



**貿易通**  
**TRADELINK**

貿易通電子貿易有限公司  
Tradelink Electronic Commerce Limited

Stock Code 股份代號 : 0536.HK



# 2017 Annual Results Presentation

電子商貿·以人成就

People Building Successful e-Commerce

# FINANCIAL HIGHLIGHTS



# Overview of 2017 Annual Results

## Revenue

HK\$ 241.8M

↑ 4.6% YoY

## Profit from operations

HK\$ 94.2M

↑ 2.4% YoY

## Profit before tax

HK\$ 88.3M

↑ 8.6% YoY

## Profit for the year

HK\$ 74.1M

↓ 6.5% YoY

- Recorded growth in GETS and in Security Solutions
- Expanded our product suite and invested in new initiative under Commercial Services
- Ignoring the deferred tax charge of HK\$2.1 million for 2017, profit after tax profit increased to HK\$76.2 million and if the deferred tax credit of HK\$8.9 million for 2016 was excluded, the profit growth year-on-year was 8.4%.

## Net cash flow from operating activities

HK\$ 64.6M

## Cash & bank deposits

HK\$ 84.1M

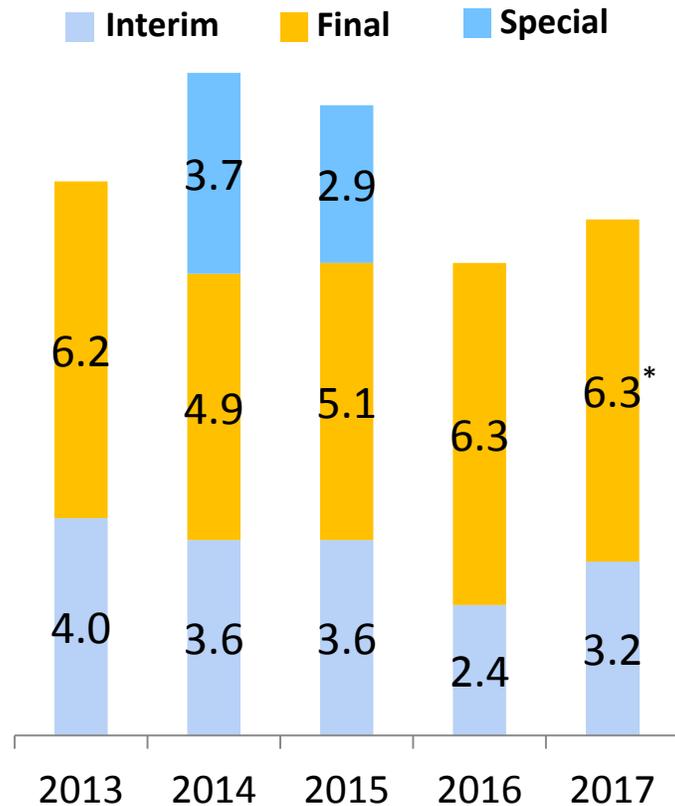
## Other financial assets

HK\$ 367.2M

- Maintain strong and healthy financials

# Final Dividend

## Dividend per Share (HK cents)



\*Proposed final dividend

- Declared interim dividend: HK 3.2 cents per share
- Proposed final dividend: HK 6.3 cents per share
- Total dividend: HK 9.5 cents per share
  - Represents a dividend payout ratio of 99.0% of the Group's profit excluding the deferred tax charge of HK\$2.1 million
  - Total dividend increased by 9.2% YoY

