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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 2022**

REVENUE AND GROSS PROFIT MARGIN

For the six months ended 30 June 2022, the Group successfully responded to challenges such as the protracted pandemic and supply chain fluctuations, and transformed challenges into opportunities for growth, recorded revenue of approximately RMB709.4 million, representing a year-on-year increase of approximately 14.5%.

Due to the geopolitical turmoil combined with the COVID-19 pandemic, the global supply chain system has been adversely affected and the cost of main raw materials such as chips has increased. The Group's gross profit margin decreased by 4.1 percentage points to approximately 26.5%, but maintained a healthy profitability.

PROFIT FOR THE PERIOD AND NET PROFIT MARGIN

The Group recorded profit for the period of approximately RMB78.5 million, representing a year-on-year increase of approximately 14.8%. Net profit margin is approximately 11.1%, flat with the same period last year.

PERFORMANCE OF EMBEDDED SOFTWARE AND SECURE PAYMENT PRODUCTS SEGMENT

The embedded software and secure payment products segment showed robust growth, recording revenue of approximately RMB464.6 million, rising approximately 28.7% year-on-year. The next-generation secure payment embedded software launched by the Group in 2021, successively obtained certification by international authoritative laboratories in the first half of 2022, and was approved for application in a wide range of fields such as finance, social security, communication and electronic licenses and has potential for commercial use in the global market.

PERFORMANCE OF PLATFORM AND SERVICE SEGMENT

The platform and service segment recorded revenue of approximately RMB244.9 million, representing a year-on-year decrease of approximately 5.4%, as a result of adverse impact from the pandemic. The Group endeavors to build up its UMV platform, which has entered contracts with up to 30 banks and has successfully expanded to the public transportation sector. The Group believes that the platform and service segment will soon recover from the adverse impact of the pandemic.

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 2022 (the “**Interim Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	709,419	619,688
Cost of sales		(521,120)	(430,007)
Gross profit		188,299	189,681
Other income		20,102	24,592
Other gains/(losses) – net		26,889	(4,714)
Research and development costs		(55,068)	(55,344)
Selling and distribution costs		(64,926)	(58,240)
Administrative expenses		(17,541)	(20,089)
(Provision for)/reversal of impairment loss on trade receivables		(2,726)	2,427
Impairment loss on amount due from an associate		(499)	(25)
Finance costs – net		(8,583)	(398)
Profit before income tax	5	85,947	77,890
Income tax expense	6	(7,482)	(9,528)
Profit for the period		78,465	68,362
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		3,510	(792)
Total comprehensive income for the period		81,975	67,570
Profit for the period attributable to:			
Owners of the Company		75,766	69,050
Non-controlling interests		2,699	(688)
		78,465	68,362
Total comprehensive income attributable to:			
Owners of the Company		79,276	68,258
Non-controlling interests		2,699	(688)
		81,975	67,570
Earnings per share (RMB cents)			
— Basic	8	9.3 cents	8.4 cents
— Diluted	8	9.3 cents	8.4 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	9	436,143	413,365
Right-of-use assets	9	34,562	37,825
Investment property	9	52,282	50,997
Deferred tax assets		9,148	7,694
Other receivables		82,498	—
Pledged bank deposits		215,846	211,916
Fixed bank deposits		114,723	102,975
		<hr/>	<hr/>
Total non-current assets		945,202	824,772
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories	10	348,131	286,921
Trade receivables	11	573,977	342,339
Contract assets	12	11,172	14,054
Other receivables and prepayments		96,635	43,006
Financial assets at fair value through profit or loss ("FVTPL")		—	180,205
Pledged bank deposits		7,058	7,294
Fixed bank deposits		546,474	594,630
Cash and cash equivalents		270,281	316,744
		<hr/>	<hr/>
Total current assets		1,853,728	1,785,193
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		2,798,930	2,609,965
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EQUITY			
Share capital	14	1,192,362	1,192,362
Reserves		797,570	815,049
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,989,932	2,007,411
Non-controlling interests		2,785	1,194
		<hr/>	<hr/>
Total equity		1,992,717	2,008,605
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		As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		5,098	7,221
Deferred tax liabilities		<u>29,685</u>	<u>27,453</u>
Total non-current liabilities		<u>34,783</u>	<u>34,674</u>
Current liabilities			
Trade and bills payables	13	456,374	422,506
Contract liabilities		76,013	28,053
Other payables		63,078	87,710
Bank borrowings	15	142,558	—
Lease liabilities		6,665	7,107
Income tax payable		<u>26,742</u>	<u>21,310</u>
Total current liabilities		<u>771,430</u>	<u>566,686</u>
Total liabilities		<u>806,213</u>	<u>601,360</u>
Total equity and liabilities		<u>2,798,930</u>	<u>2,609,965</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. GENERAL INFORMATION

The Company is an investment holding company and the principal activities of its subsidiaries (together, the “**Group**”) are engaged in 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 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 an executive director of the Company.

