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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

HIGHLIGHTS

- For the year ended 31 December 2022, the Group recorded revenue of approximately RMB1.53 billion, representing a year-on-year increase of approximately 11.2%.
- Due to the disruption of the global supply chain and the rising cost of chips and other raw materials, the Group's gross profit for the year was approximately RMB403.1 million, representing a year-on-year decrease of approximately 0.2%.
- During the year, the Group recorded net profit of approximately RMB161.0 million, representing a year-on-year increase of approximately 16.7%. Net profit margin was approximately 10.5%, representing a year-on-year increase of 0.5 percentage point.
- Due to the mature business continuity management system, the Group's revenue of embedded software and secure payment products grew strongly with a year-on-year growth of approximately 34.0%.
- Using digital and platform-based marketing tools to continuously explore new markets, the Group's revenue from outside the Chinese mainland was approximately RMB250.9 million for 2022, which achieved a breakthrough growth of approximately 107.5%.
- The Group's digital RMB hardware wallet has successfully passed the POC test of the level 2 digital currency operator, meanwhile, the Group displayed relevant digital RMB application solutions at the 2022 China International Fair for Trade and Service.
- The Board proposed to declare a final dividend of HK12.0 cents (equivalent to approximately RMB10.5 cents) per ordinary share (HK10.0 cents in 2021) and a special dividend of HK4.0 cents (equivalent to approximately RMB3.5 cents) per ordinary share (HK4.0 cents in 2021) for the year ended 31 December 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Goldpac Group Limited (the “**Company**”) is pleased to announce the audited financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 as below.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	3	1,530,251	1,376,524
Cost of sales	6	<u>(1,127,115)</u>	<u>(972,382)</u>
Gross profit		403,136	404,142
Other income	4	49,169	46,297
Other gains/(losses) – net	5	47,889	(8,432)
Research and development expenses	6	(112,955)	(120,502)
Selling and distribution expenses	6	(172,822)	(126,500)
Administrative expenses	6	(41,623)	(40,499)
Reversal of impairment loss on trade receivables		169	1,806
Impairment loss on amount due from an associate		(394)	(590)
Finance costs – net	7	<u>(8,499)</u>	<u>(783)</u>
Profit before income tax		164,070	154,939
Income tax expense	8	<u>(3,091)</u>	<u>(16,988)</u>
Profit for the year		160,979	137,951
Other comprehensive income/(expense) for the year			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
– exchange differences arising on translation of foreign operations		<u>5,709</u>	<u>(2,283)</u>
Total comprehensive income for the year		<u>166,688</u>	<u>135,668</u>

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		147,427	138,184
Non-controlling interests		13,552	(233)
		<u>160,979</u>	<u>137,951</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		153,136	135,901
Non-controlling interests		13,552	(233)
		<u>166,688</u>	<u>135,668</u>
Earnings per share	9		
– Basic (<i>RMB cents</i>)		18.1	16.8
– Diluted (<i>RMB cents</i>)		18.1	16.8
		<u>18.1</u>	<u>16.8</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 <i>RMB '000</i>	2021 <i>RMB '000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		312,722	413,365
Right-of-use assets		32,896	37,825
Investment property	12	192,436	50,997
Deferred tax assets		25,946	7,694
Other receivables	15	84,500	–
Pledged bank deposits		219,841	211,916
Fixed bank deposits		126,500	102,975
		<hr/>	<hr/>
Total non-current assets		994,841	824,772
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories	13	362,621	286,921
Trade receivables	14	340,322	342,339
Contract assets		10,637	14,054
Other receivables and prepayments	15	102,587	43,006
Financial assets at fair value through profit or loss ("FVTPL")	16	–	180,205
Pledged bank deposits		7,112	7,294
Fixed bank deposits		368,143	594,630
Cash and cash equivalents		627,594	316,744
		<hr/>	<hr/>
Total current assets		1,819,016	1,785,193
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		2,813,857	2,609,965
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
EQUITY			
Share capital	20	1,192,362	1,192,362
Reserves		864,563	815,049
		<hr/>	<hr/>
Equity attributable to owners of the Company		2,056,925	2,007,411
Non-controlling interests		13,638	1,194
		<hr/>	<hr/>
Total equity		2,070,563	2,008,605
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		2,991	7,221
Deferred tax liabilities		33,397	27,453
		<u>36,388</u>	<u>34,674</u>
Total non-current liabilities		36,388	34,674
Current liabilities			
Trade and bills payables	17	336,693	422,506
Contract liabilities	18	177,298	28,053
Other payables		114,559	87,710
Bank borrowings	19	44,818	—
Lease liabilities		5,883	7,107
Income tax payable		27,655	21,310
		<u>706,906</u>	<u>566,686</u>
Total current liabilities		706,906	566,686
Total liabilities		<u>743,294</u>	<u>601,360</u>
Total equity and liabilities		<u>2,813,857</u>	<u>2,609,965</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 GENERAL INFORMATION

The Company is an investment holding company and the principal activities of its subsidiaries (together, the “**Group**”) are to engage in embedded software and secure payment products for smart secure payment and 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 Center, No. 56 Gloucester Road, Wanchai, Hong Kong.

