



Tradelink Electronic Commerce Limited

貿易通電子貿易有限公司

(Incorporated in Hong Kong under the Companies Ordinance with limited liability)

("the Company")

(Stock Code: 536)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

The Board of Directors of Tradelink Electronic Commerce Limited ("Tradelink" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005.

FINANCIAL HIGHLIGHTS

		Year ended 31 December 2005 (HK\$'000)	Year ended 31 December 2004 (HK\$'000)
Turnover	<i>Notes</i>	249,101	279,706
Profit from operations		110,293	83,637
Profit attributable to equity shareholders of the Company		91,397	62,993
Total assets		535,035	487,050
Net assets		303,619	258,957
Dividend per share	7		
Interim		HK cents 8.80	HK cents 5.32
Special		HK cents 4.32	–
Proposed final		HK cents 3.00	HK cents 1.60
Earnings per share	8		
Basic		HK cents 12.5	HK cents 8.8
Diluted		HK cents 12.4	–
Issued and fully paid ordinary shares (in '000)			
As at 31 December			
(2005: nominal value of HK\$0.2 per share, 2004 (restated): every two shares of HK\$0.1 each consolidated into one share at HK\$0.2 each)		777,633	719,313
Weighted average number of ordinary shares (basic) outstanding at 31 December		729,698	719,313

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

		2005 (HK\$'000)	2004 (HK\$'000)
Turnover	<i>Notes</i>	249,101	279,706
Interest income	4	8,064	5,093
Other net loss		(1,170)	(4,266)
Staff costs		(80,084)	(82,964)
Depreciation		(15,559)	(25,501)
Impairment losses of investment in unlisted equity securities		–	(40,000)
Other operating expenses		(50,059)	(48,431)

Profit from operations		110,293	83,637
Finance costs		–	(3)
Share of losses of associates		(787)	–
Gain/(loss) on disposal of subsidiary		347	(55)
Profit before taxation	5	109,853	83,579
Taxation	6	(18,456)	(20,586)
Profit attributable to equity shareholders of the Company		91,397	62,993
Dividends	7		
Interim		63,300	38,267
Special		31,074	–
Proposed final after the balance sheet date		23,329	11,509
		117,703	49,776
Earnings per share	8		
Basic		HK cents 12.5	HK cents 8.8
Diluted		HK cents 12.4	–

CONSOLIDATED BALANCE SHEET

at 31 December 2005

	Notes	2005 (HK\$'000)	2004 (HK\$'000)
Non-current assets			
Fixed assets		63,751	27,350
Interest in leasehold land held for own use under operating lease		5,911	–
Interest in associates	9	74,858	–
Other financial assets		10,000	10,000
		154,520	37,350
Current assets			
Trade receivables	10	18,947	20,242
Other receivables and prepayments	11	44,391	11,986
Cash and cash equivalents		317,177	417,472
		380,515	449,700
Current liabilities			
Trade creditors, accounts payable and other payables	12	223,489	218,540
Taxation		1,388	3,848
		224,877	222,388
Net current assets		155,638	227,312
Total assets less current liabilities		310,158	264,662
Non-current liabilities			
Provision for long service payments		3,303	2,740
Deferred taxation		3,236	2,965
		6,539	5,705
Net assets		303,619	258,957
Capital and Reserves			
Share capital	13	155,527	143,863
Reserves	13	148,092	115,094
		303,619	258,957

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

2. **Changes in accounting policies**

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The adoption of these new HKFRSs did not result in substantial changes to the Group's accounting policies. The following sets out information on the changes in accounting policies for the current and prior accounting periods reflected in the financial statements.

Changes in presentation (HKAS 1, Presentation of financial statements)

Presentation of shares of associates' and jointly controlled entities' taxation (HKAS 1, Presentation of financial statements)

In accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates and jointly controlled entities accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These changes have not resulted in any material changes to the previously reported presentation of shares of associates' and jointly controlled entities' taxation.

Employee share options scheme (HKFRS 2, Share-based payment)

In order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. The new accounting policy has been applied retrospectively with comparatives restated, except that the Group has taken advantage of the transitional provisions set out in HKFRS 2 under which the new recognition and measurement policies have not been applied.

Details of the employee share option scheme can be found in the Group's annual report for the year ended 31 December 2005.

Leasehold land and buildings (HKAS 17, Leases)

Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lease, if later. Buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, as from 1 January 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

In prior years, equity investments held on a continuing basis for an identifiable long-term purpose were classified as investment securities and stated at cost less provision.

With effect from 1 January 2005, and in accordance with HKAS 39, all investments, with the exception of securities held for trading purposes, dated debt securities being held to maturity and certain unquoted equity investments, are classified as available-for-sale securities and carried at fair value. Changes in the fair value of available-for-sale securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired. There are no material adjustments arising from the adoption of the new policies for securities held for trading purposes, debt securities being held to maturity and unquoted equity investments not carried at fair value.

Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party to the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

3. **Segment reporting**

No segment information is presented in respect of the Group's business and geographical segments. Throughout the year, the Group has been operating principally in a single business and geographical segment, i.e. the operation of electronic trading services in Hong Kong.

4. Turnover

The principal business of the Company is the provision of front-end Government Electronic Trading Services for processing certain official trade-related documents. Turnover represents the value of services provided and goods supplied to customers. The amount of each significant category of revenue recognised in turnover is as follows:

	2005 (HK\$'000)	2004 (HK\$'000)
Transaction and handling fees	225,724	253,042
Annual subscription and registration fees	19,120	19,799
Training income	170	329
Sales of software and related installation	42	182
Others	4,045	6,354
	<u>249,101</u>	<u>279,706</u>

5. Profit before taxation

	2005 (HK\$'000)	2004 (HK\$'000)
Profit before taxation is arrived at after charging:		
Staff costs, including directors' remunerations		
– Salaries, wages and other benefits	76,981	80,706
– Contributions to defined contribution retirement plan	2,323	2,258
– Equity-settled share-based payment expenses	780	–
Finance costs		
– Finance charges on obligations under finance leases	–	3
Other items		
– Auditors' remunerations	401	111
– Depreciation		
– assets held for use under operating lease	107	–
– other assets	15,452	25,501
– Operating lease charges in respect of properties	2,561	2,943

6. Taxation

	2005 (HK\$'000)	2004 (HK\$'000)
Income tax expense in the consolidated income statement:		
– Provision for Hong Kong Profits Tax for the year	18,590	23,985
– Overseas tax paid	–	32
– Deferred taxation	(134)	(3,431)
	<u>18,456</u>	<u>20,586</u>

The provision for Hong Kong Profits Tax for 2005 is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7. Dividends

	2005 (HK\$'000)	2004 (HK\$'000)
Interim	63,300	38,267
Special	31,074	–
Proposed final	23,329	11,509
	<u>117,703</u>	<u>49,776</u>

The Company declared an interim dividend of HK cents 8.80 per share (2004 (restated): HK cents 5.32 per share) and a special dividend of HK cents 4.32 per share (2004: nil) on 10 October 2005. The Board of Directors recommends a final dividend of HK cents 3.00 per share (2004 (restated): HK cents 1.60 per share) in respect of the results for the year ended 31 December 2005. The proposed final dividend is not recognised as a dividend payable in the financial statements.

Except for the proposed final dividend for the year ended 31 December 2005, the dividend per share figures above have been restated giving effect to the share consolidation of every two issued and unissued ordinary shares of HK\$0.1 each into one ordinary share of HK\$0.2 each as passed by a shareholder resolution on 14 October 2005 as if the event had occurred at 1 January 2004.

8. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$91,397,000 (2004: HK\$62,993,000), and the weighted average number of 729,698,000 ordinary shares (2004 (restated): 719,313,000) in issue during the year.

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$91,397,000 (2004 (restated): HK\$62,993,000), and the weighted average number of 734,107,000 ordinary shares. There were no dilutive shares in 2004.

The weighted average number of ordinary shares in issue during 2004 has been restated giving effect to the share consolidation as if the event had occurred at 1 January 2004.

9. Interest in associates

On 29 August 2005, the Company and Financial Secretary Incorporated (“FSI”) entered into an agreement under which the Company agreed to sell to FSI shares in Digital Trade and Transportation Network Limited (“DTTNC”), a subsidiary of the Company at the time, representing approximately 29.17% of the issued share capital of DTTNC or 31,500,000 shares for a consideration of HK\$31.5 million. The agreement requires FSI to pay the consideration for its shares in DTTNC within three months after the fulfillment of conditions as set out in the agreement. The Company’s shareholding in DTTNC is reduced to 70.83%. As FSI has the right to appoint six directors to the DTTNC’s Board which would constitute a majority number of the directors, FSI has the ability to exercise control over the Board of DTTNC. Therefore, in accordance with Hong Kong Accounting Standard 28, Investment in associates, the Group has accounted for its investment in DTTNC as an investment in associate.

10. Trade receivables

Credit terms granted by the Group to customers generally range from one week to one month. An aging analysis of trade receivables, based on the invoice date is as follows:

	2005 (HK\$’000)	2004 (HK\$’000)
Current	18,647	20,072
Over 1 month but less than 3 months	287	164
Over 3 months but less than one year	13	6
	<u>18,947</u>	<u>20,242</u>

All the above balances are expected to be received within one year and they are generally covered by customer deposits received from customers.