The Group’s interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board on 16 August 2022.

2. BASIS OF PREPARATION

The interim 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 interim condensed consolidated financial information does not include all the notes of the type normally included in the annual financial statements. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period. The interim 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 2021 that is included in this interim 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 Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (“**Companies Ordinance**”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 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.

The preparation of interim condensed consolidated financial 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 interim condensed consolidated 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 2021, 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 2021, 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 2022, the Group has adopted the following new and amendments to standards for the first time for accounting periods beginning on 1 January 2022:

Merger Accounting for Common Control Combinations	Amendments to AG 5 (revised)
Property, Plant and Equipment – Proceeds before Intended Use	Amendments to HKAS 16
Onerous contracts – Costs of Fulfilling a Contract	Amendments to HKAS 37
Annual Improvements to HKFRSs 2018 to 2020 cycle	Amendments to HKFRSs
Reference to the Conceptual Framework	Amendments to HKFRS 3

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 2023 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Classification of Liabilities as Current or Non-current	Amendments to HKAS 1	1 January 2023
Insurance Contracts	HKFRS 17	1 January 2023
Disclosure of Accounting Policies	Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Amendments to HKAS 12	1 January 2023
Definition of Accounting Estimates	Amendments to HKAS 8	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 2022 and 2021 by business segment are as follow:

	For the six months ended 30 June 2022		
	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	464,555	–	464,555
Data processing and services	–	102,798	102,798
Digital equipment	–	142,066	142,066
Total	<u>464,555</u>	<u>244,864</u>	<u>709,419</u>
Geographical markets*			
Mainland China	375,408	237,657	613,065
Asia Pacific (excluding mainland China)	59,928	6,748	66,676
Europe, Middle East and Africa	28,967	459	29,426
Others	252	–	252
Total	<u>464,555</u>	<u>244,864</u>	<u>709,419</u>
	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 and services	–	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*			
Mainland China	320,443	248,877	569,320
Asia Pacific (excluding Mainland China)	38,642	8,749	47,391
Europe, Middle East and Africa	1,550	1,158	2,708
Others	188	81	269
Total	<u>360,823</u>	<u>258,865</u>	<u>619,688</u>

* In view of the increase in the proportion of the Group's non-China market revenue in the Group's revenue, in order to accurately reflect the changes in the non-China region's revenue, the Group disclosed the non-China region's revenue in a more detailed classification.

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 2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)	Six months ended 30 June 2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Sales to external parties of				
– embedded software and secure payment products	464,555	360,823	104,541	83,208
– platform and service	244,864	258,865	83,758	106,473
	709,419	619,688	188,299	189,681
Other income			20,102	24,592
Other gains/(losses) – net			26,889	(4,714)
Research and development costs			(55,068)	(55,344)
Selling and distribution costs			(64,926)	(58,240)
Administrative expenses			(17,541)	(20,089)
(Provision for)/reversal of impairment loss on trade receivables			(2,726)	2,427
Impairment loss on amount due from an associate			(499)	(25)
Finance costs – net			(8,583)	(398)
Profit before income tax			85,947	77,890

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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration	5,303	5,276
Retirement benefits scheme contributions	7,537	5,880
Staff costs	107,325	95,004
Cost of inventories sold	440,206	350,913
Government grants (<i>Note i</i>)	(3,217)	(2,936)
Value-added tax refund (<i>Note i</i>)	(6,828)	(7,912)
Interest income (<i>Note i</i>)	(8,722)	(12,875)
Investment income from financial assets at FVTPL (<i>Note ii</i>)	(1,262)	(1,829)
Unrealised gain from financial assets at FVTPL (<i>Note ii</i>)	–	(407)
Net exchange (gains)/losses, net (<i>Note ii</i>)	(25,627)	6,901
Provision for/(reversal of provision for) inventories	6,889	(3,469)
Depreciation of property, plant and equipment	15,864	15,503
Depreciation of right-of-use assets	3,263	3,953
Amortisation of intangible assets	–	1,143
	<u> </u>	<u> </u>

