



# Tradelink Electronic Commerce Limited

## 貿易通電子貿易有限公司

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

("the Company")

(Stock Code: 536)

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the "Board") of Tradelink Electronic Commerce Limited ("Tradelink" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

#### FINANCIAL HIGHLIGHTS

	<i>Notes</i>	Year ended 31 December 2007 <i>(HK\$'000)</i>	Year ended 31 December 2006 <i>(HK\$'000)</i>
<b>Turnover</b>	3	245,082	248,300
<b>Profit from operations</b>		120,144	119,300
<b>Profit attributable to the equity shareholders of the Company</b>		76,204	83,216
<b>Total assets</b>		568,596	562,504
<b>Net assets</b>		339,848	329,223
<b>Dividend per share</b>	6		
Interim		HK cents 3.61	HK cents 4.80
Proposed final		HK cents 6.18	HK cents 5.10
<b>Earnings per share</b>	7		
Basic		HK cents 9.8	HK cents 10.7
Diluted		HK cents 9.8	HK cents 10.6
<b>Issued and fully paid ordinary shares (in'000)</b>			
As at 31 December		778,210	778,076
Weighted average number of ordinary shares (basic) outstanding as at 31 December		778,154	777,694

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

		2007	2006
	Notes	(HK\$'000)	(HK\$'000)
<b>Turnover</b>	3	<b>245,082</b>	248,300
Interest income		<b>10,186</b>	7,600
Staff costs		<b>(79,474)</b>	(77,851)
Depreciation		<b>(11,065)</b>	(14,291)
Other operating expenses		<b>(44,585)</b>	(44,458)
Profit from operations		<b>120,144</b>	119,300
Impairment loss on investment in unlisted equity securities	9	-	(10,000)
Share of losses of an associate		<b>(23,955)</b>	(7,694)
Gain on partial disposal of an associate	8	<b>345</b>	622
Profit before taxation	4	<b>96,534</b>	102,228
Taxation	5	<b>(20,330)</b>	(19,012)
<b>Profit attributable to equity shareholders of the Company</b>		<b>76,204</b>	83,216
<b>Dividends</b>	6		
Interim		<b>28,091</b>	37,326
Proposed final after the balance sheet date		<b>48,093</b>	39,685
		<b>76,184</b>	77,011
<b>Earnings per share</b>	7		
Basic		<b>HK cents 9.8</b>	HK cents 10.7
Diluted		<b>HK cents 9.8</b>	HK cents 10.6

# CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 (HK\$'000)	2006 (HK\$'000)
<b>Non-current assets</b>			
Fixed assets		44,547	50,568
Interest in leasehold land held for own use under operating lease		5,626	5,769
Interest in associates	8	43,020	67,116
Other financial assets	9	-	69,587
		<u>93,193</u>	<u>193,040</u>
<b>Current assets</b>			
Trade receivables	10	19,381	23,969
Other receivables and prepayments		11,974	9,909
Other financial assets	9	69,342	-
Deposits with bank		188,500	190,000
Cash and cash equivalents		186,206	145,586
		<u>475,403</u>	<u>369,464</u>
<b>Current liabilities</b>			
Trade creditors, accounts payable and other payables	11	221,479	222,141
Taxation		4,142	7,544
		<u>225,621</u>	<u>229,685</u>
<b>Net current assets</b>		<u>249,782</u>	<u>139,779</u>
<b>Total assets less current liabilities</b>		<u>342,975</u>	<u>332,819</u>
<b>Non-current liabilities</b>			
Provision for long service payments		2,173	2,000
Deferred taxation		954	1,596
		<u>3,127</u>	<u>3,596</u>
<b>Net assets</b>		<u>339,848</u>	<u>329,223</u>
<b>Capital and Reserves</b>			
Share capital	12	155,642	155,615
Reserves	12	184,206	173,608
		<u>339,848</u>	<u>329,223</u>

Notes:

## 1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“the SEHK”).

The consolidated financial statements for the year ended 31 December 2007, comprise the Group and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of 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, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

## 2. Segment reporting

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

## 3. Turnover

The principal activity 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 recognised in turnover during the year is as follows:

	2007 (HK\$'000)	2006 (HK\$'000)
Transaction and handling fees	219,155	225,944
Annual subscription and registration fees	17,317	18,216
Training income	194	139
Sales of software and related installation	119	84
Others	8,297	3,917
	<u>245,082</u>	<u>248,300</u>

## 4. Profit before taxation

Profit before taxation is arrived at after charging:

