Fulfilling a Contract	Amendments to HKAS 37	1 January 2022
Annual Improvements to HKFRSs 2018 to 2020 cycle	Amendments to HKFRSs	1 January 2022
Reference to the Conceptual Framework	Amendments to HKFRS 3	1 January 2022
Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	HK Int 5 (2020)	1 January 2023
Classification of Liabilities as Current or Non-current	Amendments to HKAS 1	1 January 2023
Insurance Contracts	HKFRS 17	1 January 2023
Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendments to HKFRS 10 and HKAS 28	To be determined

The Group has performed an assessment of these new and amended standards. None of these is expected to have a significant effect on the Group's result of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

The unaudited segment information for the six months ended 30 June 2021 and 2020 by business segment are as follow:

	For the six months ended 30 June 2021		
	Embedded software and secure payment products <i>RMB'000</i>	Platform and service <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services			
Embedded software and secure payment products	360,823	—	360,823
Data processing	—	116,123	116,123
Digital equipment	—	142,742	142,742
Total	<u>360,823</u>	<u>258,865</u>	<u>619,688</u>
Geographical markets			
Overseas and the Special Administrative Regions of Hong Kong (“ Hong Kong ”) and Macao (“ Macao ”)	40,380	9,988	50,368
Mainland China	320,443	248,877	569,320
Total	<u>360,823</u>	<u>258,865</u>	<u>619,688</u>
	For the six months ended 30 June 2020		
	Embedded software and secure payment products <i>RMB'000</i>	Platform and service <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services			
Embedded software and secure payment products	327,641	—	327,641
Data processing	—	85,881	85,881
Digital equipment	—	138,931	138,931
Total	<u>327,641</u>	<u>224,812</u>	<u>552,453</u>
Geographical markets			
Overseas and Hong Kong and Macao	33,990	8,623	42,613
Mainland China	293,651	216,189	509,840
Total	<u>327,641</u>	<u>224,812</u>	<u>552,453</u>

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

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

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

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

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

Segment results represent the gross profits earned by each segment.

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		Results	
	Six months ended 30 June 2021	2020	Six months ended 30 June 2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales to external parties of				
— embedded software and secure payment products	360,823	327,641	83,208	77,186
— platform and service	258,865	224,812	106,473	81,907
	<u>619,688</u>	<u>552,453</u>	<u>189,681</u>	<u>159,093</u>
Other income			24,592	33,518
Other (loss)/gains, net			(4,714)	13,173
Research and development costs			(55,344)	(49,580)
Selling and distribution costs			(58,240)	(45,056)
Administrative expenses			(20,089)	(17,899)
Reversal of impairment loss on trade receivables			2,427	1,222
Impairment loss on amount due from an associate			(25)	(1,246)
Finance costs			(398)	(403)
Reversal of impairment loss on interests in an associate			—	1,500
Profit before income tax			<u>77,890</u>	<u>94,322</u>

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 is presented.

5. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration	5,276	5,414
Retirement benefits scheme contributions	5,880	1,986
Staff costs	95,004	83,972
Cost of inventories sold	350,913	315,318
Government grants (<i>Note i</i>)	(2,936)	(6,424)
Value-added tax refund (<i>Note i</i>)	(7,912)	(9,184)
Interest income (<i>Note i</i>)	(12,875)	(15,912)
Investment income from financial assets at FVTPL (<i>Note ii</i>)	(1,829)	(1,105)
Unrealised loss/(gain) from financial assets at FVTPL (<i>Note ii</i>)	4,557	(1,366)
Gain on reversal on other payables (<i>Note ii</i>)	(4,964)	—
Net exchange loss/(gain), net (<i>Note ii</i>)	6,901	(11,807)
Provision for inventories	(3,469)	10,564
Depreciation of property, plant and equipment	15,503	17,719
Depreciation of right-of-use assets	3,953	4,777
Amortisation of intangible assets	1,143	1,143