The controlling shareholder of the Company is Cititrust Private Trust (Cayman) Limited, the trustee of a family trust established by Mr. Lu Run Ting (the Chairman and an executive director of the Company). The ultimate controlling party of the Company is Mr. Lu Run Ting.

The Group’s consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the HKICPA and requirements of the Hong Kong Companies Ordinance (Cap. 622) (“**Companies Ordinance**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and requirements of the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2.2 New and amended standards adopted by the Group

The Group has applied the following new and amendments to HKFRSs and HKASs issued by the HKICPA for the first time for accounting periods beginning on 1 January 2022:

- COVID-19 Related Rent Concessions – Amendments to HKFRS 16
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16

- Reference to the Conceptual Framework – Amendments to HKFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018-2020, and
- Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5)

The application of the new and amendments to HKFRSs and HKASs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

2.3 New standards and interpretations that have been issued but are 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
Insurance Contracts	Amendments to HKFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current	Amendment to HKAS 1	1 January 2023
Disclosure of Accounting Policies	Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates	Amendments to HKAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Amendments to HKAS 12	1 January 2023
Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	HK Int 5 (2020)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendments to HKAS 28 and HKFRS 10	To be determined

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

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	—	Design, development, 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

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.

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	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Sales to external parties of				
– embedded software and secure payment products	1,009,115	752,828	221,250	186,089
– platform and service	521,136	623,696	181,886	218,053
	<u>1,530,251</u>	<u>1,376,524</u>	403,136	404,142
Other income			49,169	46,297
Other gains/(losses) – net			47,889	(8,432)
Research and development costs			(112,955)	(120,502)
Selling and distribution costs			(172,822)	(126,500)
Administrative expenses			(41,623)	(40,499)
Reversal of impairment loss on trade receivables			169	1,806
Impairment loss on amount due from an associate			(394)	(590)
Finance costs – net			(8,499)	(783)
Profit before income tax			<u>164,070</u>	<u>154,939</u>

The management of the Group makes decisions according to the gross profit 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.

(b) Revenue

The segment information for the year ended 31 December 2022 and 2021 by business segment are as follows:

	For the year ended 31 December 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 or services			
Embedded software and secure payment products	1,009,115	–	1,009,115
Data processing	–	203,385	203,385
Digital equipment	–	317,751	317,751
	<u>1,009,115</u>	<u>521,136</u>	<u>1,530,251</u>
Total	<u><u>1,009,115</u></u>	<u><u>521,136</u></u>	<u><u>1,530,251</u></u>

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.

	For the year ended 31 December 2022		
	Embedded software and secure payment products <i>RMB'000</i>	Platform and service <i>RMB'000</i>	Total <i>RMB'000</i>
Geographical markets			
The Chinese mainland	775,798	503,553	1,279,351
Overseas and the special administrative regions of Hong Kong (“ Hong Kong ”) and Macao (“ Macao ”)	<u>233,317</u>	<u>17,583</u>	<u>250,900</u>
Total	<u><u>1,009,115</u></u>	<u><u>521,136</u></u>	<u><u>1,530,251</u></u>

	For the year ended 31 December 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 or services			
Embedded software and secure payment products	752,828	–	752,828
Data processing	–	239,988	239,988
Digital equipment	–	383,708	383,708
	<u>752,828</u>	<u>623,696</u>	<u>1,376,524</u>
Total	<u>752,828</u>	<u>623,696</u>	<u>1,376,524</u>
Geographical markets			
The Chinese mainland	675,872	579,763	1,255,635
Overseas and Hong Kong and Macao	76,956	43,933	120,889
	<u>675,872</u>	<u>579,763</u>	<u>1,255,635</u>
Total	<u>675,872</u>	<u>579,763</u>	<u>1,255,635</u>

(c) Other information

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Hong Kong	141,105	134,869
The Chinese mainland	396,949	367,318
	<u>538,054</u>	<u>502,187</u>

Information about major customer

For the year ended 31 December 2022, there was no customer with revenue in aggregate (2021: one customer with revenue of RMB151,888,000 in aggregate) from the segments of both embedded software and secure payment products and platform and service which accounted for more than 10% of the Group's total revenue.

4 OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants	4,186	6,272
Interest income from bank deposits	27,681	23,900
Value-added tax refund	14,195	14,088
Rental income from investment property	2,034	1,463
Others	1,073	574
	<u>49,169</u>	<u>46,297</u>

5 OTHER GAINS/(LOSSES) – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net exchange gains/(losses)	46,301	(13,709)
Investment income from financial assets at FVTPL	1,262	5,126
Unrealised gain from financial assets at FVTPL	–	205
Gain on lease modification	741	–
Loss on disposal of property, plant and equipment	(447)	(4)
Others	32	(50)
	<u>47,889</u>	<u>(8,432)</u>

6 EXPENSES BY NATURE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	933,325	826,971
Write-down of inventories to net realisable values	22,006	(9,510)
Employee benefits expenses	250,861	216,325
Depreciation of property, plant and equipment	33,232	30,802
Depreciation of right-of-use assets	6,244	7,284
Depreciation of investment property	3,879	2,056
Amortisation of intangible assets	–	2,096
Reversal of warranty provision	–	(3,062)
Legal and professional fees	3,571	2,983
Auditor's remuneration		
– audit services	1,377	1,311
– non-audit services	402	415
Business entertainment expenses	6,803	7,348
Freight and duties	13,552	18,526
Professional service fees	69,656	32,490
Testing fees	9,561	13,858
Travelling and transportation expenses	13,032	20,364
Other expenses	87,014	89,626
	<u>1,454,515</u>	<u>1,259,883</u>
Total cost of sales, research and development costs, selling and distribution expenses and administrative expenses	<u>1,454,515</u>	<u>1,259,883</u>

