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TRADELINK ELECTRONIC COMMERCE LIMITED

貿易通電子貿易有限公司

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

(Stock Code: 536)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 43.43% EQUITY INTEREST IN DIGITAL TRADE AND TRANSPORTATION NETWORK LTD.

Financial adviser to Tradelink Electronic Commerce Limited



CIMB-GK Securities (HK) Limited

This announcement is made pursuant to Rule 14.36 of the Listing Rules. Reference is made to the announcement and the circular of the Company in relation to the proposed acquisition of 43.43% equity interest in DTTNCo and the announcement for the results of the January 2009 EGM dated 19 December 2008, 5 January 2009 and 21 January 2009 respectively.

It was disclosed in the Previous Announcement and Circular that the Previous Agreement had not yet been entered into between the Company and the Vendors and the Company would procure the Vendors to enter into the Previous Agreement within four weeks from the date of the January 2009 EGM. The Previous Agreement was duly approved by the Independent Shareholders at the January 2009 EGM. As stated in the Previous Announcement and Circular, the Directors considered that the terms of the proposed acquisition had been materially finalized at the time when the Previous Announcement and Circular were published. In case that there was any material change to the terms of the Previous Agreement approved by the Independent Shareholders at the January 2009 EGM, the Company would seek re-approval from the Independent Shareholders.

Subsequent to the January 2009 EGM and further negotiation between the Company and the Vendors on an arms length basis, the parties have finally agreed to effect the Acquisition at a revised consideration of HK\$0.388 per Sale Shares and to remove the option for payment by the Company by way of issue of consideration Shares. Save for

the change in consideration, all other principal terms of the Agreement are substantially the same as the Previous Agreement. As a result, on 18 February 2009, the Company entered into the Agreement with the Vendors, pursuant to which the Company will purchase, and the Vendors will sell their DTTN Shares at HK\$0.388 per Sale Share. Upon completion of the Agreement, DTTNCo will become a wholly owned subsidiary of the Company. With the revised consideration, the Company considers that it is appropriate to seek re-approval from the Independent Shareholders at the EGM.

General

Based on the relevant consideration of the Acquisition in the Agreement, the applicable percentage ratios defined in Rule 14.07 of the Listing Rules will exceed 5% but less than 25%, the Acquisition will be classified as a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is subject to the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules. As (1) one of the Vendors, the Financial Secretary Incorporated, is interested in 95,673,000 Shares, representing approximately 12.3% of the issued share capital of the Company and (2) another Vendor, HKGCC is a 11.09% shareholder in DTTNCo and hence both of them being connected persons of the Company, the Acquisition also constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules and is subject to Independent Shareholders' approval in the EGM.

The Vendors, including the Financial Secretary Incorporated and HKGCC, and their respective associates will abstain from voting at the EGM on all resolutions in respect of the Acquisition.

The Company has established the Independent Board Committee, comprising three independent non-executive Directors, being Mr Yuen Kam Ho, George, Mr Chung Wai Kwok, Jimmy and Mr Wu Wai Chung, Michael, to advise the Independent Shareholders in respect of the Acquisition. As Mr. Ho Lap Kee, Sunny, an independent non-executive Director, is a director of the Hong Kong Shippers' Council, a 0.24% shareholder of DTTNCo and one of the Vendors, he is excluded from the Independent Board Committee. Optima Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

A circular containing, amongst other things, (i) further information on the Acquisition, (ii) the respective letters of advice from the Independent Board Committee and from Optima Capital Limited, and (iii) a notice convening the EGM will be despatched to the Shareholders in accordance with the requirements of the Listing Rules as soon as practicable.

This announcement is made pursuant to Rule 14.36 of the Listing Rules. Reference is made to the announcement and the circular of the Company in relation to the proposed acquisition of 43.43% equity interest in DTTNCo and the announcement for the results of the EGM dated 19 December 2008, 5 January 2009 and 21 January 2009 respectively.

It was disclosed in the Previous Announcement and Circular that the Previous Agreement had not yet been entered into between the Company and the Vendors and the Company would procure the Vendors to enter into the Previous Agreement within four weeks from the date of the January 2009 EGM. Pursuant to the Previous Agreement, a total consideration of HK\$18,796,800, representing HK\$0.32 per Sale Share, if payment in cash for the Sale Shares is elected; or HK\$19,971,600, representing HK\$0.34 per Sale Share, if payment in Consideration Shares is elected. The Previous Agreement was duly approved by the Independent Shareholders at the January 2009 EGM. As stated in the Previous Announcement and Circular, the Directors considered that the terms of the proposed acquisition had been materially finalized at the time when the Previous Announcement and Circular were published. In case that there was any material change to the terms of the Previous Agreement approved by the Independent Shareholders at the January 2009 EGM, the Company would seek re-approval from the Independent Shareholders.

