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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 CONTINUING CONNECTED TRANSACTION

The Company entered into a Business Support System Development and Service Agreement with DTTNCo on 17 May 2006. DTTNCo is a connected person of the Company as it is a non wholly-owned subsidiary of the Company as defined under the Listing Rules, while FSI beneficially owns more than 10% of the issued shares of the Company and DTTNCo respectively. Given that the annual consideration payable under the Agreement represents less than 2.5% of the applicable percentage ratios of the Company as defined in the Listing Rules, the Agreement falls within rule 14A.34 of the Listing Rules and is therefore only subject to the reporting, announcement and annual review requirements under the Listing Rules and is exempt from independent shareholders' approval.

INTRODUCTION

The Company and DTTNCo entered into a Business Support System Development and Service Agreement on 17 May 2006, pursuant to which the Company agreed to develop and operate a business support system for DTTNCo.

DTTNCo has gone through a tender process to select a service provider for the development and operation of its business support system. DTTNCo has selected the Company as its service provider based on the experience and expertise of the Company and the relevant fees quoted in the tender submitted.

The Company holds approximately 71% of DTTNCo's issued share capital and DTTNCo is therefore a non wholly-owned subsidiary of the Company, while FSI beneficially owns approximately 12% and 29% of the issued shares of the Company and DTTNCo respectively. Accordingly, DTTNCo is a connected person of the Company by virtue of rule 14A.11(5) of the Listing Rules and transactions between DTTNCo and the Company are connected transactions.

DTTNCo is the operator of the Digital Trade and Transportation Network (DTTN), which is a common e-platform developed to facilitate information flow along the supply chain and promote trade and logistics services integration, both in the region and globally. DTTNCo is currently owned as to approximately 71% by the Company and approximately 29% by FSI.

Given that the annual consideration payable under the Agreement represents less than 2.5% of the applicable percentage ratios of the Company, as defined in the Listing Rules, the Agreement falls within rule 14A.34 of the Listing Rules and is only subject to the reporting, announcement and annual review requirements under the Listing Rules and is exempt from independent shareholders' approval.

THE AGREEMENT

Scope of Service

DTTNCo outsourced the development and operation of its business support system to the Company. The business support system is an information system covering customer registration and administration operation, customer service operation and billing operation with details set out below:–

1. Customer Registration and Administration Operation include:

Customer Registration
Customer Profile Administration

2. Customer Service Operation includes:

Incoming Calls Handling
Outgoing Calls Handling
Call Case Management
Escalation Procedures
Customer Complaint Management

3. Billing Operation includes:

Price Administration
Statement Generation
Bill/Statement Dispatch
Payment Handling
Account Management

The Company has not provided any of the above services to DTTNCo prior to the date of the Agreement.

Term and Termination

The Agreement shall commence on the date of the Agreement and expire on 31 December 2008. Either party may terminate the Agreement immediately if the other party (i) becomes insolvent or discontinues business; or (ii) materially breaches the terms of the Agreement and fails to remedy such breach within 30 days after receiving a notice from the party asserting the breach.

Service Fees

Pursuant to the terms of the Agreement, DTTNCo shall upon the signing of the Agreement pay the Company an initial costs of HK\$2.14 million for the development of the business support system and the related information system infrastructure set-up. The minimum fixed fees payable by DTTNCo to the Company during each year of the term of the Agreement are as follows:–

	Year 1 ended 31 December 2006 HK\$	Year 2 ended 31 December 2007 HK\$	Year 3 ended 31 December 2008 HK\$
Initial set-up costs	2,140,000	–	–
Minimum fixed monthly charges	196,399 (Note 1)	164,192	164,192
Average monthly subscription fees	<u>196,399</u>	<u>164,192</u>	<u>164,192</u>
Minimum annual subscription fees	<u>3,318,394</u>	<u>1,970,304</u>	<u>1,970,304</u>

Note 1: Assuming monthly charges cover six months for the year 2006.