7 FINANCE COSTS – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Unwinding interest income from deposits paid to suppliers	2,498	–
Finance income	<u>2,498</u>	<u>–</u>
Interest expense discounted from deposits paid to suppliers	(8,084)	–
Borrowing costs	(2,320)	–
Interest expense on lease liabilities	(593)	(782)
Others	–	(1)
Finance costs expensed	<u>(10,997)</u>	<u>(783)</u>
Net finance costs	<u>(8,499)</u>	<u>(783)</u>

8 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, and shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax		
The Chinese mainland corporate income tax	3,972	1,950
Hong Kong Profits Tax	11,427	7,638
	<u>15,399</u>	<u>9,588</u>
Deferred income tax	(12,308)	7,400
	<u>3,091</u>	<u>16,988</u>

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

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 Chinese mainland corporate income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the Chinese mainland.

The Company's subsidiaries in the Chinese mainland are subject to Chinese mainland 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 2017, 2018 and 2019. Goldpac Limited has obtained the renewal in 2020 and continued to be 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 liability on the undistributed profits earned by Goldpac Limited since 1 January 2008 have been accrued at the tax rate of 5%.

Income tax expense for the year is reconciled to profit before tax as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before tax	<u>164,070</u>	<u>154,939</u>
Tax at the People's Republic of China ("PRC") tax rate of 25% (2021: 25%)	41,018	38,735
Tax effect of amounts not taxable for tax purpose	(13,934)	(222)
Tax effect of tax losses not recognised	2,955	2,646
Previously unrecognised tax losses now recouped to reduce current tax expenses	(580)	–
Tax effect of tax concession	(23,330)	(26,999)
Tax effect of different tax rate of subsidiaries operating in other tax jurisdiction	(5,838)	(2,310)
Withholding EIT on undistributed profits in the PRC	2,743	5,694
Others	<u>57</u>	<u>(556)</u>
Income tax expense for the year	<u><u>3,091</u></u>	<u><u>16,988</u></u>

9 EARNINGS PER SHARE

The basic earnings per share attributable to the owners of the Company is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial year

	2022	2021
Profit for the year attributable to owners of the Company (<i>RMB'000</i>)	147,427	138,184
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>thousand</i>) (<i>Note</i>)	<u>814,817</u>	<u>823,410</u>
Basic earnings per share (<i>RMB cents</i>)	<u><u>18.1</u></u>	<u><u>16.8</u></u>

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

For the year ended 31 December 2022 and 2021, diluted earnings per share were same as the basic earnings per share as there was no potential dilutive ordinary shares outstanding during the year.

10 DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
2022 Interim – nil (2021 Interim – HK2.5 cents) per ordinary share	–	17,143
2021 Final – HK10.0 cents (2020 Final – HK10.0 cents) per ordinary share	69,292	67,711
2021 Special – HK4.0 cents (2020 Special – HK4.0 cents) per ordinary share	27,716	27,084
	97,008	111,938

Subsequent to the end of the reporting period, a final dividend of HK12.0 cents (2021: HK10.0 cents) and a special dividend of HK4.0 cents (2021: HK4.0 cents) per ordinary share in respect of the year ended 31 December 2022 have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. The dividend declared after 31 December 2022 has not been recognised as a liability as at 31 December 2022.

11 INTERESTS IN ASSOCIATES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Unlisted investments in associates, at cost	2,200	2,200
Share of post-acquisition results and reserves	1,300	1,300
Impairment loss on interests in an associate	(3,500)	(3,500)
	–	–

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

Name of entity	Country of incorporation and operation	Proportion of issued ordinary share and capital indirectly held by the Group		Principal activity
		2022	2021	
Kaixin Holdings Limited	The British Virgin Islands	45%	45%	Investment holding
Goldpac ACS Technologies Inc. (“Goldpac ACS”)	Philippines	45%	45%	Data processing
Sichuan Zhongruan Technology Ltd. (“SCZR”)	The Chinese mainland	19.68% (Note i)	19.68% (Note i)	Smart city platform

Note i: In February 2021, two external professional firms were appointed by the court to act as the liquidation administrators of SCZR pursuant to the court order ((2020)川0104破4號決定書). The operation and management of SCZR during the period of bankruptcy and liquidation is undertaken by the bankruptcy administrator. In November 2021, the court declared the bankruptcy of SCZR. In June 2022, the bankruptcy administrator announced the distribution plan of SCZR’s remaining assets, but the liquidation process was still in progress as at 31 December 2022. Therefore, according to HKAS28R (“**Investments in Associates and Joint Ventures**”), the Group has reclassified the equity investment of SCZR from interest in an associate to FVTPL as the Group has lost significant influence over SCZR. The Group has reviewed and estimated the fair value of SCZR on a regular basis under the requirement of HKFRS 9.