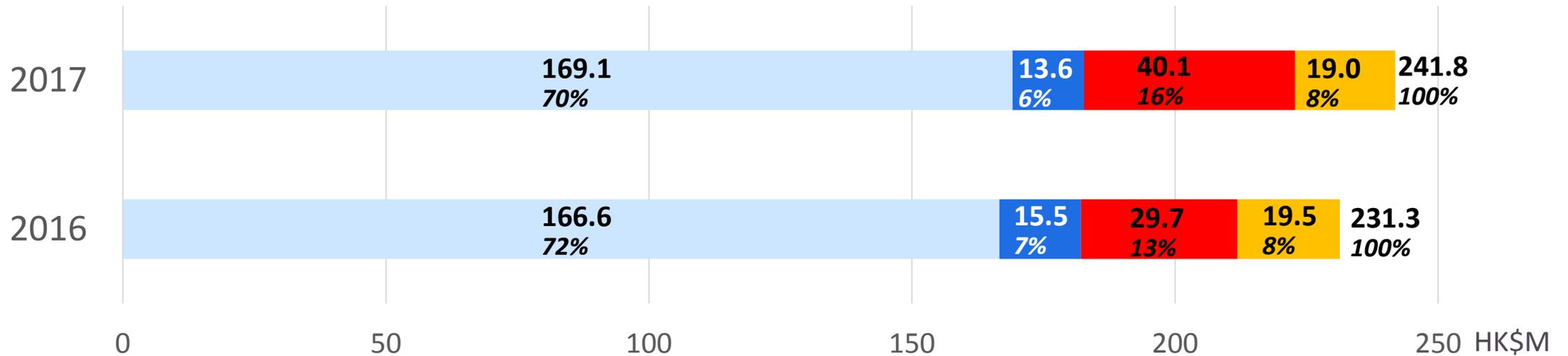
# Financial Highlight

Year ended 31 December (HK\$M)	2017	2016	Change
Revenue	241.8	231.3	4.6%
Profit from operations	94.2	91.9	2.4%
Profit before taxation	88.3	81.4	8.6%
Profit for the year	74.1*	79.3	(6.5%)
<b>Earnings per share (HK cents)</b>			
Basic	9.3	9.9	(6.1%)
Diluted	9.3	9.9	(6.1%)

*\*Ignoring the deferred tax charge of HK\$2.1 million for 2017 and the deferred tax credit of HK\$8.9 million for 2016, profit after tax profit was increased to HK\$76.2 million, up by 8.4%*

# Segment Revenue

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



## GETS

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

## Commercial Services

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

## Security Solutions

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

## Other Services

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

# Key Financial Ratios

Year ended 31 December	2017	2016
Operating profit margin	38.9%	39.7%
Net profit margin	30.6%	34.3%
Effective tax rate	16.1%	2.6%
Current ratio	0.66	0.47
Debtors' turnover days	11	10
Dividend payout ratio	99.0% <sup>1</sup>	98.3% <sup>2</sup>

<sup>1</sup>The proposed final dividend, together with the interim dividend for 2017 represents a dividend payout ratio of 99.0% of the Group's profit excluding the deferred tax charge.

<sup>2</sup>The proposed final dividend, together with the interim dividend for 2016 represents a dividend payout ratio of 98.3% of the Group's profit excluding the deferred tax credit.

# Key Balance Sheet Items

<b>(HK\$M)</b>	<b>As at 31 Dec 2017</b>	<b>As at 31 Dec 2016</b>
<b>Property, plant and equipment</b>	<b>26.0</b>	<b>26.2</b>
<b>Trade receivables</b>	<b>28.9</b>	<b>26.0</b>
<b>Other financial assets</b>	<b>367.2</b>	<b>407.1</b>
<b>Cash and bank deposits</b>	<b>84.1</b>	<b>44.3</b>
<b>Net Asset</b>	<b>354.4</b>	<b>350.4</b>

# BUSINESS REVIEW



# E-Commerce - GETS Review

- Benefited from the economic growth, the overall GETS market grew 1.3%. With increase in our business volume, GETS revenue grew 1.5% to HK\$169.1 million.
- With our vigorous cost control over our costs, GETS profit increased to HK\$55.6 million in 2017, a handsome increase of 6.7%.

# E-Commerce - Commercial Services Review

- Revenue from Commercial Services at HK\$13.6 million in 2017, was down 12.5%. Segment profit also dropped 14.7% from about HK\$7 million in 2016 to about HK\$6 million in 2017, due to
  - the delay in the conclusion of a couple of projects - the required internal approval process of the customers concerned took longer than expected.
  - the team has diverted considerable resources to work on a new community-wide business venture for which development work has started in 2017 Q3.
- The team has invested in a total of four new products / services in 2017 to augment our suite of supply-chain e-solutions enriching the functionalities and scope of our applications.

# Security Solutions - Digi-Sign/TESS Review

- This business segment recorded an impressive revenue growth of 35% to HK\$40.1 million, and a profit at HK\$5.8 million doubling that in 2016, due to
  - Growth in security tokens delivery services - the increased demand compared to the previous year from our major bank customer as well as a new customer since the beginning of 2017.
  - Completion and delivery for a number of biometric authentication projects.
- We have extended the scope of applications of our biometric authentication solution from its classical use for bank user login and transaction authorization on mobile device, to being used for simplifying the KYC (Know-Your-Customer) process for bank user account opening.

# Others Services & Investment in PRC Associates Review

- Revenue from our Other Services in 2017 at HK\$19.0 million dropped slightly by 2.3%, but profit for the year was actually up 7.1% year-on-year to HK\$11.4 million.
  - Our costs to provide the other services were largely stable
  - We have incurred less cost in 2017 as research and feasibility studies of some new initiatives.
- Our total share of result of Nanfang in 2017 was a gain of HK\$2.4 million compared to a total share loss of HK\$10.6 million from our PRC associates in 2016.
  - Nanfang business has been undergoing solid growth in the course of the year with better than expected increase in revenue.
  - Nanfang's result in 2017 was affected by a change of their accounting estimate made in 2H 2017 causing a significant surge of their costs.