The initial set-up costs and service fees under the Agreement are inclusive of profit margins considered reasonable by the Company. The profit margins are set by the management of the Company based on their experiences and expertise in the industry.

Cap Amounts

Under the Agreement, DTTNCo will also pay the Company additional fees if the number of customer registrations or inquiries exceed the following figures:–

- a) For Customer Registration and Administration
500 customer registrations per month
500 customer profile administrations per month
- b) For Customer Service
2,000 incoming calls per month
- c) For Billing Operation
Customer base of 3,000 customers

For the purpose of Rule 14A.35(2) of the Listing Rules, the annual cap in respect of the service fees to be paid by DTTNCo to the Company under the Agreement for each of the three years ending 31 December 2006, 2007 and 2008 are expected to be HK\$3.64 million, HK\$3.69 million and HK\$4.95 million respectively. The caps are calculated based on the fees specified in the Agreement and the amount of services required projected by DTTNCo. The details are set out below:–

	Year 1 ended 31 December 2006 HK\$	Year 2 ended 31 December 2007 HK\$	Year 3 ended 31 December 2008 HK\$
Initial set-up costs (I)	2,140,000	–	–
Maximum fixed monthly charges	200,000	200,000	200,000
Average monthly extra charges on Customer Registration and Administration	0 (Note 2)	30,000	35,000
Average monthly extra charges on incoming call	0 (Note 3)	40,000	90,000
Average monthly extra charges on billing	0 (Note 4)	37,500	87,500
Average monthly subscription fees (II)	<u>200,000</u>	<u>307,500</u>	<u>412,500</u>
Maximum annual subscription fees			
(I) +	2,140,000	–	–
(II) x 7.5 Months +	1,500,000	–	–
(II) x 12 Months	–	3,690,000	4,950,000
	<u>3,640,000</u>	<u>3,690,000</u>	<u>4,950,000</u>

Note 2: The projected number of monthly customer registrations would not exceed 500.

Note 3: The projected number of monthly incoming calls would not exceed 2,000.

Note 4: The projected customer base would not exceed 3,000 customers.

The initial set-up costs will be fully settled upon the completion of the set up of the business support system, while the monthly services fees will be due by end of the following months.

OTHER INFORMATION

The Company is a leading provider of trade-related electronic services for both Hong Kong and international business communities. Its electronic platform facilitates trade among corporate subscribers and logistics services providers based in Hong Kong or overseas, and their dealings with relevant authorities.

The Directors, including independent non-executive Directors, are of the opinion that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the terms of the Agreement are on normal commercial terms and in the ordinary course of business of the Company.

DEFINITIONS

“Agreement”	the Business Support System Development and Service Agreement between the Company and DTTNCo dated 17 May 2006
“Company”	Tradelink Electronic Commerce Limited, a company incorporated in Hong Kong with limited liabilities.
“Directors”	the directors of the Company
“DTTNC0”	Digital Trade and Transportation Network Limited
“FSI”	the Financial Secretary Incorporated
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Shareholders”	the shareholders of the Company

By Order of the Board
YUE Kwok Hung
CEO and Executive Director

Hong Kong, 17 May 2006

At as the date hereof, the Board of Directors of the Company comprises the following Directors:

Non-executive Directors:

Dr. LEE Nai Shee, Harry, S.B.S., J.P.
(Chairman)

Mr. Hubert CHAK

Dr. CHEUNG Yiu Sing

Mr. Alistair CURRIE

Mr. LAU Kam Kuen, David

Mr. LO Sze Wai, Albert

Mr. NG Chik Sum, Jackson

Mr. YING Tze Man, Kenneth

Executive Directors:

Mr. YUE Kwok Hung, Justin

Ms. CHUNG Shun Kwan, Emily

Independent Non-executive Directors:

Dr. FONG Ching, Eddy, S.B.S., J.P.

Mr. HO Lap Kee, Sunny

Mr. WONG Tin Yau, Kelvin

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