Notes:

- (i) Government grants, value-added tax refund, and interest income are included in “Other income”.
- (ii) Unrealised loss/(gain) from financial assets at FVTPL, investment income from financial assets at FVTPL, Net exchange loss/(gain), net and gain on reversal on other payables are included in “Other (loss)/gains, net”.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current income tax		
Mainland China corporate income tax	(2,424)	(9,927)
Hong Kong profits tax	(3,282)	(2,272)
Mainland China withholding tax	—	(9,412)
	(5,706)	(21,611)
Deferred income tax	(3,822)	9,288
Income tax expense	<u>(9,528)</u>	<u>(12,323)</u>

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the year ended 31 December 2019, the Hong Kong Profits Tax is calculated at 8.25% on the first HKD2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2,000,000 for Goldpac Datacard Solutions Company Limited.

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

The Company's subsidiaries in the Mainland China are subject to Mainland China corporate income tax at 25%, except that Goldpac Limited which is approved for 3 years as an enterprise satisfied as a High-New Technology Enterprise and is entitled to the preferential tax rate of 15% in 2020, 2021 and 2022.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui (2008) No. 1, only the profits earned prior to 1 January 2008, when distributed to foreign investors, can be grandfathered with the exemption from withholding tax. Whereas, pursuant to Articles 3 and 27 of the Corporate Income Tax Law and Article 91 of its Implementation Rules, dividend distributed out of the profit generated thereafter, shall be subject to corporate income tax at 10% or reduced tax rate if tax treaty or arrangement applies. Under the relevant tax arrangement, withholding tax rate on dividend distribution to the qualifying Hong Kong resident companies is 5%. Deferred tax liabilities on the undistributed profits earned by Goldpac Limited since 1 January 2008 have been accrued at the tax rate of 5%.

7. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
2020 Final — HK 10.0 cents per ordinary share based on 833,561,000 shares (declared on 24 March 2021)		
(2019 Final — HK 10.0 cents per ordinary share based on 833,561,000 shares (declared on 23 March 2020))	<u>67,711</u>	<u>75,938</u>
2020 Special — HK 4.0 cents per ordinary share based on 833,561,000 shares (declared on 24 March 2021)		
(2019 Special — HK 6.0 cents per ordinary share based on 833,561,000 shares (declared on 23 March 2020))	<u>27,084</u>	<u>45,563</u>

Subsequent to the end of the current interim period, the Board has resolved to declare the payment of an interim dividend of HK2.5 cents (equivalent to approximately RMB2.1 cents) per ordinary share, amounting to approximately RMB17,349,000 in aggregate with reference to the number of issued shares as at the end of the interim period (for the six months ended 30 June 2020: HK3.0 cents (equivalent to approximately RMB2.7 cents)) per ordinary share, amounting to approximately RMB22,379,000). The dividend declared after 30 June 2021 has not been recognised as a liability as at 30 June 2021.

8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company	<u>69,050</u>	<u>82,084</u>
	For the six months ended 30 June	
	2021	2020
	Number of	Number of
	ordinary shares	ordinary shares
	'000	'000
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	<u>825,415</u>	<u>826,407</u>

Note: The weighted average number of ordinary shares adopted in the calculation of basic and diluted earnings per share for both periods 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.

For the six months ended 30 June 2021 and 2020, diluted earnings per share were same as the basic earnings per share as there was no potential dilutive ordinary share outstanding during the period.

9. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

During the period, the Group incurred capital expenditures of approximately RMB35,489,000 (for the six months ended 30 June 2020: RMB33,772,000) and RMB1,731,000 (for the six months ended 30 June 2020: RMB711,000) for property, plant and equipment and right-of-use assets, respectively, and there were no capital expenditures incurred for investment property and intangible assets (for the six months ended 30 June 2020: Nil).

