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Tradelink Electronic Commerce Limited

貿易通電子貿易有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 536)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board of Directors (the “Board”) 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 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 (Unaudited)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|--------------------|
| | | 2017 (HK\$'000) | 2016 (HK\$'000) |
| Revenue | 3 | 113,071 | 106,443 |
| Interest income | | 9,650 | 9,460 |
| Other net income/(loss) | 5 | 2,384 | (272) |
| Cost of purchases | | (9,549) | (7,050) |
| Staff costs | 6 | (53,121) | (50,755) |
| Depreciation | | (3,057) | (3,310) |
| Other operating expenses | | (14,303) | (17,125) |
| Profit from operations | | 45,075 | 37,391 |
| Impairment loss on other financial assets | 13 | (7,992) | – |
| Share of results of associates | | 2,213 | (7,528) |
| Profit before taxation | 6 | 39,296 | 29,863 |
| Taxation | 7 | (5,970) | 6,820 |
| Profit for the period | | 33,326 | 36,683 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2017 (Unaudited) (Continued)

| | | Six months ended 30 June | |
|--------------------------------------|-------------|---------------------------------|-------------------|
| | <i>Note</i> | 2017 | 2016 |
| | | (HK\$'000) | (HK\$'000) |
| Earnings per share (HK cents) | 9 | | |
| Basic | | 4.19 | 4.61 |
| Diluted | | 4.19 | 4.61 |

Details of dividends payable to equity shareholders of the Company are set out in *Note 8*.

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

For the six months ended 30 June 2017 (Unaudited)

| | Six months ended 30 June | |
|--|---------------------------------|-------------------|
| | 2017 | 2016 |
| | (HK\$'000) | (HK\$'000) |
| Profit for the period | 33,326 | 36,683 |
| Other comprehensive income for the period (after tax and reclassification adjustments): | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of the People's Republic of China ("PRC") operations | 677 | (620) |
| Available-for-sale debt securities: net movement in fair value reserve | 3,070 | 8,253 |
| Total comprehensive income for the period | 37,073 | 44,316 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017 (Unaudited)

| | <i>Note</i> | As at 30 June 2017 Unaudited (HK\$'000) | As at 31 December 2016 Audited (HK\$'000) |
|--|-------------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 23,853 | 26,222 |
| Goodwill | | 9,976 | 9,976 |
| Interest in associates | | 16,420 | 13,685 |
| Other financial assets | 13 | 283,398 | 407,115 |
| Deferred tax assets | 10 | 7,930 | 8,920 |
| | | <u>341,577</u> | <u>465,918</u> |
| Current assets | | | |
| Trade receivables | 11 | 22,313 | 26,029 |
| Other receivables and prepayments | 12 | 147,259 | 28,348 |
| Deposits with bank | | 2,166 | 4,286 |
| Cash and cash equivalents | | 27,534 | 40,043 |
| | | <u>199,272</u> | <u>98,706</u> |
| Current liabilities | | | |
| Trade creditors, accounts payable and other payables | 14 | 193,927 | 207,683 |
| Taxation | | 5,556 | 3,141 |
| | | <u>199,483</u> | <u>210,824</u> |
| Net current liabilities | | <u>(211)</u> | <u>(112,118)</u> |
| Total assets less current liabilities | | <u>341,366</u> | <u>353,800</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017 (Unaudited) (Continued)

| | <i>Note</i> | As at 30 June 2017 Unaudited (HK\$'000) | As at 31 December 2016 Audited (HK\$'000) |
|-------------------------------------|-------------|--|--|
| Non-current liabilities | | | |
| Provision for long service payments | | 3,005 | 3,035 |
| Deferred tax liabilities | <i>10</i> | 245 | 414 |
| | | <u>3,250</u> | <u>3,449</u> |
| NET ASSETS | | <u>338,116</u> | <u>350,351</u> |
| Capital and reserves | | | |
| Share capital | <i>15</i> | 296,039 | 295,870 |
| Reserves | | 42,077 | 54,481 |
| TOTAL EQUITY | | <u>338,116</u> | <u>350,351</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 (Unaudited)

| | Share capital (HK\$'000) | Capital reserve (HK\$'000) | Exchange reserve (HK\$'000) | Fair value reserve (HK\$'000) | Retained profits (HK\$'000) | Total equity (HK\$'000) |
|---|--------------------------------|----------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------|
| As at 1 January 2016 | 295,415 | 3,092 | 1,416 | 1,282 | 59,444 | 360,649 |
| Changes in equity for the six months ended 30 June 2016: | | | | | | |
| Dividends approved in respect of the previous year | – | – | – | – | (63,553) | (63,553) |
| Issue of new shares | 328 | (53) | – | – | – | 275 |
| Equity-settled share-based transactions | – | 443 | – | – | – | 443 |
| Profit for the period | – | – | – | – | 36,683 | 36,683 |
| Other comprehensive income for the period | – | – | (620) | 8,253 | – | 7,633 |
| Total comprehensive income for the period | – | – | (620) | 8,253 | 36,683 | 44,316 |
| As at 30 June 2016 and 1 July 2016 | 295,743 | 3,482 | 796 | 9,535 | 32,574 | 342,130 |
| Changes in equity for the six months ended 31 December 2016: | | | | | | |
| Dividends declared in respect of the current year | – | – | – | – | (19,066) | (19,066) |
| Issue of new shares | 127 | (21) | – | – | – | 106 |
| Equity-settled share-based transactions | – | 713 | – | – | – | 713 |
| Lapse of share options | – | (5) | – | – | 5 | – |
| Profit for the period | – | – | – | – | 42,569 | 42,569 |
| Other comprehensive income for the period | – | – | (460) | (15,641) | – | (16,101) |
| Total comprehensive income for the period | – | – | (460) | (15,641) | 42,569 | 26,468 |
| As at 31 December 2016 | 295,870 | 4,169 | 336 | (6,106) | 56,082 | 350,351 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2017 (Unaudited) (Continued)

