



貿易通
TRADELINK

貿易通電子貿易有限公司

Tradelink Electronic Commerce Limited

Stock Code 股份代號 : 0536.HK

2016 Interim Results Presentation

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Overview

Compared to the first six months in 2015:

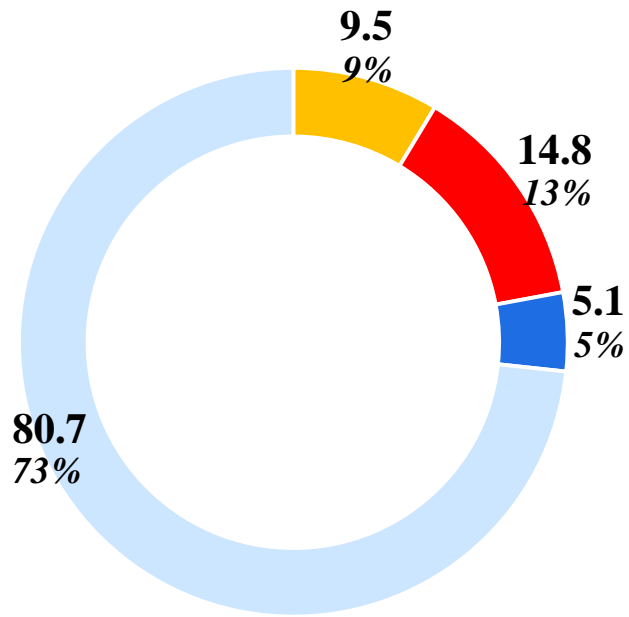
- Revenue decreased 3.3% to HK\$106.4 million
- Profit from operations fell 5.1% to HK\$37.4 million
- Profit attributable to shareholders dropped 0.8% to HK\$ 36.7 million
- Decrease in basic earnings per share of 1.1 % to HK4.61 cents

Financial Highlight

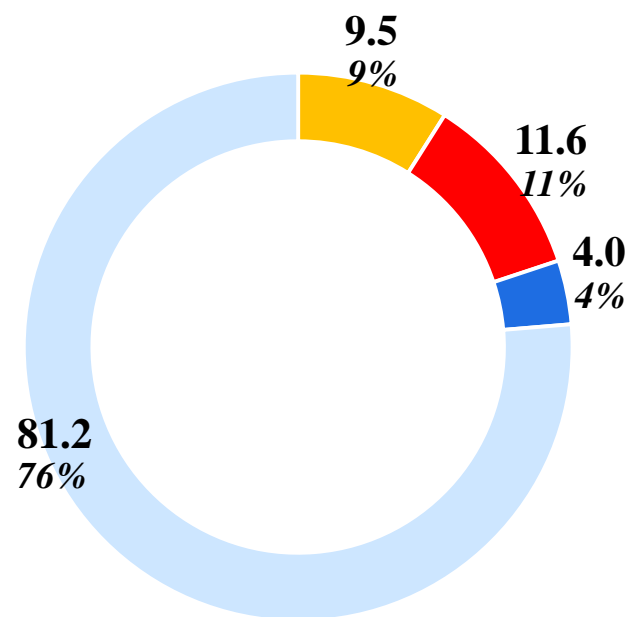
Six months ended 30 June (HK\$M)	1H 2016 (unaudited)	1H 2015 (unaudited)	Change
Revenue	106.4	110.0	(3.3%)
Profit from operations	37.4	39.4	(5.1%)
Profit before taxation	29.9	42.7	(30.0%)
Profit for the period	36.7	37.0	(0.8%)
Profit attributable to Equity shareholders of the Company	36.7	37.0	(0.8%)
Earnings per share (HK cents)			
Basic	4.61	4.66	(1.1%)
Diluted	4.61	4.66	(1.1%)
Interim dividend per share (HK cents)	2.4	3.6	(33.3%)

Segment Revenue

Segment Revenue (HK\$M) & % of Total Revenue



1H 2015



1H 2016

GETS segment generates income from customers using Tradelink's electronic front-end solutions for processing certain government trade-related documents.

Commercial Services segment generates income from the electronic logistics platform for facilitating information flows among the trade logistics and finance industries.

Security Solutions segment generates income from the provision of security products, digital certificates and security solutions and mobile security solutions.

Other Services segment comprises handling fees for the conversion of paper form to electronic messages, income from the provision of technical support and other project services.

Key Financial Ratios

Six months ended 30 June	1H 2016 (Unaudited)	1H 2015 (Unaudited)
Operating profit margin	35.1%	35.8%
Net profit margin	34.5%	33.7%
Effective tax rate	(22.8%)	13.4%
Current ratio	0.5	1.9
Debtors' turnover days	7	9
Dividend payout ratio	~76%*	~77%

**The interim dividend payout ratio is about 76% of the Group's profit for the period after excluding the deferred tax credit of HK\$11.7 million.*

Key Balance Sheet Items

(HK\$M)	As at 30 Jun 2016 (Unaudited)	As at 31 Dec 2015 (Audited)
Property, plant and equipment	26.6	29.3
Trade receivables	16.9	21.9
Other financial assets	391.1	229.4
Cash and bank deposits	51.8	146.2
Net Asset	342.1	360.6

Strong and Healthy Financials

- Net cash flow from operating activities totaled HK\$27.7 million
- Trade receivables at HK\$16.9 million
- Debtors' turnover day at about 7 days
- HK\$51.8 million of cash and bank deposits as at 30 June 2016
- Zero bad debt
- Zero gearing

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E-Commerce - GETS Review

- GETS revenue was HK\$81.2 million, up from HK\$80.7 million in 1H 2015. Benefited from
 - the overall market growth at 2.6% year-on-year, our total transaction volume for the period increased by 1.2%;
 - the overall increase in our GETS pricing.
- GETS profit for the period dropped down from HK\$23.8 million to HK\$20.6 million this year.