Aggregate information of associates that are not individually material

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
The Group’s share of losses of associates	—	—
Aggregate carrying amount of the Group’s interests in these associates	—	—

The Group has discontinued recognition of its share of loss of associates because the Group’s share of losses of the associates in previous years has exceeded its investment costs. The amounts of the unrecognised share of losses of the associates, both for the year and cumulatively, are as follows:

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Unrecognised share of losses of the associates for the year	(144)	(1,185)
Accumulated unrecognised share of losses of the associates	(5,260)	(5,116)

12 INVESTMENT PROPERTY

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets – at cost		
Opening balance as at 1 January	60,789	62,576
Transfer from property, plant and equipment	140,692	–
Exchange realignment	<u>5,626</u>	<u>(1,787)</u>
Closing balance as at 31 December	<u><u>207,107</u></u>	<u><u>60,789</u></u>
Depreciation		
Opening balance as at 1 January	9,792	7,994
Provided for the year	3,879	2,056
Exchange realignment	<u>1,000</u>	<u>(258)</u>
Closing balance as at 31 December	<u><u>14,671</u></u>	<u><u>9,792</u></u>
Carrying values		
At 31 December	<u><u>192,436</u></u>	<u><u>50,997</u></u>

(i) Amounts recognised in profit or loss for investment properties

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rental income from operating leases	2,034	1,463
Direct operating expenses from property that generated rental income	(2,206)	(2,056)
Direct operating expenses from property that did not generate rental income	<u>(1,673)</u>	<u>–</u>

(ii) Leasing arrangement

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

The fair value of the Group's investment properties at 31 December 2022 were RMB54,231,000 for investment property located in Hong Kong (2021: RMB51,198,000) and RMB189,404,000 for investment property located in Zhuhai(2021: n/a), separately. The fair value has been arrived at based on a series of valuation carried out by Asset Appraisal Limited for investment property located in Hong Kong and Zhuhai Chengxinda Real Estate Evaluation Co., Ltd for investment property located in Zhuhai, both independent valuers not connected with the Group, and consideration of management by reference to market value comparison.

The valuation has been arrived by reference to direct comparison method as available in the market and where appropriate, on the basis of referencing to the sales transactions of similar commercial properties in Hong Kong and Zhuhai.

In estimating the fair value of the property, the highest and best use of the property is their current use.

Details of the Group's investment property and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2022		2021	
	Carrying amount <i>RMB'000</i>	Fair value at level 3 Hierarchy <i>RMB'000</i>	Carrying amount <i>RMB'000</i>	Fair value at level 3 Hierarchy <i>RMB'000</i>
Investment property located in Hong Kong	53,503	54,231	50,997	51,198
Investment property located in Zhuhai	138,933	189,404	–	–

The above investment properties are depreciated for 20-30 years on a straight-line basis.

13 INVENTORIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Raw materials	260,157	207,034
Work in progress	2,449	5,369
Finished goods	168,281	120,778
	430,887	333,181
Less: write-down of inventories to net realisable values	(68,266)	(46,260)
	362,621	286,921

Inventories recognised as an expense during the year ended 31 December 2022 amounted to RMB933,325,000 (2021: RMB826,971,000). These were included in cost of sales. Write-down of inventories to net realisable values amounted to RMB22,006,000 (2021: RMB (9,510,000)). These were recognised as an expense during the year ended 31 December 2022 and included in cost of sales in the statement of profit of loss and other comprehensive income (Note 6).

14 TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	345,271	347,374
Less: Loss allowance (<i>Note</i>)	<u>(4,949)</u>	<u>(5,035)</u>
	<u>340,322</u>	<u>342,339</u>

Note: The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The assessment resulted in a decrease of the loss allowance on 31 December 2022 by RMB86,000 for trade receivables.

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 ageing analysis of trade receivables net of provision for impairment loss presented based on the invoice date:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Ageing		
0 – 90 days	237,750	260,511
91 – 180 days	47,892	34,250
181 – 365 days	28,408	33,458
Over 1 year	<u>26,272</u>	<u>14,120</u>
	<u>340,322</u>	<u>342,339</u>

15 OTHER RECEIVABLES AND PREPAYMENTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current		
– Deposits paid to suppliers	32,086	15,752
– Rental and utility deposits	1,720	1,592
– Tender deposits	8,590	9,606
– Prepayment to suppliers	55,631	10,415
– Tax refund receivables	2,541	2,602
– Employee welfare	1,777	1,720
– Others	242	1,319
	<hr/>	<hr/>
Non-current		
– Deposits paid to suppliers	84,500	–
	<hr/>	<hr/>
	187,087	43,006
	<hr/> <hr/>	<hr/> <hr/>

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Classification of financial assets at FVTPL:

The Group classifies the structured deposits at FVTPL:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current assets – Structured deposits	–	180,205
	<hr/> <hr/>	<hr/> <hr/>

17 TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	259,465	321,963
Bills payables – secured	77,228	100,543
	<hr/>	<hr/>
	336,693	422,506
	<hr/> <hr/>	<hr/> <hr/>

Trade payables are unsecured and are usually paid within 60 to 180 days of recognition. The bills payables are secured by pledged bank deposits.

The carrying amounts of trade and bills payables are considered to be the same as their fair values, due to their short-term nature.