| | Share capital (HK\$'000) | Capital reserve (HK\$'000) | Exchange reserve (HK\$'000) | Fair value reserve (HK\$'000) | Retained profits (HK\$'000) | Total equity (HK\$'000) |
|---|--------------------------------|----------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------|
| As at 1 January 2017 | 295,870 | 4,169 | 336 | (6,106) | 56,082 | 350,351 |
| Changes in equity for the six months ended 30 June 2017: | | | | | | |
| Dividends approved in respect of the previous year | - | - | - | - | (50,059) | (50,059) |
| Issue of new shares | 169 | (27) | - | - | - | 142 |
| Equity-settled share-based transactions | - | 609 | - | - | - | 609 |
| Lapse of share options | - | (97) | - | - | 97 | - |
| Profit for the period | - | - | - | - | 33,326 | 33,326 |
| Other comprehensive income for the period | - | - | 677 | 3,070 | - | 3,747 |
| Total comprehensive income for the period | - | - | 677 | 3,070 | 33,326 | 37,073 |
| As at 30 June 2017 | <u>296,039</u> | <u>4,654</u> | <u>1,013</u> | <u>(3,036)</u> | <u>39,446</u> | <u>338,116</u> |

Notes:

1. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2017 but are extracted from the interim financial report. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "SEHK"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 22 August 2017.

At 30 June 2017, the Group had net current liabilities of HK\$211,000. Notwithstanding the net current liabilities of the Group as at 30 June 2017, the Group's consolidated financial statements for the six months ended 30 June 2017 has been prepared on a going concern basis as the Directors of the Group are of the opinions that the Group would have sufficient funds to meet its obligations as and when they fall due, having regard to the following:

- i. The Group will continue to generate positive operating cash flows; and
- ii. it is not expected that significant customer deposits are required to be refunded in the next twelve months from the end of the reporting period.

The accounting policies adopted in preparing the interim financial report are consistent with those used in preparing the Group's annual financial statements for the year ended 31 December 2016, except for the changes set out in *Note 2*.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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 section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

The principal business of the Group is the provision of front-end Government Electronic Trading Services (“GETS”) for processing certain official trade-related documents. Revenue represents the value of services provided and goods supplied to customers. The amount of each significant category of revenue recognised during the period is disclosed in *Note 4*.

4. SEGMENT REPORTING

The Board of the Group reviews the internal reporting by segments to assess performance and allocate resources. The Group has identified the following reportable segments:

E-commerce: This segment generates income from processing trade-related government documents and business-related documents. It can be further divided into two sub-segments as follows:

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

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

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

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

Revenue and expenses are allocated to the reportable segments with reference to fees and sales generated and the expenses incurred by those segments. The measure used for reporting segment results is profit before interest, taxation and depreciation.

4. SEGMENT REPORTING (CONTINUED)

Information regarding the Group's reportable segments results as provided to the Board for the periods ended 30 June 2017 and 2016 is set out below.

| | Six months ended 30 June 2017 | | | | Total (HK\$'000) |
|--|-------------------------------|--------------------------------------|-------------------------------------|---------------------------------|---------------------|
| | E-commerce | | Security Solutions (HK\$'000) | Other Services (HK\$'000) | |
| | GETS (HK\$'000) | Commercial Services (HK\$'000) | | | |
| Revenue from external customers | 83,062 | 5,226 | 15,655 | 9,128 | 113,071 |
| Inter-segment revenue | - | - | 3,966 | 4,284 | 8,250 |
| Reportable segment revenue | 83,062 | 5,226 | 19,621 | 13,412 | 121,321 |
| Elimination of inter-segment revenue | | | | | (8,250) |
| Consolidated revenue | | | | | 113,071 |
| Reportable segment profit | 22,595 | 3,446 | 2,954 | 4,254 | 33,249 |
| Interest income | | | | | 9,650 |
| Other net income | | | | | 2,384 |
| Depreciation | | | | | (3,057) |
| Impairment loss on other financial assets | | | | | (7,992) |
| Share of results of associates | | | | | 2,213 |
| Unallocated corporate income | | | | | 2,849 |
| Consolidated profit before taxation | | | | | 39,296 |