10. INVENTORIES

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Raw materials	160,935	127,110
Work in progress	3,030	5,974
Finished goods	109,491	113,061
	<u>273,456</u>	<u>246,145</u>
Less: provision	(52,301)	(55,770)
	<u><u>221,155</u></u>	<u><u>190,375</u></u>

11. TRADE RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Trade receivables	397,749	277,939
Less: provision for impairment loss (<i>Note</i>)	(4,450)	(6,893)
	<u><u>393,299</u></u>	<u><u>271,046</u></u>

Note: The basis of determining the inputs and assumptions and the estimation techniques used in the determination of provision for impairment loss in condensed consolidated financial information for the six months ended 30 June 2021, are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

The carrying amounts of trade receivables approximate their fair values.

Payment terms with customers are mainly on credit. Invoices are normally payable in 30 to 150 days by the customers from date of issuance. The following is an aging analysis of trade receivables net of provision for impairment loss presented based on the invoice date:

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Aging		
0–90 days	276,453	186,187
91–180 days	54,375	32,776
181–365 days	29,939	21,756
Over 1 year	32,532	30,327
	<u>393,299</u>	<u>271,046</u>

12. CONTRACT ASSETS

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Embedded software and secure payment products	3,395	4,045
Digital equipment	10,604	9,467
	<u>13,999</u>	<u>13,512</u>

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

13. TRADE AND BILLS PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Trade payables	233,735	257,995
Bills payables — secured	155,044	107,433
	<u>388,779</u>	<u>365,428</u>

The carrying amounts of trade and bills payables approximate their fair values.

The Group normally receives credit terms of 60 to 180 days from its suppliers. The following is an aging 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.

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Aging		
0–90 days	351,952	309,775
91–180 days	33,947	47,390
181–365 days	1,513	5,849
Over 1 year	1,367	2,414
	<u>388,779</u>	<u>365,428</u>

14. SHARE CAPITAL

	Number of ordinary shares '000	Amount <i>HKD'000</i>
Issued and fully paid:		
As at 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>833,561</u>	<u>1,499,498</u>
		<i>RMB'000</i>
Shown in the consolidated financial statements as of 31 December 2020 (audited) and condensed consolidated financial information as of 30 June 2021 (unaudited)		<u>1,192,362</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Seizing opportunities, towards a promising future

In the first half of 2021, China's economy continued its steady recovery. At the same time, financial supervision has become one of the important policies in 2021. The national authorities have continually emphasized the importance of stabilizing leverage, preventing risks, and opposing unfair competition. Several national ministries and commissions have strengthened regulatory policies to promote standardized and healthy development of innovative industries. The Internet financial bubble has been effectively contained, and the core position of banks in the national financial system has been further strengthened. In this favorable macro environment, the performance of the Group has been steadily improving. Taking advantage of the trend, the Group has accelerated the pace of its activities in the field of new technologies and new business.

OVERVIEW

For the six months ended 30 June 2021, despite the adverse impact of the global chip shortage, the Group delivered stable performance with rapid innovative businesses growth and continued recovery of overseas business and the Group recorded revenue of approximately RMB619.7 million, representing a year-on-year increase of approximately 12.2%.

Benefiting from the growth of innovative business and the improvement of operational efficiency as a result of the “Digital Goldpac” initiative, the Group recorded gross profit of approximately RMB189.7 million, representing a year-on-year increase of approximately 19.2%. The gross profit margin increased by approximately 1.8 percentage points year-on-year, and the operating profit of approximately RMB85.2 million, representing a year-on-year increase of approximately 4.6%.

Affected by the exchange loss resulting from the depreciation of USD against RMB, the Group's net profit for the six months ended 30 June 2021 was approximately RMB68.4 million, representing a year-on-year decrease of approximately 16.6%. Should the book loss caused by exchange loss/gain be eliminated, the year-on-year net profit shall increase by approximately 7.2% year-on-year.