	2007 (HK\$'000)	2006 (HK\$'000)
<b>Staff costs, including directors' remuneration:</b>		
Salaries, wages and other benefits	75,291	73,800
Contributions to defined contribution retirement plan	2,133	2,074
Equity-settled share-based payment expenses	2,050	1,977
	<u>79,474</u>	<u>77,851</u>
<b>Other items:</b>		
Auditors' remuneration	568	555
Depreciation		
- assets held for use under operating lease	143	142
- other assets	10,922	14,149
Operating lease charges in respect of properties	937	1,011
	<u>937</u>	<u>1,011</u>

## 5. Taxation

	2007 (HK\$'000)	2006 (HK\$'000)
Provision for Hong Kong Profits Tax for the year	20,631	21,468
Under/(over)-provision in respect of prior years	341	(816)
Deferred taxation	(642)	(1,640)
	<u>20,330</u>	<u>19,012</u>

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

## 6. Dividends

	2007 (HK\$'000)	2006 (HK\$'000)
Interim	28,091	37,326
Proposed final	48,093	39,685
	<u>76,184</u>	<u>77,011</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## 7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$76,204,000 (2006: HK\$83,216,000) and the weighted average number of 778,154,000 ordinary shares (2006: 777,694,000 shares) in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$76,204,000 (2006: HK\$83,216,000) and the weighted average number of ordinary shares of 781,023,000 (2006: 785,616,000 shares).

## 8. Interest in associates

During the year, Digital Trade and Transportation Network Limited ("DTTNC") allotted new shares to third parties, causing the Group's equity interest in DTTNC to be diluted from 58.33% to 56.57% (2006: from 70.83% to 58.33%). Such allotment gave rise to a deemed disposal of part of the Group's interest in the associate, resulting in a gain on the deemed disposal of approximately HK\$345,000 (2006: HK\$622,000).

## 9. Other financial assets

Other financial assets represented investment in US Treasury Bonds which would be held to maturity. The carrying amount of the held-to-maturity securities as at 31 December 2007 was HK\$69,342,000. Other financial assets also included the Group's investment in OnePort Holdings (BVI) Limited of HK\$50,000,000, which was fully impaired as at 31 December 2006, with HK\$10,000,000 impairment loss being charged to the income statement in 2006.

## 10. Trade receivables

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

	2007 (HK\$'000)	2006 (HK\$'000)
Current	19,064	23,642
1 to 3 months overdue	284	310
More than 3 months overdue but less than 12 months overdue	33	17
	<u>19,381</u>	<u>23,969</u>

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

## 11. Trade creditors, accounts payable and other payables

	<b>2007</b> <i>(HK\$'000)</i>	2006 <i>(HK\$'000)</i>
Trade creditors (due on demand or within one month)	<b>7,701</b>	13,046
Customer deposits received	<b>171,658</b>	170,970
Accrued charges and other payables	<b>42,120</b>	38,125
	<b>221,479</b>	222,141

Customer deposits received are refundable on demand.

## 12. Capital and reserves

	<b>Share capital</b> <i>(HK\$'000)</i>	<b>Share premium</b> <i>(HK\$'000)</i>	<b>Capital reserve</b> <i>(HK\$'000)</i>	<b>Retained profits</b> <i>(HK\$'000)</i>	<b>Total</b> <i>(HK\$'000)</i>
As at 1 January 2006	155,527	116,744	780	30,568	303,619
Dividends approved in respect of the previous year	-	-	-	(23,329)	(23,329)
Issue of new shares	88	371	-	-	459
Listing expenses adjustment*	-	607	-	-	607
Equity settled share-based transactions	-	-	1,977	-	1,977
Profit for the year	-	-	-	83,216	83,216
Dividends declared in respect of the current year	-	-	-	(37,326)	(37,326)
As at 31 December 2006	<b>155,615</b>	<b>117,722</b>	<b>2,757</b>	<b>53,129</b>	<b>329,223</b>
<b>As at 1 January 2007</b>	<b>155,615</b>	<b>117,722</b>	<b>2,757</b>	<b>53,129</b>	<b>329,223</b>
<b>Dividends approved in respect of the previous year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(39,685)</b>	<b>(39,685)</b>
<b>Issue of new shares</b>	<b>27</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>147</b>
<b>Equity settled share- based transactions</b>	<b>-</b>	<b>-</b>	<b>2,050</b>	<b>-</b>	<b>2,050</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,204</b>	<b>76,204</b>
<b>Dividends declared in respect of the current year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28,091)</b>	<b>(28,091)</b>
<b>As at 31 December 2007</b>	<b>155,642</b>	<b>117,842</b>	<b>4,807</b>	<b>61,557</b>	<b>339,848</b>

\* The adjustment to listing expenses was due to a provision recognised 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

The Group's business performances during the year are highlighted as follows:

#### *Tradelink*

- Tradelink's core business of providing front-end GETS services remained stable and strong in 2007. Its six GETS services continued to command market share of over 90% each.
- As mentioned in the interim report, since the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "Government") introduced the new fee structure for paper Textiles Trader Registration Scheme ("TTRS") notification on 25 June 2007, there has been a substantial growth in the usage of Tradelink's electronic TTRS service due to a saving of HK\$3.80 per notification. The business recorded a 78% growth in 2007 compared with 2006.
- Regarding the current GETS licence, as confirmed with the Government on 13 July 2007, it has been extended by one year to the end of 2009. The Government is expected to issue a tender for the post-2009 GETS licence in the first half of 2008 and Tradelink intends to submit a proposal when the tender is issued.
- As for its non-GETS services, following the deployment of the Trader Documentation Service ("TDS") to a large German mail order house to facilitate supply chain management by the company, Tradelink has begun to provide a similar service to one of the world's largest semiconductor manufacturers with operations in more than 30 countries. The service offered by Tradelink using interconnection with Digital Trade and Transportation Network ("DTTN") will enable the manufacturer to connect with its freight forwarders in Hong Kong and also to exchange electronically various trade and shipping documents with its suppliers. The service, successfully rolled out in Hong Kong for the client, will be extended to cover the client's offices in Tianjin, Singapore and Malaysia.
- On payment services, Tradelink is currently working with a renowned electronic payments network and one of the world's largest banking and financial services organisation on developing an electronic credit card payment solution for the business community, with initial focus on the freight forwarding industry. The solution will connect with DTTN to provide a one-stop trade document exchange and credit card payment solution to forwarders and their shippers.

#### *DTTNCo*

- DTTNCo's business gained momentum and grew steadily in 2007.
- DTTN services currently have a total of around 3,600 registered customers including those recruited through service providers connected to DTTN, compared to around 500 registered customers in early 2007.
- One of DTTNCo's current strategic focuses is to develop partnership arrangement with key international service providers in the Business-to-Business supply chain arena. At the same time DTTNCo is also developing partnerships in the Mainland China, Singapore, Australia, the Netherlands and Mexico on pilot projects for customers in Hong Kong and their overseas trading partners to exchange and process trade documents on local DTTN-like platforms.

- In Hong Kong, DTTNCo has started to explore interconnection opportunities with public and government organisations. Initial meetings were held with several organisations and government departments or other customers.
- Development of seven DTTN-enabled front-end software modules funded by the Government was completed in November 2007. These government-funded modules are distributed free of charge to SMEs to promote the use of e-business and tools such as DTTN in the SME community. DTTNCo commenced a joint marketing campaign with relevant parties and trade associations to promote the free front-end software modules in December 2007. The campaign will continue into 2008.
- DTTNCo is also working closely with the Hong Kong Productivity Council in implementing another government sponsored project, which entails developing and conducting a series of seminars and training workshops for the IT industry and SME community on the use of DTTN service. These seminars and workshops will continue to be conducted regularly in 2008.

### *Digi-Sign*

- Digi-Sign has further strengthened its presence in the banking sector. A local bank has appointed Digi-Sign as the service provider to issue digital certificates to the local and overseas corporate customers of its sister banks in Hong Kong. With Digi-sign's certificates, customers can now conduct corporate e-banking transactions with the banks with added security.
- In conjunction with relevant authorities and industrial stakeholders, Digi-Sign is also in the process of exploring opportunities in the China market.

## **FINANCIAL REVIEW**

In 2007, the Company had a customer base of more than 54,000. Turnover for the year was HK\$245.1 million, HK\$3.2 million less than the HK\$248.3 million in 2006. Half of the drop in revenue was caused by the shrinkage of market size of the Certificate of Origin ("CO") and Production Notification ("PN") services. Other Government services remained stable.

A modest increase in salaries was awarded to staff in 2007. Staff costs incurred were HK\$79.5 million, higher than in 2006 by HK\$1.6 million. Operating expenses (excluding depreciation) incurred during the year was stable at HK\$44.6 million against HK\$44.5 million in 2006.

Depreciation charges for the year of 2007 amounted to HK\$11.1 million, HK\$3.2 million lower than the amount of HK\$14.3 million in 2006.

Profit from operations for the year was HK\$120.1 million, a slight increase of HK\$0.8 million over the amount in 2006.

For the year, the share of loss of DTTNCo was HK\$24.0 million, HK\$16.3 million higher than the HK\$7.7 million in 2006. The increase was the result of DTTNCo in commercial operation for the full year versus the same for only three months in 2006.

Profit attributable to equity shareholders of the Company for year ended 31 December 2007 was HK\$76.2 million, HK\$7.0 million lower than the HK\$83.2 million in 2006.

Basic earnings per ordinary share for 2007 were HK cents 9.8 as compared to HK cents 10.7 in 2006.