4. SEGMENT REPORTING (CONTINUED)

| | Six months ended 30 June 2016 | | | | Total (HK\$'000) |
|--|-------------------------------|--------------------------------------|-------------------------------------|---------------------------------|---------------------|
| | E-commerce | | Security Solutions (HK\$'000) | Other Services (HK\$'000) | |
| | GETS (HK\$'000) | Commercial Services (HK\$'000) | | | |
| Revenue from external customers | 81,243 | 4,018 | 11,635 | 9,547 | 106,443 |
| Inter-segment revenue | – | – | 4,053 | 2,534 | 6,587 |
| Reportable segment revenue | 81,243 | 4,018 | 15,688 | 12,081 | 113,030 |
| Elimination of inter-segment revenue | | | | | (6,587) |
| Consolidated revenue | | | | | <u>106,443</u> |
| Reportable segment profit | 20,636 | 2,800 | 274 | 7,086 | 30,796 |
| Interest income | | | | | 9,460 |
| Other net loss | | | | | (272) |
| Depreciation | | | | | (3,310) |
| Share of results of associates | | | | | (7,528) |
| Unallocated corporate income | | | | | 717 |
| Consolidated profit before taxation | | | | | <u>29,863</u> |

Geographic information

No geographic information is shown as the revenue and operating profit of the Group is substantially derived from activities in Hong Kong.

5. OTHER NET INCOME/(LOSS)

| | Six months ended 30 June | |
|---|--------------------------|--------------------|
| | 2017 (HK\$'000) | 2016 (HK\$'000) |
| Net gain/(loss) on disposal of available-for-sale debt securities | <u>2,384</u> | <u>(272)</u> |

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2017 | 2016 |
| | (HK\$'000) | (HK\$'000) |
| Staff costs: | | |
| Contributions to defined contribution retirement plan | 1,494 | 1,491 |
| Equity-settled share-based payment expenses | 609 | 443 |
| Salaries, wages and other benefits | 51,018 | 48,821 |
| | <u>53,121</u> | <u>50,755</u> |
| Other items: | | |
| Auditors' remuneration | 576 | 574 |
| Depreciation | | |
| – interest in leasehold land held for own use | 71 | 71 |
| – other property, plant and equipment | 2,986 | 3,239 |
| Operating lease charges in respect of properties | 702 | 571 |
| Net foreign exchange gain | (2,849) | (717) |
| Net (gain)/loss on disposal of property, plant and equipment | (29) | 8 |

7. TAXATION

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2017 | 2016 |
| | (HK\$'000) | (HK\$'000) |
| Provision for Income Tax for the period | | |
| – Hong Kong Profits Tax | 5,124 | 5,071 |
| – PRC tax | 25 | – |
| Deferred taxation (<i>Note 10</i>) | 821 | (11,891) |
| | <u>5,970</u> | <u>(6,820)</u> |
| Income tax expense/(credit) | | |

The provision for Hong Kong Profits Tax for the period is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the period. The provision for PRC tax for the period is calculated at 25% under applicable tax rate ruling in the PRC.

8. DIVIDENDS

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2017 | 2016 |
| | (HK\$'000) | (HK\$'000) |
| Interim dividend declared after the interim period of HK 3.2 cents per share (2016: HK 2.4 cents per share) | <u>25,427</u> | <u>19,066</u> |

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$33,326,000 (2016: HK\$36,683,000) and the weighted average number of 794,576,000 ordinary shares (2016: 794,276,000 ordinary shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$33,326,000 (2016: HK\$36,683,000) and the weighted average number of 794,704,000 ordinary shares (2016: 794,435,000 ordinary shares), after adjusting for the effect of the potential dilution from ordinary shares issuable under the Company's share option schemes.

10. DEFERRED TAXATION

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period are as follows:

| Deferred tax arising from: | Depreciation allowances in excess of related depreciation (HK\$'000) | Tax losses (HK\$'000) | Total (HK\$'000) |
|--|---|--|--|
| As at 1 January 2017 | (414) | 8,920 | 8,506 |
| Credited/(charged) to profit or loss | 169 | (990) | (821) |
| As at 30 June 2017 | <u>(245)</u> | <u>7,930</u> | <u>7,685</u> |
| | | As at 30 June 2017 (HK\$'000) | As at 31 December 2016 (HK\$'000) |
| Representing: | | | |
| Deferred tax assets on the consolidated statement of financial position | | 7,930 | 8,920 |
| Deferred tax liabilities on the consolidated statement of financial position | | <u>(245)</u> | <u>(414)</u> |
| | | <u>7,685</u> | <u>8,506</u> |

11. TRADE RECEIVABLES

Credit terms granted by the Company to customers generally range from one day to one month. Credit terms offered by other companies of the Group based on individual commercial terms negotiated with customers.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date, is as follows:

| | As at 30 June 2017 (HK\$'000) | As at 31 December 2016 (HK\$'000) |
|-------------------|--|--|
| Less than 1 month | 12,458 | 17,463 |
| 1 to 3 months | 3,194 | 6,137 |
| 3 to 12 months | 6,200 | 1,619 |
| Over 12 months | 461 | 810 |
| | <u>22,313</u> | <u>26,029</u> |

All the above balances are expected to be recovered within one year and they are generally covered by customer deposits from customers (*see Note 14*).

