



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)

(Stock Code: 536)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The Board of Directors of Tradelink Electronic Commerce Limited (“Tradelink” or “the Company”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2006 Unaudited (HK\$'000)	2005 Unaudited (HK\$'000)
Turnover	3	120,730	117,514
Interest income		3,510	4,500
Other net loss		–	(6)
Staff costs		(38,373)	(36,544)
Depreciation		(7,656)	(7,214)
Other operating expenses		(22,556)	(23,657)
Profit from operations		55,655	54,593
Share of losses of associates		(1,210)	–
Profit before taxation	4	54,445	54,593
Taxation	5	(9,230)	(8,815)
Profit attributable to equity shareholders of the Company		45,215	45,778
Dividend	6	37,326	63,300
Interim			
Earnings per share	7		
Basic		HK cents 5.81	HK cents 6.36
Diluted		HK cents 5.75	–

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2006 Unaudited (HK\$'000)	As at 31 December 2005 Audited (HK\$'000)
Non-current assets			
Fixed assets		56,746	63,751
Interest in leasehold land held for own use under operating lease		5,839	5,911
Interest in associates	8	73,648	74,858
Other financial assets		10,000	10,000
		146,233	154,520
Current assets			
Trade receivables	9	23,893	18,947
Other receivables and prepayments	10	13,483	44,391
Cash and cash equivalents		376,961	317,177
		414,337	380,515
Current liabilities			
Trade creditors, accounts payable and other payables	11	222,001	223,489
Taxation		5,210	1,388
		227,211	224,877
Net current assets		187,126	155,638
Total assets less current liabilities		333,359	310,158
Non-current liabilities			
Provision for long service payments		3,451	3,303
Deferred taxation		2,646	3,236
		6,097	6,539
Net assets		327,262	303,619
Capital and Reserves			
Share capital	12	155,527	155,527
Reserves		171,735	148,092
		327,262	303,619

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKASs”) No.34, Interim Financial Reporting and other relevant Hong Kong Financial Reporting Standards (“HKFRSs”), 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.

The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements are consistent with those used in preparing the Group’s annual financial statements for the year ended 31 December 2005. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The preparation of the unaudited condensed interim financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The unaudited condensed consolidated financial statements for the six-month period ended 30 June 2006 have been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA.

2. SEGMENT REPORTING

No segment information is presented in respect of the Group's business and geographical segments. During the first six months of 2006, the Group has been operating principally in a single business and geographical segment, i.e. the operation of electronic trading services in Hong Kong.

3. TURNOVER

The principal business of the Company is the provision of front-end Government Electronic Trading Services ("GETS") 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 recognized in turnover is as follows:

	Six months ended 30 June	
	2006 Unaudited (HK\$'000)	2005 Unaudited (HK\$'000)
Transaction and handling fees	109,510	106,291
Annual subscription and registration fees	9,098	9,618
Training income	60	81
Sales of software and related installation	50	33
Others	2,012	1,491
	120,730	117,514

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2006 Unaudited (HK\$'000)	2005 Unaudited (HK\$'000)
Staff costs, including directors' remuneration:		
Salaries, wages and other benefits	36,203	35,349
Contributions to defined contribution retirement plan	1,020	1,140
Equity-settled share-based payment expenses	1,150	55
Other items:		
Auditors' remuneration	340	80
Depreciation		
assets held for use under operating lease	72	36
other assets	7,584	7,178
Operating lease charges in respect of properties	478	1,689

5. TAXATION

	Six months ended 30 June	
	2006 Unaudited (HK\$'000)	2005 Unaudited (HK\$'000)
Provision for Hong Kong Profits Tax	9,820	9,056
Deferred taxation	(590)	(241)
	9,230	8,815

The provision for Hong Kong Profits Tax for 2006 is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the period.