E-Commerce - Commercial Services Review

- Revenue during the period declined from HK\$5 million to HK\$4 million this year. Profit also fell to HK\$2.8 million, about HK\$0.9 million less than same period last year.
 - The drop was mainly a timing issue as completion of a couple of major projects has been pushed back in order to better suit the operations and timeline of the customers concerned.
- One of the largest mail order houses in the world with the headquarter in German has been using our solution connecting their suppliers and forwarders for supply-chain management since 2007. During the period under review, the team has successfully negotiated with this client to renew a multi-years contract to extend our services in terms of,
 - coverage to all their suppliers globally (in countries in three continents; Asia, Europe and Africa) and
 - usage to 100% on our new platform.

Security Solutions - Digi-Sign/TESS Review

- The revenue of security solutions business at HK\$11.6 million, was down 21.6% year-on-year,
 - as there was no e-cheque related projects in 1H 2016 and most banks continue to stall their decision on e-cheque implementation.
- Additional resources have been deployed for the development of mobile Point-of-Sale (PoS)/payment solutions. With costs incurred for this product which is still at its investment stage, the profit of our security solutions business fell sharply to HK\$0.3 million.

Others Services & China Review

- The revenue and profit from our other services at HK\$9.5 million and HK\$7 million respectively were the same as the corresponding figures in 2015.
- The overall performance of our PRC associates in 1H 2016 was disappointing as expected since the disposal of Guofurui stake last year.
 - U-Link has increased its loss due to its current phase of heavy investments into expanding the business.

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Prospects - GETS

- Government has formally confirmed our current GETS licence extension till end of 2018.
- The Single Window (SW) is expected to take over from GETS upon its full implementation, by 2024 earliest.
 - Government intends to continue the GETS model from 2019 to 2024 buffered by a two-year extension.
 - For the future SW, Government will leave room for private sector service providers to develop value-added services to help SW users make the most of the SW environment.
- Tradelink will continue to keep a close eye on the market responses and Government's further plan for SW implementation.
- With the extended licence and a more concrete proposal for SW implementation from Government, we shall further our GETS business and formulate our strategy.

Prospects - Commercial Services

- Leveraging on our stable products developed as building blocks to replicate similar solutions for other customers with similar needs, we are able to shorten significantly the delivery timeframe with reduced project costs and risks for our new orders.
- With more hot sales cases which would likely be closed in the coming months and projects under development which could be completed in 2H 2016.
- We are confident about the performance of this business segment for the whole year.

Prospects - Security Solutions

- One time password (OTP) Tokens
 - Our OTP solution and services continued to gain traction in the market
 - We have entered into arrangements with two more banks for the supply and distribution of OTP tokens for their e-banking customers. Both projects would go live in 2H 2016.
- Mobile PoS/payment solutions
 - While cautiously optimistic in working towards the finishing line of the product launch later this year, we have started soliciting interests from potential customers and so far the responses are encouraging.
- Biometric-based authentication solution
 - In partnership with a renowned global leader in mobile biometric authentication, we have developed a suite of solutions that would help to combat the ever-rising risk of internet security.
 - Our solutions have attracted strong interests from some of our bank customers and other industries

Prospects - Others Services & China

- We expect stable business for Other Services in 2H 2016.
- China Business
 - Guangdong Nanfang Haiian Science & Technology Service Limited has a good recovery in terms of its business after resolving its historical legal problems last year.
 - Given the cyclical nature of our previous investments in China, we have become more cautious in our future endeavor in China as a whole.

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Appendix - Corporate Profile

Share Information

Listing Date : 28/10/2005

Share Price :
(@ 23/8/2016) HK\$ 1.65

Issued Shares : 794,410,745
(@ 23/8/2016) shares

Market Cap : HK\$ 1.31
Billion

Key Business Segment

GETS Services

- Government Electronic Trading services (Import & Export Declaration, Dutiable Commodities Permit, Electronic Cargo Manifest and Certificate of Origin)

Commercial Services (DTTN)

- Provide supply-chain electronic applications and solutions for the trade, logistics, warehousing and retail industries (Warehouse Management System, Delivery Order Management System, Proof of Delivery System etc.)

Security Solutions (Digi-Sign & TESS)

- Specializes in the development and provision of all aspects of online security solutions, products and digital certificates to ensure security and authenticity of online transactions such as e-banking services and mobile commerce

Other Services

- Provide paper-to-electronic conversion services for paper users of GETS services, Road Cargo Service (ROCARS) and ROCARS call center service on behalf of Customs & Excise Department
- Provide technical support and other project services