12. OTHER RECEIVABLES AND PREPAYMENTS

All other receivables and prepayments are expected to be recovered or recognised as expenses within one year.

As at 30 June 2017, included in the balance of HK\$147,259,000 is proceeds receivables of HK\$119,694,000 in respect of the disposal of available-for-sale debt securities.

13. OTHER FINANCIAL ASSETS

As at 30 June 2017, the Group held corporate bonds and classified as available-for-sale debt securities with fair value changes recognised in other comprehensive income and accumulated separately in the fair value reserve. The debt securities are issued by corporate entities with credit quality commensurate with the return as considered acceptable to the Group.

During the six months ended 30 June 2017, the Group acquired corporate bonds of HK\$59,161,000 (2016: HK\$192,686,000) and disposed of corporate bonds of HK\$182,988,000 (2016: HK\$38,678,000).

HKFRS 13, Fair value measurement categorises fair value measurements into a three-level hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

13. OTHER FINANCIAL ASSETS (CONTINUED)

At 30 June 2017, the available-for-sale debt securities of HK\$275,273,000 and HK\$8,125,000 held by the Group fall into Level 1 and Level 3 respectively, of the fair value hierarchy described above.

(i) Corporate bonds categorised in level 1

The fair value of corporate bonds traded in active markets is based on quoted market prices at the end of the reporting period and included in Level 1, except one corporate bond which has been transferred to level 3 as detailed below.

(ii) Corporate bonds categorised in level 3

Valuation technique and inputs used in Level 3 fair value measurements

During the six months ended 30 June 2017, the Group transferred a corporate bond from Level 1 into Level 3. This is because the issuer of the corporate bond encountered financial difficulties and the bond has been suspended from trading during the period. The disappearance of an active market meant that significant unobservable price information and judgement were used in the determination of fair value. The Group relied upon a broker indicative quote to determine the fair value and considered it representative because the value was similar to a price transacted over-the-counter near the reporting date.

Except for the abovementioned, there were no other transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period, i.e. change in circumstances that cause the transfer deemed to have occurred at the end of the reporting period.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

| | As at 30 June 2017 (HK\$'000) |
|--|--|
| Opening balance | – |
| Transfer into Level 3 on 30 June 2017* | 16,117 |
| Impairment loss recognised in profit or loss on 30 June 2017* | <u>(7,992)</u> |
| Closing balance | <u>8,125</u> |
| Total losses for the period included in profit or loss for the assets held at the end of the period | <u>7,992</u> |

* *Change in circumstances caused the transfer is deemed to occur at the end of the reporting period, i.e. 30 June 2017 and impairment loss is recognised on the same date.*

Impairment of other financial assets

At 30 June 2017, the Group considered impairment indications existed for an available-for-sale debt security and carried out an impairment assessment for that available-for-sale debt security. Based on management's assessment, an impairment loss of HK\$7,992,000 has been recognised in the profit or loss being the difference between the acquisition cost (net of amortisation) and fair value at 30 June 2017.

14. TRADE CREDITORS, ACCOUNTS PAYABLE AND OTHER PAYABLES

| | As at 30 June 2017 (HK\$'000) | As at 31 December 2016 (HK\$'000) |
|--|--|--|
| Trade creditors (<i>Note 14(a)</i>) | 6,523 | 19,088 |
| Customer deposits received (<i>Note 14(b)</i>) | 143,456 | 145,719 |
| Accrued charges and other payables | 43,948 | 42,876 |
| | <u>193,927</u> | <u>207,683</u> |

- (a) As at the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

| | As at 30 June 2017 (HK\$'000) | As at 31 December 2016 (HK\$'000) |
|-------------------|--|--|
| Less than 1 month | 6,521 | 17,439 |
| 1 to 3 months | 2 | 1,649 |
| | <u>6,523</u> | <u>19,088</u> |

- (b) Customer deposits received are refundable on demand.

15. SHARE CAPITAL

| | As at 30 June 2017 | | As at 31 December 2016 | |
|--|----------------------------------|-----------------------|----------------------------------|-----------------------|
| | Number of shares (in' 000) | Amounts (HK\$'000) | Number of shares (in' 000) | Amounts (HK\$'000) |
| Ordinary shares, issued and fully paid: | | | | |
| As at 1 January | 794,486 | 295,870 | 794,217 | 295,415 |
| Shares issued under share option schemes | 100 | 169 | 269 | 455 |
| As at 30 June/31 December | <u>794,586</u> | <u>296,039</u> | <u>794,486</u> | <u>295,870</u> |

16. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option schemes

The Company currently has two share option schemes in operation, the first one was adopted on 14 October 2005 (the "Share Option Scheme 2005") and the second one was adopted on 9 May 2014 (the "Share Option Scheme 2014"). Under the Share Option Scheme 2014, options will be granted to eligible persons, including Directors, employees, consultants, business associates or advisers as the Board of the Company may identify from time to time ("Grantees"), entitling them to subscribe for shares of the Company, subject to acceptance of the Grantees and the payment of HK\$1.00 by each of the Grantees upon acceptance of the options. Each option gives the holder the right to subscribe for one ordinary share in the Company. On 4 July 2016 and 28 April 2017, 7,400,000 and 6,900,000 share options were granted respectively for HK\$1.00 consideration to Directors, senior management and employees of the Group under Share Option Scheme 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

E-Commerce – GETS Review

With a relatively calm competitive environment in the run up to the expiry of the current Government Electronic Trading Services (“GETS”) license by the end of 2018, our GETS operation for the first half of 2017 was stable. Despite a general apprehension about the global economy in 2017, Hong Kong’s external trade has not been affected so far, with the overall GETS market actually ratcheting up by 2.7% year-on-year. Our transaction volume also increased by 3.2%. Benefited from these favorable factors, our GETS revenue for the period recorded a growth of 2.3% from HK\$81.2 million last year to HK\$83.1 million this year. With costs kept at more or less the same level as last year, our GETS profit for the period at HK\$22.6 million, was up 9.7% from HK\$20.6 million for the same period last year.

In response to the Government tender issued in April 2017 for the provision of GETS commencing January 2019, we have submitted our tender proposal. While the result of the tender would not be announced until the end of 2017, we are confident of the successful award of the new GETS contract for a further term of 6 years from 2019 to 2024 with a possible extension up to 2027. As regards the bigger picture about the planned Single Window (“SW”) implementation in relation to GETS, the Government clearly set out their guiding principles in their public documents that they would strive to ensure reliable service in a stable market during the tide-over period and smooth transition from GETS to SW. Given the Government’s intention to appoint up to 3 service providers only, same as now, we believe it is in everyone’s interest to uphold a stable GETS operating environment under the new GETS contract. With our solid track record in delivering quality and reliable GETS, we are optimistic with our GETS business prospect.

While keeping a close eye on the progress on the actual development of the SW, we have been going all out not only to ensure reliable and quality services to be delivered to our customers, but also to provide value-adding services to enhance customer stickiness and loyalty with us to prepare for any form of market competition in future.

E-Commerce – Commercial Services Review

During the period under review, the revenue of the Commercial Services (formally called DTTN Services) at HK\$5.2 million was 30.0% higher than the revenue last year at HK\$4.0 million. The profit of this business segment for the first half of 2017 increased to HK\$3.4 million compared to the profit at HK\$2.8 million last year. Despite the growth was over somewhat disappointing result recorded for the first half of last year due to the delay in the completion of a couple of projects, the performance of this business segment indeed improved as new projects were delivered on time and healthy sales pipeline built up with hot leads closed in a timely manner. The business model has also proved to be generating continuous steady growth with more ongoing recurrent revenue staggered from previous projects while incremental revenue generated from new projects with new ongoing recurrent income.

In the first half of 2017, the team completed delivery of a few sizeable projects, one of which was a classic showcase whereby we could deliver our Warehouse Management System (“WMS”) solution within a month based on our core WMS module with minor customization to meet specific requirements of an established cold supply chain logistic company in Guangdong specialized on food import, storage and delivery. This demonstrated the ease of replicating and deploying our solutions to customers with diversified business operations.

The outlook of this business segment for the remainder of the year is positive. In addition to the natural growth from ongoing recurrent income from projects previously delivered, the team will have a couple of sizeable projects expected to be completed before the end of the year. On our existing sales pipelines, there are a few hot cases which hopefully could be confirmed and delivered in the latter part of the year. Of more strategic importance is that included in these orders are development of two totally brand new applications sponsored by our customers, which we could add to our portfolio of supply chain management solutions in the future. Also through customer and partner referrals, the team is exploring the opportunity to sell our WMS/Delivery Order Management System (“DOMS”) solutions outside Hong Kong to customers in Middle East, Europe and South East Asia.

Security Solutions – Digi-Sign/TESS Review

For the first six months of 2017, the Group’s Security Solutions business recorded a strong growth with revenue increased by 35.3% from HK\$11.6 million last year to HK\$15.7 million this year, making a profit of HK\$3.0 million. The revenue growth for the period under review was primarily from our security tokens delivery service business which performed remarkably well as, on one hand, tokens delivery to our major bank client increased by about 40% year-on-year; and on the other hand, we have another new, sizeable bank client which only started using our service since second half of last year and therefore no such income from this customer was recorded in first half of last year. Also incremental to the top line of this business segment for the first six months of this year were a few enhancement projects for existing bank clients and maintenance income on several solutions which started to kick in after their respective warranty periods.