The following is an ageing analysis of trade and bills payables based on invoice date and bill issuance date respectively at the end of the year.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Ageing		
0 – 90 days	272,295	344,496
91 – 180 days	52,520	76,338
181 – 365 days	8,799	904
Over 1 year	3,079	768
	<u>336,693</u>	<u>422,506</u>

18 CONTRACT LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Embedded software and secure payment products	<u>177,298</u>	<u>28,053</u>

The Group receives 10% to 100% of the contract value as deposit from customers when they sign the contracts with customers. Contract liabilities represent the receipts in advance from customers which is recognised as revenue at a point in time when the control of the goods is transferred to the customers. During the year ended 31 December 2022, revenue recognised in the current year relating to contract liabilities at the beginning of the year is RMB25,552,000 (2021: RMB43,734,000).

19 BANK BORROWINGS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current liabilities		
Bank borrowings – unsecured	<u>44,818</u>	<u>–</u>

- (a) All the bank borrowings are at floating rates.
- (b) All the bank borrowings are credit loan and the carrying amounts of the bank borrowings are denominated in HKD.
- (c) All the bank borrowings are repayable within one year.

20 SHARE CAPITAL

	Number of ordinary shares <i>'000</i>	Amount <i>HKD'000</i>
Issued and fully paid:		
At 31 December 2021	828,005	1,499,498
Shares bought back on-market and cancelled	(8,428)	—
At 31 December 2022	<u>819,577</u>	<u>1,499,498</u>
		<i>RMB'000</i>
Shown in the consolidated financial statements as of 31 December 2021 and 2022		<u>1,192,362</u>

From July to October 2022 the Company purchased 5,114,000 ordinary shares on-market in order to simplify the company's capital structure, and cancelled those 5,114,000 ordinary shares in November 2022. Additionally, 3,314,000 ordinary shares purchased in 2021 were cancelled in January 2022. The buy-back and cancellation were approved by shareholders at last year's annual general meeting, and the payment was made out of the company's distributable profits with no reduction of capital.

The shares were acquired at an average price of HKD1.54 per share, with prices ranging from HKD1.28 to HKD1.65. The total amount of HKD7,899,000 (RMB6,867,000) paid to acquire the shares has been deducted from retained earnings within shareholders' equity.

21 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation as the directors of the Company consider that the new presentation is more relevant and appropriate to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

2022 was full of changes and challenges. A great number of challenges including geopolitical turmoil in combination with the COVID-19 pandemic caused global supply chain chaos and a decrease in consumer demand. Benefiting from appropriate marketing strategies and the trust of worldwide consumers, the Group effectively tackled the challenges from difficult external environment and achieved double-digit growth both in revenue and net profit.

Facing the fluctuating and ever-changing times, the Group has made remarkable achievements with solid steps to its forward-looking development plans. Firstly, the Group follows the tendency of financial industry, timely adjusts its resource allocation with appropriate marketing strategies, and continuously improves its business structure. Secondly, with core competitiveness in secure payment products and solutions, the Group consistently provides high quality products and services to over 1,000 consumers worldwide, supporting a steady growth performance. Lastly, the Group actively seizes the opportunity of the upgrade of third-generation of social security cards and expands related business.

FINANCIAL ANALYSIS

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB1.53 billion, representing a year-on-year growth of approximately 11.2%. The Group continued to promote its digital and platform-based development strategy to further consolidate its core competitive advantages in the payment sector with financial technology (“**Fintech**”) innovation. Using digital and platform-based marketing tools to continuously explore new markets, the Group’s revenue in overseas, Hong Kong and Macao was approximately RMB250.9 million for the year, which achieved a breakthrough growth of approximately 107.5%. Meanwhile, due to the mature business continuity management system, its revenue of core business of the embedded software and secure payment products grew strongly with a year-on-year growth of approximately 34.0%.

Due to the disruption of the global supply chain and the rising cost of chips and other raw materials, the Group’s gross profit for the year was approximately RMB403.1 million, representing a year-on-year decrease of approximately 0.2%. The Group further enhanced operational efficiency through intelligent operations and process re-engineering, and optimized supply chain management through strategic cooperation with upstream and downstream resources, which effectively mitigated some of the cost pressure, thus still maintaining its profitability.

During the year, the Group recorded net profit of approximately RMB161.0 million, representing a year-on-year increase of approximately 16.7%. Net profit margin was approximately 10.5%, representing a year-on-year increase of 0.5 percentage point. Benefiting from the Group’s revenue growth in overseas regions, Hong Kong and Macao, overlaid with the effect of the appreciation of USD against RMB, the exchange gain for the year was approximately RMB46.3 million.

As at 31 December 2022, the Group's total current assets amounted to approximately RMB1,819.0 million, representing a year-on-year increase of approximately 1.9%. The Group's current ratio and quick ratio were approximately 2.6 and 2.1 respectively, while its gearing ratio was approximately 26.4%. The Group still maintained a high level of liquidity and a low gearing ratio. The Group will adhere to a prudent financial management policy and optimize its capital structure.

The Board proposed to declare a final dividend of HK12.0 cents (equivalent to approximately RMB10.5 cents) per ordinary share (HK10.0 cents in 2021) and a special dividend of HK4.0 cents (equivalent to approximately RMB3.5 cents) per ordinary share (HK4.0 cents in 2021) for the year ended 31 December 2022.