Revenue from the embedded software and secure payment products segment increased by approximately 10.1% year-on-year to approximately RMB360.8 million. The platform and service segment maintained its growth momentum, recording revenue of approximately RMB258.9 million, representing a year-on-year increase of approximately 15.1%.

In the first half of 2021, the Group's advantages in terms of strong financial position, abundant cash flow and a good liquidity were further consolidated. As at 30 June 2021, the Group's current assets was approximately RMB1.76 billion, and the aggregate amount of cash and cash equivalents, fixed bank deposits, pledged bank deposits and financial assets at fair value through profit or loss ("FVTPL") reached approximately RMB1.39 billion, which will provide sufficient reserves for the Group's investment in new technologies and business.

Giving back to shareholders with stable and sustainable performance and creating shared value are an essential part of the Group's corporate social responsibility. Since its listing in 2013 and up to the end of 2020, the Group has distributed dividend of approximately HK\$1.03 billion in aggregate, and its cumulative dividend payout ratio has reached 59.9%. The Board proposed to declare an interim dividend of HK2.5 cents (equivalent to approximately RMB2.1 cents) per ordinary share for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK3.0 cents, equivalent to approximately RMB2.7 cents).

Business Analysis and Outlook

In the first half of 2021, China has become one of the world's fastest recovering major economies, and China's economy is showing a trend of continuous recovery and positive growth. At the same time, the global intelligent and digital development trend is further accelerating. Making full use of digital technology to promote online and "contact-free" economic activities is becoming the consensus of the Chinese government and all key industries, especially in the financial industry. The Group has ushered in a good external macroeconomic environment.

Financial supervision is the main macro policy driver in 2021. "Strict supervision" has become a high-pressure focus at the national level, and the false prosperity of Internet finance has been effectively suppressed. Banks will further consolidate their core positions in the financial system and play a further leading role in the two fields of payment and credit.

The core business logic of the Group's development in the past 30 years is to use innovative technology to help the establishment and growth of the secure payment industry ecosystem, and to use innovative technology to help banks and other financial institutions to better execute their payment and credit functions. Looking ahead, banks and credit card organizations are constantly innovating and adapting to strengthen their core roles in the nation's financial system. This not only provides the impetus for the sustainable development of the industrial ecosystem, but also creates a favorable industrial development environment for the Group.

Based on in-depth research on the environment of external macroeconomic and industrial development, and through rigorous analysis and research, the Group has formulated the overall development strategy of “Promoting Digital Platform and Deepening Fintech Innovation” in early 2021. The Group seeks growth opportunities on the basis of consolidating the advantages of traditional business capabilities. At the same time, the Group takes the opportunities within digital transformation of major financial customers to build a digital business platform and promote digital financial technology business ecosystem through industrial cooperation, so as to leverage the ecosystem to obtain new business growth.

This strategy is being implemented step by step. In the first half of 2021, the Group’s platform and service segment maintained its rapid growth, achieving revenues of approximately RMB258.9 million, representing a year-on-year increase of approximately 15.1%.

The Group will focus on the following four aspects to further promote the implementation of the overall strategy.

I. Strengthening the Secure Chip Operating System Technology Advantage to Enter the Digital Currency and Other Emerging Areas

Secure chip operating system is not only widely used for financial payment, but also in digital currency, transportation, social security, mobile payment, automotive electronics, smart home, Internet of things, electronic wallet and other fields. Combining with each other, secure chip and operating systems build an open security application ecosystem together, so as to ensure data protection and facilitate people’s livelihood. The secure chip operating system has become an important foundation for the Group to enter these emerging areas, opening up new tracks for the Group’s innovative business.

The Group has been deeply engaged in the field of secure chips for nearly 30 years, and has accumulated a solid technology foundation and rich application experience. The Group has successfully applied its innovative technologies of secure chip into financial application scenarios, such as China’s first online banking U-Key, China’s first EMV card, the world’s first China chip EMV payment card, the world’s first payment card to simultaneously meet both international and specific security algorithm requirements on a single secure chip, and has successfully occupied a market leader position in field of payment products. At present, the Group is expanding the application areas of the secure chips through targeted product research and development, into social security, retail, telecommunications, transportation and other fields, so as to continuously strengthen its market leading position.