During the period under review, our electronic identity management (“e-IDM”) team devoted resources to focus on further research and development for enhancing our security tokens and biometric authentication solutions to cope with the technology and regulatory changes as well as market demand. To combat the threats of identity theft from continuously emerging hackers affecting the banking industry, the relevant regulatory authorities have imposed more stringent regulations on banks requiring the strict use of two-factor authentication for e-banking and hence more demands for our security tokens solutions. We are now working on not only a bigger market with more new clients, but also the replacement of tokens issued to bank customers including our major bank customer as the 3-year battery life cycle of those tokens is coming to an end starting this year. The latter explained the significant growth of token deliveries to the major bank so far this year. Due to technological advancement, we are also looking into soft tokens supporting biometric authentication as a secure yet more convenient alternative to hard tokens. As regards our biometric authentication solution business, upon successful deployment of the initial phase for a major bank customer at the end of last year, the team has continued to work on expanding the features of the solution for delivery to that

bank customer this year. With this bank reference case, the team has been pursuing vigorously several hot cases offering them similar solutions. Given our track record now, the team has confidence to replicate the solution with minimal customization to meet specific customer requirements within a short timeframe. Application of such biometric authentication solutions is actually not limited to the banking industry, but also has potentials in other industries. The team is currently exploring the potential to deploy the solution in hospitals. Last but not least, leveraging on technology changes and new customer demands, we are seeing opportunity to provide a suite of online and offline security solutions to ensure a safe environment for mobile banking. With all these projects and initiatives on hand, we have confidence in continuing the growth momentum of our e-IDM business for the remainder of the year and beyond.

Turning to our long overdue mobile Point-of-Sales (“PoS”)/payment solution, we are seeing some light at the end of the tunnel now. As foreshadowed in the 2016 Annual Report, we have secured the first order from a bank customer. Before actual service launch, it looks like the bank will require some technical certification works to be done with card associations. Meanwhile the team has been working vigorously on target merchants of the bank for actual deployment of the solution in the market. The key now is to get the first merchant on the ground using our solution as customer reference so that prospective customers could see the benefits of such new payment alternative. We shall go in full steam to work with our bank customer to help launch the solutions to their merchant customers hopefully in the coming months, while bearing in mind the slow adoption of technology and initial reluctance to change in the Hong Kong market.

Other Services Review

Revenue from our Other Services during the period under review dropped slightly from HK\$9.5 million last year to HK\$9.1 million this year, down about 4.2%. While our other GETS-related services business generally remained stable, the slight decline was due to the slowdown of a couple of minor, ancillary services offered to our GETS customers. As additional costs continued to be incurred during the reporting period for conducting feasibility study and research of new initiatives, the profit for this segment at HK\$4.3 million was down 39.4% from the profit last year at HK\$7.1 million. For the remainder of the year, we expect slight improvement with the performance of this segment due to stable turnover on one hand, and on the other hand, likely less incremental costs to invest on research work on new initiatives with the imminent completion of some studies.

China Associates Review

The overall performance of our PRC associates for the first half of 2017 improved markedly with a total gain of HK\$2.2 million, compared to a share loss of HK\$7.5 million for the same period last year. As foreshadowed in the 2016 Annual Report, Guangdong Nanfang Hai'an Science & Technology Service Company Limited has a healthy recovery of their business after settlement of their historical legal issues. Though 上海匯通供應鏈技術與運營有限公司 has continued their investments on building up their customer base, we no longer have to share their loss as the carrying value of this investment has been fully written down to zero. For the remainder of the year, we expect stable performance for our PRC associates.

Financial Review

The Group's revenue for the six months ended 30 June 2017 was HK\$113.1 million, an increase of HK\$6.7 million or 6.3% compared to HK\$106.4 million for 2016. The GETS revenue at HK\$83.1 million, was higher than the revenue for the first half of 2016 at HK\$81.2 million by 2.3% or HK\$1.9 million. The increase was due to the overall GETS market growth. The Commercial Services recorded a strong revenue growth in the first half of 2017 at HK\$5.2 million, higher than the same period in 2016 at HK\$4.0 million by HK\$1.2 million or 30.0%. The revenue of our Security Solutions for the review period was HK\$15.7 million, higher than the revenue in 2016 at HK\$11.6 million by HK\$4.1 million or 35.3%. The increase came from the delivery of security tokens this year for our major bank client. The revenue of Other Services for the review period was at HK\$9.1 million, a slight decline of HK\$0.4 million over the same period last year.

The Group's interest income was at HK\$9.7 million for the review period, increased by HK\$0.2 million as compared to the same period last year.

The Group's operating expenses before depreciation during the review period was HK\$77.0 million, increased by 2.8% or HK\$2.1 million from HK\$74.9 million for the same period in 2016. Staff costs increased from HK\$50.8 million to HK\$53.1 million, up by HK\$2.3 million or 4.5% as compared to same period last year. The amount of cost of purchases grew HK\$2.4 million from HK\$7.1 million for the first half of 2016 to HK\$9.5 million for the review period due to the increase in the volume of security tokens delivered. The other operating costs at HK\$14.3 million incurred during the period under review were lower than the amount at HK\$17.1 million same period last year by HK\$2.8 million. The decrease was mainly due to a foreign currency exchange gain of HK\$2.6 million from the US dollar-denominated financial assets held during the first half of 2017. Depreciation charges for the review period amounted to HK\$3.1 million, HK\$0.2 million lower than last period.