## **LIQUIDITY AND FINANCIAL POSITION**

As at 31 December 2007, the Group had total cash and bank deposits of HK\$374.7 million (2006: HK\$335.6 million). The net assets of the Group amounted to HK\$339.8 million (2006: HK\$329.2 million).

As at 31 December 2007, the Group had no borrowings.

## **CAPITAL AND RESERVES**

As at 31 December 2007, the capital and reserves attributable to the ordinary equity shareholders were HK\$339.8 million, which was HK\$10.6 million more than the amount of HK\$329.2 million at the end of 2006.

## **CHARGE ON ASSETS AND CONTINGENT LIABILITIES**

As at 31 December 2007, the Group held two guarantees from The Hongkong & Shanghai Banking Corporation Limited in the aggregate amount of HK\$2.1 million as guarantee to the Government for due performance as stated in the GETS Agreements. The guarantee line facility was 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 relation to a revolving credit facility granted to KAZ Computer Services Hongkong Limited (“KAZ Hong Kong”), an associate of the Group. The guarantee is a continuing security and shall not be released or discharged until the expiration of six months after the payment, discharge or satisfaction in full of the guaranteed liability.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2007, the Group employed a work force of 245 (2006: 237) stationed in Hong Kong. The related staff costs for the year totaled HK\$79.5 million (2006: HK\$77.9 million).

The Group remunerates all employees based on market practices and salary levels. In addition to salaries, it provides staff benefits including medical insurance and contribution to the mandatory provident fund. To motivate and reward employees at all levels to achieve the Group’s profit target, the Group has established a discretionary performance bonus scheme under which it may decide to pay special performance bonuses to staff for exceptional performance and with reference to the financial performance of the Group. The Group also operates two employee share option schemes to motivate employees in delivering good performance.

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES**

As at 31 December 2007, 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 financial statements for the year ended 31 December 2007.

## **DIVIDEND**

The Board has recommended payment of a final dividend of HK cents 6.18 per share (2006: HK cents 5.10 per share) for the year ended 31 December 2007 to shareholders subject to the approval of shareholders of the Company at the forthcoming annual general meeting. The final dividend will be paid to shareholders whose names appear on the Register of Members of the Company on 6 May 2008, on or about 20 May 2008.

On 9 October 2007, the Company paid an interim dividend of HK cents 3.61 per share (2006: 4.80 per share) to shareholders. The total amount of 2007 interim dividend paid and 2007 final dividend payable is approximately 100% of the Group's profit attributable to shareholders for 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 6 May to 9 May 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, 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 4:30 pm on 5 May 2008.

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

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

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining a high standard of corporate governance. It continuously ensures all its operations comply with the provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("SEHK").

The Board of Directors and Management are dedicated to operating a sound and effective system of internal control and risk management to safeguard shareholders' investment and the Company's assets.

As part of its on-going effort, during the year, the Company continued to assess its internal control system taking reference from the internal control framework laid down by COSO (The Committee of Sponsoring Organisations of the Treadway Commission, 1994). Efforts were made to assess the Company's internal control system against five elements, namely control environment, risk assessment, control activities, communication and monitoring. In addition, the Company also carried out a high-level risk assessment review. Conducted in the form of a self-risk assessment completed by relevant department heads and supplemented by some high-level and independent risk control tests conducted by the Company's Internal Audit Department, the review covered the Company's operations in Hong Kong and associated key processes and sub-processes grouped under areas including strategic management, core business process and resources management.

Based on the results of the above assessment and review, the Board is satisfied that the internal control and risk management system of the Company is adequate and effective. The Company will continue to emphasize the need for good corporate governance and maintain an effective internal control and risk management system for the Company in the years to come.

## **PUBLICATION OF FINANCIAL INFORMATION**

The annual report of the Group for the year ended 31 December 2007 containing all the detailed information will be dispatched to shareholders and available at the Company's website [www.tradelink.com.hk](http://www.tradelink.com.hk) in April 2008.

## **ANNUAL GENERAL MEETING**

It is proposed that the Annual General Meeting of the Company be held on 9 May 2008. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

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

Hong Kong, 25 March 2008

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. LAU Kam Kuen, David  
Mr. LO Sze Wai, Albert  
Mr. YING Tze Man, Kenneth  
Mr. Lawrence WEBB

### **Executive Directors:**

Mr. YUE Kwok Hung, Justin  
Ms. NARDI Kar Wai, Agnes

### **Independent Non-executive Directors:**

Mr. CHUNG Wai Kwok, Jimmy  
Mr. HO Lap Kee, Sunny  
Dr. WONG Tin Yau, Kelvin  
Mr. YUEN Kam Ho, George