6. DIVIDEND

	Six months ended 30 June	
	2006	2005
	Unaudited	Unaudited
	(HK\$'000)	(HK\$'000)
Interim dividend declared and paid after the interim period at HK cents 4.80 per share (2005: HK cents 8.80 per share was declared on the basis of profit earned for the first eight months of 2005)	37,326	63,300

7. 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\$45,215,000 (2005: HK\$45,778,000), and the weighted average number of 777,633,000 ordinary shares (2005: 719,313,000 shares) in issue during the period.

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$45,215,000 (2005: HK\$45,778,000), and the weighted average number of 786,424,000 ordinary shares (2005: 719,313,000 shares). There were no dilutive effect of shares during the interim period ended 30 June 2005.

The weighted average number of ordinary shares in issue during 2005 has been adjusted to give effect to the share consolidation in 2005 as if the event had occurred at 1 January 2005.

8. INTEREST IN ASSOCIATES

During the interim period ended 30 June 2006, there were no changes in the particulars of associates except the issued and paid up capital of Digital Trade and Transportation Network Limited ("DTTNC") increased to 116,160,000 (31 December 2005: 108,000,000) ordinary shares of HK\$1.00 each.

In accordance with the Shareholders' Agreement signed between the Company and the Financial Secretary Incorporated ("FSI") on 29 August 2005, FSI has the ability to exercise control of DTTNC's Board of Directors. Accordingly, the Group has accounted for its investment in DTTNC as an investment in an associate.

As at 30 June 2006, the Company and FSI held 76,500,000 and 31,500,000 shares of DTTNC, representing a shareholding of 65.86% (31 December 2005: 70.83%) and 27.12% (31 December 2005: 29.17%) respectively. The remaining 7.02% (31 December 2005: Nil) is held by trade associations.

9. TRADE RECEIVABLES

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

	As at	As at
	30 June 2006	31 December 2005
	Unaudited	Audited
	(HK\$'000)	(HK\$'000)
Current	23,689	18,647
1 month but less than 3 months overdue	145	287
3 months but less than 12 months overdue	59	13
	23,893	18,947

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

10. 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 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 FSI's investment of HK\$31.5 million in DTTNC was completed on 23 February 2006.

11. TRADE CREDITORS, ACCOUNTS PAYABLE AND OTHER PAYABLES

	As at	As at
	30 June 2006	31 December 2005
	Unaudited	Audited
	(HK\$'000)	(HK\$'000)
Trade creditors (due on demand or within one month)	8,895	11,963
Customer deposits received	170,489	170,605
Accrued charges and other payables	42,617	40,921
	222,001	223,489

Customer deposits received are refundable on demand.

12. CAPITAL AND RESERVES

(a) Share capital

	Number of shares (in '000)	Amounts (HK\$'000)
Authorized:		
Ordinary shares of HK\$0.20 (2005: HK\$0.20) each		
As at 31 December 2005/As at 30 June 2006	1,250,000	250,000
Issued and fully paid:		
As at 1 January 2005	1,438,625	143,863
Share consolidation (Note 12(a)i)	(719,312)	–
Shares issued (Note 12(a)ii)	58,320	11,664
As at 31 December 2005/As at 30 June 2006	777,633	155,527

- i. On 14 October 2005, ordinary resolutions were passed by all of the ordinary shareholders of the Company to effect the share consolidation pursuant to which every two ordinary shares, both issued and unissued, were consolidated into one consolidated share thereby increasing the par value per share from HK\$0.10 to HK\$0.20.
- ii. On 28 October 2005, the Company issued 58,320,000 new shares of HK\$0.20 each for HK\$1.25 each to the subscribers of new shares on the listing of the Company's shares on the Hong Kong Stock Exchange.