The Group's profit from operations for the review period was HK\$45.1 million, an increase of HK\$7.7 million or 20.6% as compared to same period in 2016.

During the review period, the Group recorded an impairment loss of HK\$8.0 million as a result of decline in the market value of our investment in other financial assets.

During the review period, the Group's share of results from our investments in the PRC associates recorded a share of profit of HK\$2.2 million as compared to a share of net loss of HK\$7.5 million for the same period last year, a swing of HK\$9.7 million.

Our wholly-owned subsidiary, Digital Trade and Transportation Network Limited ("DTTNC") providing e-solutions to its customers recorded a deferred tax credit of HK\$11.7 million during the first half of 2016. As DTTNC continued to grow in revenue and generate profit, a deferred tax charge of HK\$1.0 million was recognised in the first half of 2017 due to utilisation of unused tax losses, resulted in a swing of HK\$12.7 million.

The Group's unaudited after tax profit for the six months ended 30 June 2017 came to HK\$33.3 million, a decline of 9.3% as compared to same period last year. Ignoring the effect of the deferred tax charge of HK\$1.0 million during the review period and the deferred tax credit of HK\$11.7 million in the same period last year, this year's profit after taxation was increased to HK\$34.3 million as compared to HK\$25.0 million for the same period of 2016, representing a profit growth of 37.2%.

Basic earnings per share for the first six months of 2017 was HK 4.19 cents, as compared to HK 4.61 cents per share for the same period last year. Diluted earnings per share for the first six months of 2017 was also HK 4.19 cents, lower than that for 2016 at HK 4.61 cents by HK 0.42 cents.

Dividend

The Board has resolved to declare an interim dividend of HK 3.2 cents per share (2016: HK 2.4 cents per share) for the six months ended 30 June 2017 to shareholders, an increase of 33.3%. The interim dividend payout ratio is about 74.1% of the Group's profit for the period excluding the deferred tax charge of HK\$1.0 million. The interim dividend payout ratio is consistent with the ratios for the previous years at about 75%.

Liquidity and Financial Position

As at 30 June 2017, the Group has total cash and bank deposits of HK\$29.7 million (31 December 2016: HK\$44.3 million).

The other financial assets as at 30 June 2017 at the amount of HK\$283.4 million (31 December 2016: HK\$407.1 million) were fixed income USD-denominated corporate bonds with maturity dates less than five years. The weighted average of the portfolio coupon and yield were about 4.8% (31 December 2016: 4.9%) and 4.2% (31 December 2016: 4.4%) respectively. To balance the risk and returns, all investments in corporate bonds were made in accordance with the investment guidelines which are approved by the Investment Committee which is composed of 3 Independent Non-executive Directors and 1 Non-executive Director. As at 30 June 2017, 57% (31 December 2016: 68%) of the total amount was invested in investment grade corporate bonds. The remaining 43% (31 December 2016: 32%) was invested in non-investment grade or non-rated corporate bonds. All corporate bonds held as at 30 June 2017 were tradable in open market except one corporate bond that has been suspended trading since April 2017 due to financial difficulties encountered by the issuer. Before any opportunities were identified to acquire new businesses, the cash surplus were parked in corporate bonds as part of our treasury operations to improve the yield of the Group's cash surpluses.

Total assets and net assets of the Group as at 30 June 2017 amounted to HK\$540.8 million (31 December 2016: HK\$564.6 million) and HK\$338.1 million (31 December 2016: HK\$350.4 million) respectively.

As at 30 June 2017, the Group had no borrowings (31 December 2016: Nil).

Capital and Reserves

As at 30 June 2017, the capital and reserves attributable to shareholders was HK\$338.1 million (31 December 2016: HK\$350.4 million), a reduction of HK\$12.3 million from the end of 2016.

Charges on Assets and Contingent Liabilities

As at 30 June 2017, the Group has obtained two bank guarantees totaling HK\$2.2 million (31 December 2016: two bank guarantees totaling HK\$2.2 million) issued to the Government for the due performance by the Group pursuant to the terms of the contracts with the Government. The bank guarantees are secured by a charge over deposits totaling HK\$2.2 million (31 December 2016: HK\$2.2 million).

Other than the foregoing, the Group did not have any other charges on its assets.

Capital Commitments

Capital commitments outstanding as at 30 June 2017 not provided for in the financial statements amounted to HK\$0.4 million (31 December 2016: HK\$0.5 million), mainly in respect of the purchase of office equipment for the Group.

Employees and Remuneration Policy

As at 30 June 2017, the Group employed 258 staff (30 June 2016: 253), of which 220 are in Hong Kong and 38 in Guangzhou. The related staff costs for the review period was HK\$53.1 million (30 June 2016: HK\$50.8 million).

The Group's remuneration policy is that all employees are rewarded on the basis of market 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 staff, the Group has a discretionary performance bonus scheme to drive performance and growth.