Notes:

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

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current income tax		
Mainland China corporate income tax	(3,648)	(2,424)
Hong Kong profits tax	(3,056)	(3,282)
	<u>(6,704)</u>	<u>(5,706)</u>
Deferred income tax	(778)	(3,822)
	<u>(7,482)</u>	<u>(9,528)</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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
2021 Final — HK10.0 cents per ordinary share based on 824,691,000 shares (declared on 15 March 2022) (2020 Final — HK10.0 cents per ordinary share based on 833,561,000 shares (declared on 24 March 2021))	69,292	67,711
2021 Special — HK4.0 cents per ordinary share based on 824,691,000 shares (declared on 15 March 2022) (2020 Special — HK4.0 cents per ordinary share based on 833,561,000 shares (declared on 24 March 2021))	27,716	27,084

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2022 (for the six months ended 30 June 2021: HK2.5 cents (equivalent to approximately RMB2.1 cents)). However, the Company will continue to execute the dividend policy.

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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company	75,766	69,050
	For the six months ended 30 June	2022
	Number of	2021
	ordinary shares	Number of
	'000	ordinary shares
	(unaudited)	'000
		(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	816,545	825,415

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 2022 and 2021, 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 RMB35,652,000 (for the six months ended 30 June 2021: RMB35,489,000) and no capital expenditures (for the six months ended 30 June 2021: RMB1,731,000) 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 2021: Nil).

10. INVENTORIES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Raw materials	240,033	207,034
Work in progress	1,844	5,369
Finished goods	<u>159,403</u>	<u>120,778</u>
	401,280	333,181
Less: provision	<u>(53,149)</u>	<u>(46,260)</u>
	<u><u>348,131</u></u>	<u><u>286,921</u></u>

11. TRADE RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade receivables	581,812	347,374
Less: provision for impairment loss	<u>(7,835)</u>	<u>(5,035)</u>
	<u><u>573,977</u></u>	<u><u>342,339</u></u>

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 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Aging		
0–90 days	378,217	260,511
91–180 days	120,693	34,250
181–365 days	45,277	33,458
Over 1 year	29,790	14,120
	<u>573,977</u>	<u>342,339</u>

12. CONTRACT ASSETS

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Embedded software and secure payment products	1,244	1,986
Digital equipment	9,928	12,068
	<u>11,172</u>	<u>14,054</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 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade payables	300,767	321,963
Bills payables — secured	<u>155,607</u>	<u>100,543</u>
	<u><u>456,374</u></u>	<u><u>422,506</u></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 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Aging		
0–90 days	405,711	344,496
91–180 days	15,536	76,338
181–365 days	33,907	904
Over 1 year	<u>1,220</u>	<u>768</u>
	<u><u>456,374</u></u>	<u><u>422,506</u></u>

14. SHARE CAPITAL

	Number of ordinary shares '000	Amount <i>HKD'000</i>
Issued and fully paid:		
At 31 December 2021 (audited)	828,005	1,499,498
Shares bought back on-market and cancelled At 30 June 2022 (unaudited)	<u>(3,314)</u>	<u>—</u>
	<u><u>824,691</u></u>	<u><u>1,499,498</u></u>
		<i>RMB'000</i>
Shown in the consolidated financial statements as of 31 December 2021 (audited) and condensed consolidated financial information as of 30 June 2022 (unaudited)		<u><u>1,192,362</u></u>

15 BANK BORROWINGS

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Current liabilities		
Bank borrowings - unsecured	<u>142,558</u>	<u>-</u>

Movement in bank borrowings is as follows:

	<i>RMB'000</i>
At 1 January 2022 (audited)	-
Proceeds from bank borrowings	142,461
Currency transaction differences	<u>97</u>
At 30 June 2022 (unaudited)	<u>142,558</u>

All the bank borrowings are credit loan and the carrying amounts of the bank borrowings are denominated in the following currencies:

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
RMB	99,683	-
HKS	<u>42,875</u>	<u>-</u>
	<u>142,558</u>	<u>-</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Transforming Challenges into Opportunities for Growth

Language, religion and payment are the three core concepts that support the sustainable development of human society. The need for payment will forever exist. The payment transaction forms the foundation for value transfer, which directly affects most of the economic and social activities in the human society. Value transfer theory posits that every payment method must confront three major challenges: risk, prevalence and supporting systems. A payment method, which effectively maximizes the popularity while minimizes the risk, and empowered by a comprehensive supporting systems, is bound to be widely accepted by the whole society and be prospective.