BUSINESS REVIEW

In 2022, China's digital economy developed rapidly, and the digital transformation of the financial industry was accelerated in a gradually regulated process as the industrial digitalization is further promoted. The Group adhered to its innovation concept of "Finance-based, Technology-orientated" to accelerate its pace of digital and platform-based transformation, develop together with the industry, embrace changes, continuously consolidate its leading market position in core businesses, and generate new growth momentum in the future.

During the year, the Group's embedded software and secure payment products business segment recorded revenue of approximately RMB1,009.1 million, representing a significant increase of approximately 34.0% year-on-year.

In order to fulfill the needs of the global market, the Group not only launched its independent and controllable embedded software and products to satisfy the needs of the Chinese market, but also launched embedded software and secure payment products that meet the technical specifications required by overseas markets and meet the diverse needs of each country through localized development. With clear competitive advantages of secure payment embedded software in the global market, the revenue in overseas, Hong Kong and Macao grew rapidly with approximately 203.2% year-on-year to approximately RMB233.3 million.

At the same time, the market potential of the third-generation social security cards in the Chinese mainland continued to increase, the Group seized the opportunities and actively expanded its business by undertaking the third-generation of social security cards issuance projects and related solutions in various provinces and cities in China, resulting in rapid growth in both the quantity and order value. During the year, the Group recorded revenue of approximately RMB775.8 million from embedded software and secure payment products business segment in the Chinese mainland, representing a year-on-year increase of approximately 14.8%.

Affected by the lockdown due to the COVID-19, the revenue of the platform and service business segment dropped back to approximately RMB521.1 million, representing a year-on-year decrease of approximately 16.4% and accounting for approximately 34.1% of the Group's revenue. A lag in project implementation due to delay in the delivery and installation of digital equipment, led to a fall in revenue with approximately 17.2% year-on-year. However, as the impact of the COVID-19 is gradually easing off and the pace of digital transformation of financial institutions accelerates, the platform and service business segment still has strong growth potential.

OUTLOOK – BUILDING “DIGITAL GOLDPAC” TO GENERATE THE MOMENTUM OF TRANSFORMATION AND DEVELOPMENT WITH INNOVATION

The wave of digitalization is sweeping, and the digital transformation process of the global financial industry continues to accelerate. The Group follows closely the trend of digital development, and unwaveringly promotes the digital and platform-based strategy. By leveraging on decades of its technological leadership in the field of secure payments, the Group has been improving its marketing and business portfolio. The Group will continue to enhance its digital operation capabilities and realize the future leapfrog transformation through digital innovation.

Firstly, digitalization and individualization are the inevitable trend of the future society, and the further phases of Fintech and financial industry will also follow this trend. Secondly, the application of new technologies such as Artificial Intelligence (“A.I.”) will significantly improve the operational efficiency of financial institutions, as well as their ability to capture and cater for the trend of personalized consumption. Thirdly, open banking will become the core feature of banks, reshaping the open new business architecture and implementing the open transformation of IT architecture.

The Group will focus on three key strategies of “Fully Promoting the Digital and Platform-based Construction of the UMV”, “Seizing the Opportunities and Expanding Core Business” and “Enhancing Cross-domain Application Ability and Broadening Service Scenarios”.

1. Fully Promoting the Digital and Platform-based Construction of the UMV

The goal of the Group's transformation and development is to build an innovative ecosystem of the secure payment value chain.

Internally, the Group will digitalize its core operational capabilities through the UMV platform, integrate upstream and downstream resources in the industry including product and service resources, technology resources and business channel resources, and reshape business processes to activate the Group’s endogenous momentum for development, in order to better promote positive interaction among participants including financial institutions, bank card organizations, card issuers and C-end consumers in the entire industry chain.

Externally, the Group will build an one-stop digital integrated financial business platform through the UMV platform to support financial institutions to meet the diversified and personalized consumption needs of the new generation of C-end consumers, and is able to extend outward to multiple areas of non-core payment businesses of all financial institutions. The UMV platform has the capability to improve the abilities of financial institutions to acquire consumers precisely, while strengthening consumer stickiness and stability, comprehensively improving consumer value, and expanding its advantages to other related financial business areas.

The Group will adhere to the trend of integration between Fintech innovation and the digital transformation demands of financial institutions. By leveraging on “innovation” and “security”, the Group determines to adding new momentum for the innovative development of secure payment industry.

2. Seizing the Opportunities and Expanding Core Business

As one of the countries with the highest speed in promoting digital currency products, the scope of digital RMB pilot project and application in China has gradually expanded and shown an accelerated trend. Based on our years of experience in the field of financial security payments, the Group has developed solutions that combine digital currency hardware wallets and terminal products to effectively enhance our core business competitiveness.

The Group actively advances the expansion of digital currency product markets. The Group’s digital RMB hardware wallet has successfully passed the POC (“**Proof of Concept**”) test of the level 2 digital currency operator, and the Group displayed relevant digital RMB application solutions at the 2022 China International Fair for Trade and Service. Meanwhile, the Group has signed a cooperation memorandum with Bank of China Zhuhai Branch to jointly build a pilot digital RMB platform in the Guangdong-Hong Kong-Macao Greater Bay Area. In the future, the Group will also assist more financial institutions to accelerate integration between digital currency ecosystem and digital financial inclusion. Furthermore, the Group will explore target consumers in new regions, and continuously increase the breadth and quality of its financial services for a wider regional coverage of the Group’s financial security payment business in the global market.