(b) Reserves

	Share premium (HK\$'000)	Capital reserve (HK\$'000)	Retained profits (HK\$'000)	Total (HK\$'000)
As at 1 January 2005	70,040	–	45,054	115,094
Dividends approved in respect of the previous year	–	–	(11,509)	(11,509)
Profit for the period	–	–	45,778	45,778
As at 30 June 2005	70,040	–	79,323	149,363
As at 1 January 2006	116,744	780	30,568	148,092
Dividends approved in respect of the previous year	–	–	(23,329)	(23,329)
Listing expenses (Note 12(b)iii)	607	–	–	607
Equity settled share-based transactions	–	1,150	–	1,150
Profit for the period	–	–	45,215	45,215
As at 30 June 2006	117,351	1,930	52,454	171,735

- iii. The adjustment to listing expenses was due to a provision recognized in the year ended 31 December 2005 being reversed as the amount settled was less than the amount provided.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Highlights of the Group's business performance during the review period include:

Tradelink

- The Group's core business in providing Government-related electronic trade services in the first half of 2006 remained very stable, despite a price-cut programme in the market launched by its competitor during the review period.
- The use of the electronic cargo manifest service has become mandatory for river and ocean carriers from 16 June 2006. Therefore, the volume of cargo manifest submitted to using Tradelink's Electronic Cargo Manifest ("EMAN") service is expected to grow significantly in the second half of 2006 with corresponding contribution to the Company's bottom line.
- The Company is also working closely with relevant departments of the Government of the Hong Kong Special Administrative Region ("the Government") to introduce a new charging scheme for the Government's Textiles Trader Registration Scheme ("TTRS"), the electronic service for which is operated by Tradelink. The Company is hopeful that the new charging arrangements will encourage greater use of Tradelink's electronic TTRS service.

- Tradelink completed the second phase of system upgrades in June 2006 as scheduled. With this, Tradelink computer platform is fully aligned with that of the Government. The Company does not anticipate that there will be significant Government-mandated computer platform changes in the foreseeable future.

DTTNCo

- The Government's HK\$31.5 million investment in DTTNCo was completed in February 2006. Since then, DTTNCo has issued and allotted new shares to three trade associations, namely the Federation of Hong Kong Industries (7.5 million shares), the Hong Kong Association of Freight Forwarding and Logistics Limited (330,000 shares) and the Hong Kong Shippers' Council (330,000 shares). DTTNCo has also completed its allocation of 15 million shares to the Hong Kong General Chamber of Commerce before the end of August 2006.
- With the successful launch of the Digital Trade and Transportation Network ("DTTN") at the beginning of 2006, DTTNCo expects to wrap up its pilot phase some time in the second half of 2006. DTTN customers now cover a wide spectrum of freight forwarders, shippers, carriers and banks. We are continuing with our intensive marketing and promotion programmes with associations to vamp up DTTN usage.
- Another interesting development with DTTNCo is that we are engaged with a number of overseas organizations to explore possible cooperation including possibly DTTNCo rendering assistance in the construction of similar platforms overseas (and connected to Hong Kong) via straight forward franchising arrangements where the overseas organizations could start offering DTTN-like services in their respective areas through direct connections to the DTTN platform in Hong Kong. We are cautiously optimistic that some of these discussions will lead to positive results.

Digi-Sign

- Subsequent to the announcement that Hongkong Post sought to outsource its Certification Authority operation, a tender for the operation's outsourcing was issued on 16 June 2006. Tradelink's wholly-owned subsidiary Digi-Sign Certification Services Limited ("Digi-Sign") submitted a proposal for the project with a joint venture partner on 2 August 2006. Results are expected to be announced by October 2006. If successful, Digi-Sign believes its vast experience in operating a Certification Authority will help the Government achieve significant cost saving for the Hongkong Post operation. At the same time, Digi-Sign will seek to identify possible usage for the extensive number of certificates that the Hongkong Post had embedded in the smart identification cards of Hong Kong citizens.

FINANCIAL REVIEW

Turnover for the six months ended 2006 was HK\$120.7 million, an increase of 2.7% over the same period in 2005. Operating expenses (excluding depreciation) stayed at HK\$60.9 million for the first half of 2006 as compared to HK\$60.2 million for the same period in 2005.