After decades of development, credit cards have been successful in addressing the above three major challenges. The credit card system is a successful model of standardization, and the credit card is still currently the only generally accepted payment vehicle worldwide. Since 2020, the outbreak of the coronavirus pandemic (“COVID-19”), in combination with geopolitical turmoil, has had a major dampening effect on investment and trade activities. However, the credit card business still achieved steady development and demonstrated its resiliency. The market value of several credit card organizations reached an all-time high in the first half of 2022.

In the first half of 2022, the Group successfully responded to challenges such as the protracted pandemic and supply chain fluctuations, and turning challenges into opportunities for growth by promoting the digitalization and platform-based strategy. The Group achieved more than 10% growth in both revenue and net profit, and has maintained its competitiveness in the field of secure payment.

OVERVIEW

For the Interim Period, the Group recorded revenue of approximately RMB709.4 million, representing a year-on-year increase of approximately 14.5%. The recorded profit for the period is approximately RMB78.5 million, representing a year-on-year increase of approximately 14.8%. Net profit margin is approximately 11.1%, flat with the same period last year. Due to the geopolitical turmoil combined with the COVID-19 pandemic, the global supply chain system has been adversely affected and the cost of main raw materials such as chips has increased. The Group’s gross profit margin decreased by 4.1 percentage points to approximately 26.5%. The Group improved the management of its supply chain through smart operations and other practices, which offset most of the adverse impacts on cost, and maintained a healthy profitability.

Strong growth of embedded software and secure payment products segment

For the Interim Period, the global credit card market maintained its steady development. With active marketing strategies, the embedded software and secure payment products segment showed robust growth, recording revenue of approximately RMB464.6 million, rising approximately 28.7% year-on-year.

High levels of product security, as tested and verified by internationally recognized security laboratories, and the global pervasiveness of secure payment embedded software are the competitive advantages of the Group in the global market. The Group's next-generation embedded software and secure payment products are well-recognized by clients and markets globally. Not only do these products meet the technical specifications required by the Europeans, Americans, Asians, Africans and customers of the other regions, but also meet the versatile needs of various countries through locale-specific development. Among them, the Group's revenue in Europe, Africa and the Middle East grew rapidly to approximately RMB29.0 million, representing a year-on-year increase of approximately 1770%. The Group recorded revenue of approximately RMB59.9 million in Asia-Pacific, representing a year-on-year increase of approximately 55.1%.

In China, the Group's secure payment embedded software addressed the demand for independent and controllable financial technology ("Fintech") products. Capitalizing on its differentiated competitive advantages, its products were warmly received by financial institutions. The embedded software and secure payment products of the Group has been adopted by over 1000 banks and financial institutions. Moreover, the Group explored the potential of third-generation social security cards in China and made significant preparations in 2021. Capitalizing on decades of rich experience and leading technologies in National Cryptographic Algorithm products and scenario applications, the Group has taken the lead in third-generation social security cards issuance by actively expanding the use cases around related businesses. During the Interim Period, the Group recorded revenue of approximately RMB375.4 million in the embedded software and secure payment products segment in China, representing a year-on-year growth of approximately 17.2%.

Large potential for platform and service business

The Group's platform and service segment recorded revenue of approximately RMB244.9 million, representing a year-on-year decrease of approximately 5.4%, as a result of the adverse impact from the pandemic.

In the first half of 2022, the protracted pandemic in China core cities such as Beijing and Shanghai has adversely affected the economy of China. The platform and service business in China recorded revenue of approximately RMB237.7 million, representing a year-on-year decrease of approximately 4.5%. The supply chain systems in most countries in the Asia-Pacific, Europe and Middle East do not appear to recover from the geopolitical turmoil and the COVID-19 pandemic either. The Group recorded revenue of approximately RMB7.2 million from the platform and service business in those countries, representing a year-on-year decrease of approximately 27.8%. However, the Group believes that the platform and service business segment still has favourable growth potential.

The Group endeavors to build up its UMV platform with technological innovation to create a vibrant ecosystem for the secure payment industry. The Group is building a digital supply chain platform through the UMV platform, where industry participants such as banks, credit card organizations, suppliers and end users actively interact to promote the continuous innovation of secure payment products and the secure payment industry. In the first half of 2022, although the growth rate of the platform and service segment has been slowed down temporarily, the UMV platform has entered contracts with up to 30 banks and has successfully expanded to the public transportation sector. The Group believes that the platform and service segment will soon recover from the impact of the pandemic.