11. Other receivables and prepayments

Other receivables as at 31 December 2005 included an amount of HK\$31.5 million which was the consideration owed by the FSI for acquiring 31,500,000 shares in DTTNC from the Company on 29 August 2005. At the meeting on 17 February 2006, FSI obtained funding approval from the Finance Committee of the Legislative Council for settlement of the consideration on or before 17 May 2006. Cash settlement of the FSI’s investment of HK\$31.5 million in DTTNC was completed on 23 February 2006.

12. Trade creditors, accounts payables and other payables

	2005 (HK\$’000)	2004 (HK\$’000)
Trade creditors (due on demand or within one month)	11,963	8,142
Customer deposits received	170,605	168,862
Accrued charges and other provisions (expected to be settled within one year)	40,921	41,536
	<u>223,489</u>	<u>218,540</u>

Customer deposits received are refundable on demand on termination of services.

13. Capital and reserves

	Share capital (HK\$’000)	Share premium (HK\$’000)	Capital reserve (HK\$’000)	Retained profits (HK\$’000)	Total (HK\$’000)
At 1 January 2004	143,863	70,040	–	50,539	264,442
Dividends approved in respect of the previous year	–	–	–	(30,211)	(30,211)
Profit for the year	–	–	–	62,993	62,993
Dividends declared in respect of the current year	–	–	–	(38,267)	(38,267)
At 31 December 2004	<u>143,863</u>	<u>70,040</u>	<u>–</u>	<u>45,054</u>	<u>258,957</u>

At 1 January 2005	143,863	70,040	–	45,054	258,957
Dividends approved in respect of the previous year	–	–	–	(11,509)	(11,509)
Issue of new shares	11,664	61,236	–	–	72,900
Listing expenses	–	(14,532)	–	–	(14,532)
Equity settled share-based transactions	–	–	780	–	780
Profit for the year	–	–	–	91,397	91,397
Dividends declared in respect of the current year	–	–	–	(94,374)	(94,374)
At 31 December 2005	<u>155,527</u>	<u>116,744</u>	<u>780</u>	<u>30,568</u>	<u>303,619</u>

14. Comparative figures

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies.

BUSINESS REVIEW

In 2005, the Group continued its leading position in the market for the provision of front-end Government Electronic Trading Services for processing certain official trade-related documents. During the year, we commanded an absolute majority in market share in relation to Import/Export Declarations (TDEC) and Dutiable Commodities Permits (DCP). In addition, we are the sole provider of Government Electronic Services in relation to Certificates of Origin, electronic submission of manifests in respect of cargoes carried by air, rail or water, Production Notification and Notice under Textile Trader Registration Scheme. Our services are accessible by registered and non-registered customers. As at 31 December 2005, our registered customers are in excess of 54,000.

We also pioneer the provision of digital certificates and the establishment of Digital Trade and Transportation Network (DTTN) services platform in Hong Kong.

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 October 2005.

Operating Performance

Turnover for the year was HK\$249.1 million. This is lower than the turnover of HK\$279.7 million in 2004 mainly due to the cessation of the Restrained Textiles Export Licence Application service following the worldwide elimination of quotas for textiles and garment on 1 January 2005.

Operating expenses (excluding depreciation and impairment loss) remained flat at HK\$103.1 million for the year ended 31 December 2005 as compared to HK\$131.4 million last year. As part of our ever conscious cost control efforts, the Company acquired and moved into its own premises in September 2005. Apart from generating around HK\$2.0 million in rental savings per year, the Company is now insulated from the fluctuations of the office property rental market.

Charges for impairment on investment in unlisted equity securities of HK\$40.0 million were taken in last year. No similar charge was recorded in 2005.

Depreciation decreased by 39% to HK\$15.6 million due to lower depreciation on computer equipments following the disposal of obsolete equipments in last year.

Despite lower turnover, our profit before taxation increased by 31% to HK\$109.9 million.

Profit attributable to equity shareholders of the Company surged 45% from HK\$63.0 million in 2004 to HK\$91.4 million in 2005 and exceeded the profit forecast for the year of HK\$85.0 million, as disclosed in our prospectus dated 18 October 2005.

Basic earnings per ordinary share of HK\$0.2 each increased by 42% to HK cents 12.5 as compared to HK cents 8.8 in 2004.

The Company completed, except for the Certificates of Origin and Production Notification services, all the system upgrades necessitated by the corresponding charges by Government to its computer system early in 2005. This was followed by a process of migrating all our registered customers either to a new version of customer software or a web solution. All this was completed ahead of schedule in November 2005. During the year of 2005, total expenses for the relevant upgrade or migration amounted to approximately HK\$10.0 million.

Similar work relating to the Certificates of Origin/Production Notification is expected to be completed by June 2006. Costs in doing this in 2006 are likely to be half of the costs in 2005, and zero in 2007.