Depreciation charges for the first six months of 2006 amounted to HK\$7.7 million, higher than the amount charged for the same period in 2005 at HK\$7.2 million by HK\$0.5 million.

Our profit from operations for the six months ended 30 June 2006 was HK\$55.7 million, representing an increase of 2.0%.

For the six months ended 30 June 2006, the amount of loss shared from DTTNCo was HK\$1.2 million. There was no corresponding amount of loss shared from DTTNCo in the first half of 2005.

Profit attributable to the equity shareholders of the Company for the six months ended 30 June 2006 was HK\$45.2 million, slightly lower than the net profit for the same period in 2005 by HK\$0.6 million. The drop was mainly due to the share of loss from DTTNCo at the amount of HK\$1.2 million. Excluding the share of loss from DTTNCo, the profit attributable to the equity shareholders of the Company for the six months ended 30 June 2006 was adjusted to HK\$46.4 million, representing a profit increase of 1.3%.

Basic earnings per ordinary share of HK\$0.20 each for the six months of 2006 decreased by 8.6% to HK cents 5.81 as compared to HK cents 6.36 for the same period in 2005.

LIQUIDITY AND FINANCIAL POSITION

As at 30 June 2006, the Group had a total cash and bank balances of HK\$377.0 million (31 December 2005: HK\$317.2 million). The total assets and the net assets of the Group amounted to HK\$560.6 million (31 December 2005: HK\$535.0 million) and HK\$327.3 million (31 December 2005: HK\$303.6 million) respectively.

As at 30 June 2006, the Group had no borrowings.

CAPITAL AND RESERVES

As at 30 June 2006, the capital and reserves attributable to the equity shareholders were HK\$327.3 million, which had increased from the amount of HK\$303.6 million at the end of 2005 by HK\$23.7 million.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2006, 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 GETS 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.

The Group has provided a bank guarantee amounted to HK\$1.2 million in respect of a revolving credit facility granted to KAZ Computer Services Hongkong Limited, an associated company of the Group. The guarantee is a continuing security and shall not be released or discharged until the expiration of six months after payment, discharge or satisfaction in full of the guaranteed liability.

CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2006 not provided for in the financial statements amounted to HK\$0.1 million (31 December 2005: HK\$0.2 million). They are in respect of computer equipment.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2006, the Group employed a work force of 286 (2005: 323). All of these employees were working in Hong Kong. The related staff costs for the six months ended 30 June 2006 totaled HK\$38.4 million (2005: HK\$36.5 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.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2006, the Group had no foreign exchange exposure and related hedges.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the interim consolidated financial statements for the six months ended 30 June 2006.

The interim consolidated financial statements for the six months of 2006 have not been audited but have been reviewed by the Company's external auditor, KPMG.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK cents 4.80 per share for the six months ended 30 June 2006 to shareholders whose names appear on the Register of Members of the Company on 25 September 2006. The interim dividend payout ratio is approximately 83% of the Group's distributable profit attributable to shareholders.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 25 September 2006 to 3 October 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, Wanchai, Hong Kong, for registration not later than 4:00 pm on 22 September 2006.

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

During the six months ended 30 June 2006, 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 throughout the six months ended 30 June 2006.

Code Provision C2.1 of the CG Code in respect of a review of the effectiveness of the Group's internal controls is first applicable to the Company for its financial year ending 31 December 2006. The Board has already put in place procedures, including seeking external advisory assistance, to enable the Board to report on Code Provision C2.1 in its 2006 Corporate Governance Report.

PUBLICATION OF FINANCIAL INFORMATION

The interim report of the Group for the six months ended 30 June 2006 containing all the detailed information will be dispatched to Shareholders and available at the Company's website www.tradelink.com.hk in September 2006.

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

Hong Kong, 7 September 2006

As at the date of this announcement, 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."