During the digital transformation process of commercial banks in relation to their brick-and-mortar branches, the Group has correspondingly developed Artificial Intelligence (A.I.) self-service kiosks and solutions for multi-scenario applications including self-service, counter and mobile services. This is consolidating the market for digital equipment. At the same time, the Group is actively promoting the application of A.I. self-service kiosks in the field of livelihood services, social security, transportation, and retail amongst others, and is extending their use to a wider range of “contact-free” services to tap into broader opportunities in the market.

The Group’s financial performance indicators remained stable and healthy. As at 30 June 2022, the Group’s current assets totaled approximately RMB1.854 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 reached approximately RMB1.154 billion. The Group has abundant cash flow, still maintains a healthy current ratio of approximately 2.4 and a gearing ratio of approximately 28.8%.

OUTLOOK

Despite challenges such as supply chain fluctuations and the protracted pandemic, the Group remains positive and optimistic about its business prospects.

Firstly, the global credit card industry is expected to maintain its steady development. As the only generally accepted payment vehicle worldwide, the use of credit cards will maintain a sustainable growth. In the global market, worldwide inflation will help to stimulate the use of credit cards. In China, the government is launching a larger-scale deployment of the third- generation social security cards, and the demand will expand continuously.

Secondly, the global market for A.I. self-service kiosks is expected to further expand. The continuous rise of global labor costs will accelerate banks’ self-service business processing. In China, the popularity of 5G has driven the deep integration of the Internet of Things, A.I., cloud computing, big data and other technologies, creating a more brilliant prospect for the A.I. self-service kiosks business.

Thirdly, the rapid development of the digital currency will bring new opportunities. In the first half of 2022, Digital Currency Electronic Payment (“DCEP”) pilot projects have been expanded to 23 regions in 15 provinces across China, with rich application scenarios and increasing pilot project scope and services. These relevant market opportunities are expected to unleash greater potential.

STRATEGY IMPLEMENTATION

The Group endeavors to maintain its leading competitiveness in technology and actively promotes the digitalization and platform-based strategy.

Firstly, its leading competitiveness in technology will boost the Group's continuous growth. Security is the foundation for the credit card industry and is also the leading technology competitiveness of the Group. The next-generation secure payment embedded software launched by the Group in 2021 successively obtained certification by international authoritative laboratories in the first half of 2022, and applied in a wide range of fields such as finance, social security, communication and electronic licenses and has potential for commercial use in the global market.

Secondly, the digitalization strategy will further enhance the competitiveness of the Group and bolster higher customer loyalty. In 2020, the Group started its digital transformation. At present, several digital systems have been formally deployed, such as "Smart Production", "Digitalized Operation", "Operational Data Governance" and "Digital Process Control", which have effectively improved the Group's operational efficiency and have reduced operating costs. Digitalization will also further enhance higher customer loyalty, and create greater value for our customers.

Thirdly, the Group is devoting itself to exploring new business scenarios through its platform-based strategy and will build its UMV platform to connect diversified participants in the global Fintech industry and to promote the implementation of more collaborative Fintech projects. This will make available competitive products and services to create a digital Fintech business ecosystem with multi-scenario applications and multi-party participation, and drive the ecological innovation of the payment field.

Fourthly, relying on a relatively steady supply chain system in China, the Group will continue to launch high-quality embedded software and secure payment products and innovative A.I. self-service kiosks to the global market. The Group is looking to tap into new markets and customers to achieve revenue growth in global markets.

SUBSEQUENT EVENT

No material events occurred subsequent to 30 June 2022 and up to the date of this announcement.

DIVIDENDS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends		
2021 Final — HK10.0 cents per ordinary share based on 824,691,000 shares (declared on 15 March 2022)		
(2020 Final — HK10.0 cents per ordinary share based on 833,561,000 shares (declared on 24 March 2021))	<u>69,292</u>	<u>67,771</u>
2021 Special — HK4.0 cents per ordinary share based on 824,691,000 shares (declared on 15 March 2022)		
(2020 Special — HK4.0 cents per ordinary share based on 833,561,000 shares (declared on 24 March 2021))	<u>27,716</u>	<u>27,084</u>

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2022 (for the six months ended 30 June 2021: HK2.5 cents (equivalent to approximately RMB2.1 cents)). However, the Company will continue to execute the dividend policy.