# PROSPECTS



# Prospects - GETS

## Successfully Awarded New GETS Contract

- Have successfully been awarded the new GETS contract by the Government from 2019 to 2024, extendable up to three more years till 2027.
- With the same three service providers under the new contract, we expect a relatively stable environment in term of the market competition and a smooth transition.

## Government SW Implementation

- The high level timeline for phase 1 launch still stands and major tasks for phase 2 and 3 including stakeholder engagement, preparation for legislative changes, funding approval and the actual system design and development work are being pursued as planned.
- We will formulate our detailed strategy to prepare for our future role as a potential value-added service provider in 7 to 10 years' time under SW.

## Enhance our Customers Stickiness

- Continue upholding our premium service quality as a key differentiator.
- To our massive GETS customer base, we continue to identify opportunity to offer our suite of commercial supply chain e-solutions to facilitate their business activities and operations.

# Prospects - Commercial Services

## Three New Products Enrich our Product Suite

- New e-shop platform - a e-shop platform for capturing online products / services sales and managing product inventory, price and promotion
- Retail order management application - a mobile e-shop for placing orders for products sold at physical shops
- Order fulfillment system - integrates the clients' multi online and offline sales channels with warehouse management system (WMS) for orders management, fulfillment and inventory replenishment

## New Community-wide Initiative

- We are mindful about the actual market acceptance and usage of this new service despite its apparent operational benefits and business values to all stakeholders concerned.

## Innovation

- Artificial Intelligence (AI) - Optimize the programming logics for better decision making on WMS and Delivery Order Management Systems
- Augmented Reality (AR) - Studying the use of AR glasses in conjunction with our WMS replacing bar code scanners

# Prospects - Security Solutions

## Biometric Authentication Solutions & KYC

- Since the regulatory authority requiring two-factor authentication for online trading accounts starting April 2018, we have an extended market for our biometric authentication solutions which now includes securities companies.
- With the solid customer references for our biometric authentication solutions for online banking / security trading as well as KYC for bank account opening, and the strong market demand, the outlook of our e-IDM business in 2018 is promising.

## Innovation

- Use of AI technology to improve the accuracy of facial recognition of our biometric authentication solution

## Smart PoS

- Our Smart PoS solution has successfully been deployed to the first merchant customer of our bank client for pilot use before end of 2017.
- The team will continue the development work on the second payment path through another bank customer and explore opportunity to build more new payment paths.
- We stay vigilant and take extra caution to review and evaluate our strategy and business model for this product from time to time.

# Prospects - Others Services & Investment in PRC Associates

## Other Services

- For C&ED's ROCARS call centre services, we are pleased that we have successfully been awarded a new 3-year contract commencing January 2018 extendable for one more year at C&ED's option.
- We expect the performance of this business segment continue to be stable in 2018.

## Investment in PRC Associates

- U-Link would not affect our performance, we shall continue to monitor their development and see if there could be any breakthrough.
- Regarding Nanfang, we have confidence of their business prospect in coming years.
  - One of their key challenges is their nation-wide single window development in China affecting one of their core businesses, they have been diverting their businesses to other areas.

# Conclusion

- Along our new mission statement “To empower our clients with business enabled e-solutions for their commercial and financial activities” in 2017, we have devised a three-pillar strategy to guide the business direction and activities of the company.

## Pillar-1

**GETS business** - a mature business generating stable and sizeable revenue to support, amongst other things, new initiatives development

## Pillar-2

**Commercial Services and Security Solutions business** - growing business and hopefully growth drivers for the company

## Pillar-3

**New initiatives** (e.g. Smart PoS business and the new venture under Commercial Services) - revenue might be uncertain and unstable but potentially seeds for future growth

# CORPORATE PROFILE



# Corporate Profile

## Share Information

### Listing Date

28/10/2005

### Share Price (@23/3/2018)

HK\$ 1.34

### Issued Shares (@23/3/2018)

794,585,719 Shares

### Market Cap

HK\$ 1.06 Billion

## Key Business Segment

### GETS Services

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

### Commercial Services (DTTN)

Provide supply-chain electronic applications and solutions for the trade, logistics, warehousing and retail industries (Supply Chain Management, e-Shop Platform, Order Fulfillment System, Warehouse Management System and Delivery Order Management System etc.)

### Security Solutions (Digi-Sign & TESS)

Provides online/mobile security services and solutions for identity management (IDM) and payment. Our portfolio of IDM solutions includes digital certificates, security tokens and biometric-based authentication solutions

### Other Services

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

**TRADELINK**