Aligning with the rural revitalization policy proposed by the Chinese government, the Group relies on headquarter-level partnership with strategic partners such as China Post to assist their implementation of the rural revitalization with our mature and leading secure payment products and solutions. The Group will expand the coverage of its products and services in urban, rural and other areas which contribute further growth in the core business scale.

3. Enhancing Cross-domain Application Ability and Broadening Service Scenarios

With the rapid development of 5G, block chain, A.I., and other new technologies, the financial industry is embracing the evolution of multidisciplinary integration applications driven by digital transformation. Based on the Group's core competitive advantages, the Group will increase its investment in the research and application of innovative financial technology, accelerate the expansion of secure payment products and solutions to more industries such as government affairs, transportation and telecommunications by continuously enhancing its intelligent, digital and scenario-based service capabilities to further amplify the commercial value of the Group's leading technologies and products.

In the field of government affairs, the Group will focus on expanding social security, convenience and age-adapted service scenarios. In the transportation sector, the Group will deepen its strategic partnership to create secure payment products with in-depth integration of finance and transportation, while accelerating a wider commercial promotion and application. In the telecommunication sector, the Group is already qualified as a USIM (short for “**Universal Subscriber Identity Module**”) card and IoT (short for “**Internet of Things**”) card provider for leading telecommunications operators in the Chinese mainland. With the booming development of 5G, the Group is bound to have a great future in the convergence of secure payment and communication applications.

THE ZHUHAI FINTECH CENTER

The Zhuhai Fintech Center (“**Center**”) is a technology park with the theme of Fintech, which has been put into service in the fourth quarter of 2022. The Group will leverage on high quality resources of the Center to jointly promote relevant industrial projects with the local government, attracting talents, projects, and enterprises from the Guangdong-Hong Kong-Macao Greater Bay Area through combination of industry, academia and research. The Center aims to establish a new regional benchmark of China's Fintech industry to boost innovation in the Greater Bay Area, and provide strong momentum for the Group's platform-based development strategy.

SUBSEQUENT EVENTS

No material events occurred subsequent to 31 December 2022 and up to the date of this annual results announcement.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attendance and for voting at the forthcoming annual general meeting of the Company to be held on Monday, 15 May 2023, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by 4:30 p.m. on Tuesday, 9 May 2023. The register of members of the Company will be closed from Wednesday, 10 May 2023 to Monday, 15 May 2023, both days inclusive, during which period, no transfer of shares will be registered.

In order to determine who are entitled to the proposed final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by 4:30 p.m. on Wednesday, 31 May 2023. The register of members of the Company will be closed from Thursday, 1 June 2023 to Monday, 5 June 2023, both days inclusive, during which period no transfer of shares will be registered. Subject to shareholders' approval of the proposed dividends at the annual general meeting of the Company to be held on Monday, 15 May 2023, the dividends will be paid on Friday, 30 June 2023 to the shareholders whose names appear on the register of members of the Company at the close of business on Monday, 5 June 2023.

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 31 December 2022, the Company utilized approximately RMB854.7 million for the purposes of production capacity expansion, innovative product and service research and development, investment in associates and acquisition, market expansion outside of China, working capital supplementation and other general corporate purposes. The balances of the net proceeds were deposited in banking account. The Company has utilized and will utilize the net proceeds pursuant to the purposes and the proportions as disclosed in the prospectus of the Company dated 22 November 2013.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2022, the Group's aggregate amount of bank balances and cash, fixed bank deposits and pledged bank deposits reached approximately RMB1,349.2 million (2021: approximately RMB1,233.6 million), of which approximately RMB728.4 million (2021: approximately RMB767.1 million) was denominated in RMB, representing approximately 54.0%, and approximately RMB620.8 million (2021: approximately RMB466.5 million) was denominated in USD and HKD, etc., representing approximately 46.0%.

As at 31 December 2022, the Group had no financial assets at FVTPL (2021: approximately RMB180.2 million).

As at 31 December 2022, the Group had bank borrowings amounted to approximately RMB44.8 million (2021: Nil). All the bank borrowings are unsecured and repayable within one year. The carrying amounts are denominated in HKD.

As at 31 December 2022, the Group's trade receivables was approximately RMB340.3 million (2021: approximately RMB342.3 million).

As at 31 December 2022, the Group's total current assets amounted to approximately RMB1,819.0 million (2021: approximately RMB1,785.2 million), representing an increase of approximately 1.9% compared to that of the previous year.

As at 31 December 2022, the Group's current ratio was approximately 2.6 (2021: approximately 3.2), while its quick ratio was approximately 2.1 (2021: approximately 2.6), representing a high liquidity.

As at 31 December 2022, the Group's gearing ratio (the gearing ratio is equivalent to total liabilities divided by total assets as at the end of the year) was approximately 26.4% (2021: approximately 23.0%).