Based on years of accumulated technical expertise, the Group has launched a proprietary secure chip operating system. This secure system platform utilizes proprietary intellectual property, eliminates potential security risks, and ranks with the world's leading levels with regards to computing speed and security performance. In June 2021, the Group was certified by the GSMA (Global System for Mobile Communications Association), enabling it to further promote the use of secure chip operating system in Internet of Things and telecommunications related areas.

Digital currency is a key area of secure chip application. China is expected to become one of the first countries in the world to release digital currency. Following the national development strategy, the Group focuses on developing digital currency-related products and solutions based on a secure chip operating system for typical application scenarios.

II. Building the UMV Platform as a Digital Financial Technology Business Ecosystem

The UMV platform makes full use of the valuable assets accumulated by the Group over the past three decades, such as customer resources, technology, experience, brand image, supply chain and channels to create an innovative ecosystem gathering the entire industry chain for financial payment products, adding more abundant and new impetuses to the innovation and development of the Group.

The UMV platform is built on the SaaS model, makes full use of A.I. (Artificial Intelligence), image processing, blockchain, 5G, 3D, AR (Augmented Reality) and other cutting-edge technologies to form the full process service capability, and is committed to establishing a one-stop service platform connecting credit card businesses and consumer groups. At present, the UMV platform is delivering service in personalized service, 3D display, A.I. content check, bank card operation and maintenance management, customer acquisition and other areas. In the first half of 2021, the UMV platform has been providing service to or signed contracts with a number of banks, social security and transportation customers, including Agricultural Bank of China, Shanghai Pudong Development Bank and Bank of Beijing etc..

In the future, the UMV platform will continue to focus on the digital transformation needs of financial customers, introduce and link with the industry's major players, gather more industrial ecological forces, expand product and service capabilities and effectively assist the digital transformation of bank customers.

III. Accelerating the Expansion of Application Scenarios and Promoting the Growth of Self-Service Kiosks Business

The self-service kiosks business is an innovative business promoted by the Group leveraging its resource advantages. According to *the Outline of the 14th Five-Year Plan (2021–2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035* clearly states the needs to accelerate digital development and to build a “Digital China”. The development of self-service kiosks is in line with the digital transformation trend for the future society, and is also in line with the upgrading requirements of “contact-free” economic and social activities.

The development of self-service kiosks has formed a good synergy with the Group's competitive advantages, making full use of customer resources, focusing on market segments, and establishing a connection and interaction with the UMV platform.

In the first half of 2021, the Group invested in research and development resources to strengthen its core technology advantages in software systems and A.I. image processing, so as to further expand its market share in the financial and social security fields, and successfully enter multiple emerging fields. Benefiting from the global trend towards intelligent service, self-service kiosks business is expected to continue to grow, and there is still a large space for development in the future.

IV. Leveraging Digital Platform to Empower the Expansion in Overseas Markets

The development of overseas markets is one of important sources of business growth for the Group. In the first half of 2021, the Group's overseas (including overseas and Special Administrative Regions of Hong Kong (“**Hong Kong**”) and Macao (“**Macao**”)) business continued to recover and generated revenues of approximately RMB50.4 million, representing an increase of approximately 18.2% year-on-year.

In order to effectively respond to the continuing negative impact of coronavirus disease 2019 (“**COVID-19**”), the Group has further strengthened digital and platform-based application, expanded market coverage through digital means, improved its product quality through platform-based mode, and made great efforts to increase its business scale in overseas markets.

Firstly, the Group focuses more on digital marketing and sales. Hindered by the international travel restrictions, the Group is increasing its utilization of digital methods, such as webinars and online promotions to enlarge its coverage of the target

market. The Group has introduced tools like online display, online order management and remote monitoring to consolidate the competitiveness, so as to achieve sustainable development.