New Services

In 2005, a new category of digital certificate has been created by our subsidiary, Digi-Sign Certification Services Limited, to enhance the security solutions currently on offer to Tradelink and non-Tradelink customers. The market reception to new products has been encouraging. New customers included banks, professional bodies and stockbrokers.

Digital Trade and Transportation Network

A considerable amount of resources in 2005 was devoted to the DTTN, to develop and operate a computer platform to provide electronic document and data exchange services for supply chain activities. All legal documents required with Government were executed in August 2005. Phase 1 of the construction of the platform was completed in December 2005 and selected pilot customers have started transmitting live transactions since January 2006.

FSI's investment of HK\$31.5 million in the DTTNCo was completed and executed in February 2006 following the approval of funding by the Finance Committee of the Legislative Council.

Full commercial launch of the DTTN services is scheduled for later 2006. Development of Phase 2 of DTTN will take place in parallel, scheduled to be completed early in the fourth quarter of 2006.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2005, the Group had a total cash and bank balances of HK\$317.2 million (2004: HK\$417.5 million). The decrease in cash balance during the year was mainly due to the payment of dividends to the shareholders before public listing at the total amount of HK\$105.9 million, payments for purchases of fixed assets at the total of HK\$91.0 million and net receipts from the funds raised from the initial public offer (IPO) at the amount of \$58.4 million. The net assets of the Group amounted to HK\$303.6 million (2004: HK\$259.0 million).

As at 31 December 2005, the Group had no borrowings.

CAPITAL AND RESERVES

As at 31 December 2005, the capital and reserves attributable to equity shareholders of the Company were HK\$303.6 million, which had increased from the amount of HK\$259.0 million at the end of 2004 by HK\$44.6 million.

CHARGE ON ASSETS

As at 31 December 2005, the Group had obtained two performance bonds from The Hongkong & Shanghai Banking Corporation Limited with an aggregate amount of HK\$2.1 million as the guarantee to the Government for the due performance of the Government Electronic Trading Services Agreements. The performance bond line facility is secured by a charge over deposit in the amount of HK\$2.1 million. The facility is subject to review on an annual basis.

The Group did not have any other charges on assets.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2005, the Group employed a work force of 293 (2004: 296). All of these employees were working in Hong Kong. The related staff costs for the year totaled HK\$80.1 million (2004: HK\$83.0 million).

The Group's remuneration policy is that all employees are rewarded on the basis of the market salary levels. In addition to salaries, the Group provides staff benefits including medical insurance and contribution to staff's mandatory provident fund. To motivate and reward all levels of employees to achieve the Group's profit target, the Group has established a discretionary performance bonus scheme. Payment of discretionary performance bonus depends on the actual financial performance of the Group. The Group also operates two employee share option schemes to motivate employees' performance.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the financial statements for the year ended 31 December 2005.

DIVIDEND

The Group had declared a special dividend of HK\$31.1 million on the basis of the retained profits outstanding as at 31 December 2004 and an interim dividend of HK\$63.3 million on the basis of the profits earned for the first eight months of 2005 to shareholders on 10 October 2005 before the Company's public listing on The Stock Exchange of Hong Kong Limited on 28 October 2005.

The Board has resolved to declare a final dividend of HK cents 3.00 per share for the year ended 31 December 2005 to shareholders whose names appear on the Register of Members of the Company on 20 April 2006. The final dividend payout ratio is approximately 83% of the Group's distributable profit attributable to shareholders for four months from September to December 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 20 April 2006 to 25 April 2006 both days inclusive during which period no transfer of shares will be registered. All transfer of shares accompanied by share certificates and transfer form must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:00 pm on 19 April 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") since our IPO date being 28 October 2005 to 31 December 2005, save for the code provisions on internal controls, which are to be implemented for accounting periods commencing on or after 1 July 2005 pursuant to the CG code.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Group for the year ended 31 December 2005 containing all the detailed information will be dispatched to shareholders and available at the Company's website www.tradelink.com.hk in April 2006.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 25 April 2006. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

By Order of the Board
Tradelink Electronic Commerce Limited
Harry LEE Nai Shee
Chairman

Hong Kong, 23 March 2006

At as the date of this announcement, the Chairman and non-executive Director is Dr. LEE Nai Shee, Harry, the executive Directors are Mr. YUE Kwok Hung, Justin and Ms. CHUNG Shun Kwan, Emily, the non-executive Directors are Mr. LAU Kam Kuen, David, Mr. Hubert CHAK, Mr. YING Tze Man, Kenneth, Mr. LO Sze Wai, Albert, Mr. NG Chik Sum, Jackson, Dr. CHEUNG Yiu Sing and Mr. Alistair CURRIE and the independent non-executive Directors are Dr. FONG Ching, Eddy, Mr. HO Lap Kee, Sunny and Mr. WONG Tin Yau, Kelvin.

"Please also refer to the published version of this announcement in The Standard."