The Company operates two share option schemes to reward the performance of staff: one for assistant manager grade and above and the other one for staff at senior vice president grade and above.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As at 30 June 2017, other than its investments in the PRC incorporated entities and debt securities denominated in US dollars, the Group had no foreign exchange exposure and related hedges.

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

The Company is committed to a high standard of corporate governance practices and every effort is made to ensure full compliance with the code provisions in the Corporate Governance Code (the “Code”) set out in Appendix 14 of the Listing Rules. Save as disclosed herein, the Company confirms that it has complied with all code provisions during the six months ended 30 June 2017.

Code provision A.6.7 of the Code stipulates that the Independent Non-executive Directors (“INED”) and other Non-executive Directors (“NED”) should attend the annual general meeting (“AGM”) of the Company. Mr. YING Tze Man, Kenneth, one of the NED of the Company, did not attend the AGM held on 11 May 2017 (“2017 AGM”) due to other business engagements overseas.

The Board

Currently, the Company is led by and controlled through its Board which comprises three Executive Directors (“ED”), three NED, including the Chairman of the Board, and five INED. The Board oversees the overall management and operations of the Company with the objective of enhancing shareholder value.

There are no service contracts between the Company and three of its INED, namely Mr. CHUNG Wai Kwok, Jimmy, Mr. CHAK Hubert and Mr. HO Lap Kee, Sunny, J.P. Each of the term of service for the aforesaid INED is the period up to his retirement by rotation in accordance with Article 100 of the Articles of Association of the Company. Pursuant to that, one half of the Directors (or, if the number is not a multiple of two, then the number nearest to but not greater than one half) retires each year but are eligible for re-election at each AGM. Each of the Directors is subject to retirement by rotation at least once every three years. At the 2017 AGM, in accordance with the Articles of Association of the Company, Dr. LEE Nai Shee, Harry, S.B.S., J.P., Dr. LEE Delman, Mr. YING Tze Man, Kenneth (the “Re-appointed NED”) retired and were re-appointed as NED and Ms. CHAN Chi Yan and Mr. CHAU Tak Hay (the “Re-appointed INED”) retired and were re-appointed as INED. The Company entered into service contracts with the Re-appointed NED and Re-appointed INED, each for a period of three years. The service contract can be terminated by the Company or the Re-appointed NED/ Re-appointed INED by giving one month’s notice in writing or payment in lieu of notice. The Re-appointed NED and Re-appointed INED shall retire by rotation in accordance with the Articles of Association of the Company and the Listing Rules or at such time as may be required by resolution of the Board of the Company.

During the six months ended 30 June 2017, the Company convened two Board meetings. Eleven Directors attended the meeting held on 28 March 2017 and in the meeting, the Directors reviewed and approved, among other things, the 2016 annual results, the 2016 annual report, the effectiveness of Group's risk management and internal control systems, service contracts for the Re-appointed NED and Re-appointed INED and share option allocations for eligible staff for 2016. All Directors attended the meeting held on 26 June 2017 and in the meeting, the Directors noted, among other things, the annual update on the cyber security implementation in the Group and the timetable for the 2017 interim results announcement and reviewed the Shareholders Communication Policy.

Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code and, having made specific enquiry of all Directors, confirms that all Directors have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2017.

Audit Committee

The interim results and the interim financial report for the six months ended 30 June 2017 have not been audited but have been reviewed by the Company's external auditor, KPMG, and the Audit Committee of the Company.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK 3.2 cents per share (2016: HK 2.4 cents per share) for the six months ended 30 June 2017 to shareholders whose names appear on the register of members of the Company on 20 September 2017. Dividend will be paid to shareholders on or around 9 October 2017. The interim dividend payout ratio is about 74.1% of the Group's profit for the period after excluding the deferred tax charge.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2017 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

Closure of Register of Members

The register of members will be closed from Wednesday, 20 September 2017 to Friday, 22 September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration, no later than 4:30 p.m. on Tuesday, 19 September 2017.

Publication of Interim Results and Interim Report

This interim results announcement is published on the websites of the Company (www.tradelink.com.hk) and HKEXnews (www.hkexnews.hk). The 2017 interim report of the Company for the six months ended 30 June 2017 will be dispatched to shareholders and published on the aforesaid websites in due course.

By Order of the Board
Tradelink Electronic Commerce Limited
Dr. LEE Nai Shee, Harry, S.B.S., J.P.
Chairman

Hong Kong, 22 August 2017

As at the date of this announcement, the Board of the Company comprises

Non-executive Directors: Dr. LEE Nai Shee, Harry, S.B.S., J.P. (Chairman), Dr. LEE Delman and Mr. YING Tze Man, Kenneth;

Executive Directors: Mr. TSE Kam Keung, Mr. CHENG Chun Chung, Andrew and Ms. CHUNG Shun Kwan, Emily; and

Independent Non-executive Directors: Mr. CHAK Hubert, Ms. CHAN Chi Yan, Mr. CHAU Tak Hay, Mr. CHUNG Wai Kwok, Jimmy and Mr. HO Lap Kee, Sunny, J.P.