Further, the Group is expanding its overseas market through fintech ecosystem platform. The UMV platform is now adding impetus to the Group's overseas market exploring.

In the future, the Group will continue to focus on the digital transformation demand of financial industry clients, consolidating traditional business advantages and continuing to maximize the value. At the same time, the Group will allocate more resources to accelerate its digital transformation, increase the intensity of secure chip product research and development. By creating an ecological platform, the Group aims to achieve a healthy and sustainable development.

Zhuhai Fintech Center

“Zhuhai Fintech Center” commissioned by the Group will be officially put into operation in the fourth quarter of 2021. “Zhuhai Fintech Center” plans to build a fintech park with important influence in the Guangdong-Hong Kong-Macao Greater Bay Area, attracting a number of key fintech projects and core talents, further promoting the development of fintech industry and providing a good physical platform for the application of emerging fintech scenarios.

As a trustworthy fintech products and services provider for nearly 30 years in the financial industry, the Group follows in the pace of national strategic development and facilitates the cross-sector and cross-regional integrated development of cities within the Greater Bay Area. “Zhuhai Fintech Center” is the first “5G+ Fintech” application and innovation demonstration base in the Greater Bay Area. It will strengthen the Group's technological advantages, unlock the geographical advantages of the Greater Bay Area, attract talents, make full use of basic supporting facilities, form the core competitiveness of the fintech industry, and strengthen the deep integration of emerging technologies such as 5G and finance with the most advanced technology concepts, leading the development of the digital economic industry.

SUBSEQUENT EVENT

No material events occurred subsequent to 30 June 2021 and up to the date of this announcement.

DIVIDENDS

Six months ended 30 June	
2021	2020
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

Dividends

2020 Final — HK10.0 cents per ordinary share based on
833,561,000 shares (declared on 24 March 2021)

(2019 Final — HK10.0 cents per ordinary share based on
833,561,000 shares (declared on 23 March 2020))

<u>67,771</u>	<u>75,938</u>
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2020 Special — HK4.0 cents per ordinary share based on
833,561,000 shares (declared on 24 March 2021)

(2019 Special — HK6.0 cents per ordinary share based on
833,561,000 shares (declared on 23 March 2020))

<u>27,084</u>	<u>45,563</u>
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Subsequent to the end of the Interim Period, the Board has resolved to declare the payment of an interim dividend of HK2.5 cents (equivalent to approximately RMB2.1 cents) per ordinary share, amounting to approximately RMB17,349,000 in aggregate with reference to the number of issued shares as at the end of the Interim Period (for the six months ended 30 June 2020: HK3.0 cents (equivalent to approximately RMB2.7 cents) per ordinary share, amounting to approximately RMB22,379,000). The interim dividend will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 8 September 2021.

CLOSURE OF REGISTER OF MEMBERS

In order to determine who are entitled to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Friday, 3 September 2021. The register of members of the Company will be closed from Monday, 6 September 2021 to Wednesday, 8 September 2021, both days inclusive, during which period no transfer of shares will be registered. The dividend will be paid on Tuesday, 28 September 2021 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 8 September 2021.

USE OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING

The Company's shares were listed on the Main Board of the Stock Exchange on 4 December 2013 with net proceeds from the global offering of approximately RMB975.0 million (after deducting underwriting commissions and related expenses). As at 30 June 2021, the Company has utilised approximately RMB833.3 million for the purposes of production capacity expansion, research and development of innovative product and service, 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 the bank account. The Company has utilised and will utilise 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

Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances, the Group has adequate liquidity and financial resources to meet the daily operations and working capital requirements as well as to fund its expansion plans. By taking a conservative financial management attitude, the Group continued to maintain the healthy financial position.