CURRENCY EXPOSURE

In terms of currency exposure, the Group's sales were mainly denominated in RMB, USD and HKD while the operating expenses and purchases were mainly denominated in RMB with certain 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 year ended 31 December 2022, the Group's capital expenditure was approximately RMB67.0 million (2021: approximately RMB81.7 million). The capital expenditure represents the expenses incurred in purchasing fixed assets.

CAPITAL COMMITMENT

The aggregate capital commitment of the Group as at 31 December 2022 was approximately RMB24.0 million (2021: approximately RMB33.0 million).

PLEDGED ASSETS

As at 31 December 2022, bank deposits of approximately RMB227.0 million (2021: approximately RMB219.2 million) were pledged to secure the bills payables and bank guarantee.

SIGNIFICANT INVESTMENTS

The Group had no significant investments for the year ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group has no future plans for material investment or capital assets during 2023.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In February 2021, two external professional firms were appointed by the court to act as the liquidation administrators of Sichuan Zhongruan Technology Ltd. (“**SCZR**”), which is the associate of the Group, pursuant to the court order ((2020)川0104破4號決定書). The operation and management of SCZR during the period of bankruptcy and liquidation is undertaken by the bankruptcy administrator. On 24 November 2021, the court declared the bankruptcy of SCZR. In June 2022, the bankruptcy administrator announced the distribution plan of SCZR's remaining assets, but the liquidation process was still in progress at the end of the year 2022. Therefore, according to HKAS28R (“**Investments in Associates and Joint Ventures**”), the Group has reclassified the equity investment of SCZR from the interest in an associate to FVTPL as the Group has lost significant influence over SCZR. The Group has reviewed and estimated the fair value of SCZR on a regular basis under the requirement of HKFRS9.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

For the year ended 31 December 2022, the Company purchased 5,114,000 ordinary shares of the Company on the Stock Exchange at an aggregate price of approximately HKD7,899,000 (equivalent to approximately RMB6,867,000). The shares were acquired at an average price of HKD1.54 per share, with prices ranging from HKD1.28 to HKD1.65. All the shares purchased were cancelled in November 2022.

The details of the purchase of shares are as follows:

Month	Number of shares purchased	Highest price per share (HKD)	Lowest price per share (HKD)	Aggregate consideration paid (HKD)
July 2022	916,000	1.65	1.59	1,494,305.16
August 2022	2,208,000	1.65	1.54	3,573,463.49
September 2022	1,206,000	1.53	1.45	1,810,618.48
October 2022	<u>784,000</u>	1.30	1.28	<u>1,021,005.89</u>
Total	<u><u>5,114,000</u></u>			<u><u>7,899,393.02</u></u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Group is committed to maintaining high levels of environmental and social standards to ensure sustainable development of its business. During the year ended 31 December 2022, the Group's environmental, social and governance ("ESG") management team had managed, monitored, recommended and reported on environmental and social aspects. An ESG report is prepared with reference to Appendix 27 to the Listing Rules (Environmental, Social and Governance Reporting Guide) and will be published on the Company's and the Stock Exchange's websites.

The Group has complied with all relevant laws and regulations in relation to its business including anti-corruption, health and safety, workplace conditions, employment and the environment in all material aspects during the period ended 31 December 2022. The Group encourages its employees, customers, suppliers and other stakeholders to participate in environmental and social activities.

The Group maintains strong relationships with its employees. The Group also enhances cooperation with its suppliers to jointly foster a fair business environment, and provides high quality products and services to its customers so as to ensure continued and sustainable development.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 1,583 employees (as at 31 December 2021: 1,624), with a decrease of 41 employees as compared to that as at 31 December 2021. Total employee benefits expenses including Directors' emoluments, for the year ended 31 December 2022, amounted to approximately RMB250.9 million (for the year ended 31 December 2021: approximately RMB216.3 million).

The human resources are one of the Group's most important assets. In addition to offering competitive remuneration and welfare packages, the Group is also committed to providing specialized and challenging career development and training programs. Generally, a salary review is conducted annually. The Group also adopted the Pre-IPO share option scheme, the share option scheme and the share award scheme to motivate prospective employees. Apart from basic remuneration, for employees in the Chinese mainland, 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 Chinese mainland. The pensions and unemployment insurance belong to defined contribution plans, the Group does not have the right to confiscate the contributions and therefore has no use of the contributions. The Group also provides full coverage of housing provident fund contributions as required by local regulations in the Chinese mainland. For overseas employees, the Group also makes contributions towards relevant insurance scheme as required by the local regulations.

The Group emphasises on employee performance and development, and is committed to enhancing their knowledge and skills. The Group provides comprehensive internal and external trainings, such as compulsory orientation, job skills training, improvement training, information security training, compliance and legal training, business etiquette training and etc.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules during the year ended 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended 31 December 2022.

NON-STATUTORY FINANCIAL STATEMENTS

The financial information relating to the year ended 31 December 2021 and 31 December 2022 included in this annual results announcement does not constitute the Company’s statutory annual consolidated financial statements for the respective year but is derived from those financial statements. The Company has delivered its financial statements for the year ended 31 December 2021 and will deliver its financial statements for the year ended 31 December 2022 in due course to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong). 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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT OF 2022

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldpac.com). The Annual Report for the year ended 31 December 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, 21 March 2023

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 of this announcement shall prevail over the English version.