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 2022, the Company has utilised approximately RMB850.9 million for the purposes of production capacity expansion, research and development of innovative product and service, investment in associates and acquisition, market expansion, 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 based on the business needs of the Company and the prevailing market condition.

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 2022, the Group's total amount of cash and cash equivalents, fixed bank deposits and pledged bank deposits was approximately RMB1,154.4 million (as at 31 December 2021: approximately RMB1,233.6 million), of which approximately RMB644.0 million (as at 31 December 2021: approximately RMB767.1 million) was denominated in RMB, accounting for approximately 55.8% of the aggregate amount, and approximately RMB510.4 million (as at 31 December 2021: approximately RMB466.5 million) was denominated in USD, HKD and other currencies, accounting for approximately 44.2% of the aggregate amount.

As at 30 June 2022, the carrying amount of the Group's financial assets at FVTPL is nil (as at 31 December 2021: approximately RMB180.2 million).

As at 30 June 2022, the Group's total amount of trade receivables was approximately RMB574.0 million (as at 31 December 2021: approximately RMB342.3 million), with an increase by approximately 67.7% compared with that as at 31 December 2021. It is the industry practice that the settlement of trade receivables peaks around the end of year. The protracted pandemic had also caused some settlement delays.

As at 30 June 2022, the Group's total current assets amounted to approximately RMB1,853.7 million (as at 31 December 2021: approximately RMB1,785.2 million), with an increase by approximately 3.8% compared with that as at 31 December 2021.

As at 30 June 2022, the Group's current ratio was approximately 2.4 (as at 31 December 2021: approximately 3.2), representing a high liquidity.

As at 30 June 2022, the Group's bank borrowings amounted to approximately RMB142.6 million (as at 31 December 2021: Nil), of which approximately RMB99.7 million was dominated in RMB, accounting for approximately 69.9% of the aggregated amount, and approximately RMB42.9 million was dominated in HKD for approximately 30.1% of the aggregated amount. All of bank borrowings are unsecured. As at 30 June 2022, the Group's gearing ratio (gearing ratio is equivalent to total liabilities divided by total assets) was 28.8% (as at 31 December 2021: 23.0%).

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. During the six months ended 30 June 2022, the Group did not use any derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business. 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 2022, the Group's capital expenditure was approximately RMB35.7 million (for the six months ended 30 June 2021: approximately RMB35.5 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 2022 was approximately RMB27.7 million (as at 31 December 2021: approximately RMB33.0 million).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investments during the six months ended 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES , ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have other plans for material investments and capital assets.

PLEDGED ASSETS

As at 30 June 2022, bank deposits of approximately RMB222.9 million (as at 31 December 2021: approximately RMB219.2 million) were pledged to secure the bills payables.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2022, 3,314,000 ordinary shares of the Company purchased by the Company on the Stock Exchange during the year ended 31 December 2021 were canceled in January 2022. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

In July 2022, 916,000 ordinary shares of the Company were purchased by the Company on the Stock Exchange at an aggregate price of approximately HK\$1,494,000 (equivalent to approximately RMB1,278,000). The shares were acquired at an average price of HK\$1.63 per share, with prices ranging from HK\$1.59 to HK\$1.65. As at the date of this announcement, none of the 916,000 shares purchased have been canceled.

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 2022, the Group's environmental, social and governance ("ESG") management team had managed, monitored, recommended and reported on environmental, social and governance aspects continuously. An ESG report for the year ended 31 December 2021 prepared with reference to Appendix 27 to the Listing Rules (Environmental, Social and Governance Reporting Guide) was published on the Company's and the Stock Exchange's websites in April 2022.

The Group has complied with all relevant laws and regulations in relation to its business including anti-corruption, health and safety, workplace conditions, employment and the environment in all material aspects during the period ended 30 June 2022. 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 to jointly foster a fair business environment, 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 2022, the Group had a total of 1,631 employees (as at 31 December 2021: 1,624), with an increase of 7 employees as compared to those as at 31 December 2021.

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 2022.

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 2022.

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. LAI Tung Kwok, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022.

PricewaterhouseCoopers, the Company’s auditor, had carried out review of the unaudited interim results of the Group for the six months ended 30 June 2022 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 2022

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 2022 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 August 2022

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. LAI Tung Kwok.

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