As at 30 June 2021, the Group's total amount of cash and cash equivalents, fixed bank deposits and pledged bank deposits was approximately RMB1,237.8 million (as at 31 December 2020: approximately RMB1,344.7 million), of which approximately RMB747.0 million (as at 31 December 2020: approximately RMB804.0 million) was denominated in RMB, accounting for approximately 60.3% of the aggregate amount, and approximately RMB490.8 million (as at 31 December 2020: approximately RMB540.7 million) was denominated in USD, HKD and other currencies, accounting for approximately 39.7% of the aggregate amount.

As at 30 June 2021, the Group's financial assets at FVTPL amounting to approximately RMB150.4 million, was the principal-guaranteed structured deposits issued by banks, among which approximately RMB50.0 million was in Bank of China Limited, approximately RMB50.0 million was in Shanghai Pudong Development Bank Co., Ltd., and approximately RMB50.4 million was in the Industrial Bank Co., Ltd..

As at 30 June 2021, the Group's total amount of trade receivables was approximately RMB393.3 million (as at 31 December 2020: approximately RMB271.0 million), with an increase by approximately 45.1% compared with that as at 31 December 2020. It is the industry practice that the settlement of trade receivables peaks around the end of year.

As at 30 June 2021, the Group's total current assets amounted to approximately RMB1,761.8 million (as at 31 December 2020: approximately RMB2,020.7 million), with a decrease by approximately 12.8% compared with that as at 31 December 2020.

As at 30 June 2021, the Group's current ratio was approximately 3.3 (as at 31 December 2020: approximately 3.7), representing a high liquidity.

As at 30 June 2021, the Group had no bank loans (as at 31 December 2020: Nil). As at 30 June 2021, the Group's gearing ratio (gearing ratio is equivalent to total liabilities divided by total assets) was 22.3% (as at 31 December 2020: 22.5%).

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 in USD and HKD. The Group manages its foreign currency risk by closely monitoring the fluctuation of foreign currency rates.

CAPITAL EXPENDITURE

For the six months ended 30 June 2021, the Group's capital expenditure was approximately RMB35.5 million (for the six months ended 30 June 2020: approximately RMB33.8 million). The capital expenditure includes expenses incurred in connection with fixed assets and the construction in process.

CAPITAL COMMITMENT

The aggregate capital commitment of the Group as at 30 June 2021 was approximately RMB67.0 million (as at 31 December 2020: approximately RMB68.1 million).

PLEDGED ASSETS

As at 30 June 2021, bank deposits of approximately RMB247.3 million (as at 31 December 2020: approximately RMB244.0 million) were pledged to secure the bills payables.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 six months ended 30 June 2021, the Group's environmental, social and governance ("ESG") management team had managed, monitored, recommended and reported on environmental and social aspects. An ESG report for the year 2020 has been prepared with reference to Appendix 27 to the Listing Rules (Environmental, Social and Governance Reporting Guide) and published on the Company's and the Stock Exchange's websites.

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

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

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total of 1,570 employees (as at 31 December 2020: 1,647), with a decrease of 77 employees as compared to those as at 31 December 2020.

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

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors’ securities transactions. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the “**Audit Committee**”) which comprised all three independent non-executive Directors, namely Mr. MAK Wing Sum Alvin (*Chairman*), Ms. YE Lu, and Mr. YANG Geng, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2021.

PricewaterhouseCoopers, the Company’s auditor, had carried out review of the unaudited interim results of the Group for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT 2021

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldpac.com). The Company’s interim report for the six months ended 30 June 2021 will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 19 August 2021

As at the date of this announcement, the executive Directors of the Company are Mr. LU Run Ting, Mr. HOU Ping, Mr. LU Runyi, Mr. WU Siqiang, Mr. LING Wai Lim and Ms. LI Yijin; and the independent non-executive Directors of the Company are Mr. MAK Wing Sum Alvin, Ms. YE Lu and Mr. YANG Geng.

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