Subsequent to the January 2009 EGM and further negotiation between the Company and the Vendors on an arms length basis, the parties have finally agreed to effect the Acquisition at a revised consideration of HK\$0.388 per Sale Shares and to remove the option for payment by the Company by way of issue of consideration Shares. Save for the change in consideration, all other principal terms of the Agreement are substantially the same as the Previous Agreement. As a result, on 18 February 2009, the Company entered into the Agreement with the Vendors, pursuant to which the Company will purchase, and the Vendors will sell their DTTN Shares at HK\$0.388 per Sale Share. Upon completion of the Agreement, DTTNCo will become a wholly owned subsidiary of the Company. With the revised consideration, the Company considers that it is appropriate to seek re-approval from the Independent Shareholders at the EGM. The terms of the Agreement are summarized as follows:

THE AGREEMENT DATED 18 FEBRUARY 2009

The Parties

- (a) the Vendors
- (b) the Company as purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors (except for the Financial Secretary Incorporated and HKGCC) are third parties independent of the Company and connected persons of the Company.

Terms

Pursuant to the Agreement, the Vendors shall sell as beneficial owners of the Sale Shares, and the Company shall purchase the Sale Shares free from all liens, charges, encumbrances, equities and adverse interests and with all rights attached or accruing thereto at Completion (including the right to receive all dividends and other distributions declared, made or paid on or after Completion).

Consideration

A total consideration of HK\$22,791,120, representing HK\$0.388 per Sale Share.

The consideration shall be settled in cash and satisfied at Completion. The Group will use its internal resources to satisfy the consideration. The consideration has been determined after arm's length negotiation between the Directors and the Vendors, taking into consideration of the financial performance, business prospect of DTTNCo after the Acquisition and the unaudited net assets of DTTNCo of approximately HK\$42.5 million as at 31 October 2008.

Completion and conditions precedent

Completion is subject to the satisfaction of the below conditions:

- (i) the approval of the Independent Shareholders in respect of the purchase by the Company of the Sales Shares shall remain valid and not having been revoked;
- (ii) the receipt by the Company of the waiver of pre-emptive right by each of the Vendors in respect of the other Vendors' sale interest in DTTNCo;
- (iii) the termination of the Operating Agreement provided always no such termination shall come into effect unless and until Completion takes place;
- (iv) the execution by all the Vendors, the Company and DTTNCo of an instrument to terminate the Shareholders' Agreement and the relevant deeds of adherence whereby the parties, inter-alia, mutually waive the rights and discharge and release each other from further obligations and liabilities under the Shareholders' Agreement and the deeds of adherence provided always no such termination, waiver and release shall come into effect unless and until Completion takes place.

The Company may waive conditions (iii) and (iv) above at its discretion. The waiver provides the Company with the flexibility to complete the Acquisition in case due to technical constraint or other unforeseen cause, conditions (iii) and, or (iv) above could not be met and the Company considers such waiver will not change its commercial consideration of the Acquisition.

If the conditions specified above are not fulfilled or waived on or before 31 March 2009 (or such other date as may be specified by the Company in writing), the Agreement shall forthwith become null and void and cease to have any effect whatsoever and none of the parties thereto shall have any claims against the other parties thereto (whether singly or jointly) for costs, damages, compensations or otherwise (save for any antecedent breach).

INFORMATION ON THE COMPANY

The Company is principally engaged in the provision of trade-related electronic services for both Hong Kong and international business communities.

INFORMATION ON DTTNCO

DTTNCo was established in April 2004 as a result of a key initiative by the E-logistics Project Group of the Hong Kong Logistics Development Council to implement an electronic architecture in the form of a Digital Trade and Transportation Network (“DTTN”) in order to maintain and enhance Hong Kong’s position as the preferred international and regional transportation and logistics hub. The Company submitted a proposal at that time and on the recommendation of the Hong Kong Logistics Development Council, entered into discussion with the Government for the development and operation of the DTTN. The Operating Agreement was subsequently entered into between DTTNCo and the Government to define the service parameters, service levels, price model and implementation programme of the DTTN.

For the two years ended 31 December 2006 and 2007, DTTNCo recorded an audited net loss of approximately HK\$13.7 million and HK\$43.2 million respectively. The Directors believe that the dissatisfactory results of DTTNCo for the past two years were mainly due to the slower than expected rate of customers recruitment and activation, which was due to the constraints as imposed under the Operating Agreement which has limited the development potential of DTTN. For instance, under the Operating Agreement, DTTNCo’s operation is subject to a set of guiding principles which include the restrictions on DTTNCo on the provision of value-adding applications and the setting of a cap on the charges payable by users of the DTTN in the first five years and such charges can only be increased above this level in consultation with the Government.

During the past few years, DTTNCo has experienced customers who are reluctant and/or declining to sign up with DTTN due to the limited benefits they could achieve by just using DTTN for simple document exchanges and no value-adding applications can be provided by DTTN.

DTTNCo had audited net assets of approximately HK\$75.9 million as at 31 December 2007. As at 31 December 2008, DTTNCo had unaudited net assets of approximately HK\$38.2 million based on the unaudited management account prepared by DTTNCo. The net cash position of DTTNCo also decreased from approximately HK\$28.9 million as at 31 December 2007 to approximately HK\$ 7.1 million as at 31 December 2008 mainly as a result of operating losses incurred during the period. The Directors consider that if the loss making position of DTTNCo continues under its current mode of operation as restricted by the Operating Agreement, DTTNCo’s cash position will be used up and it will be difficult to maintain DTTNCo as a going concern without new capital injection by its shareholders.

Despite the difficulties faced by DTTNCo since its establishment, the Directors still consider that DTTN is a good business concept (which is also being recognized by its stakeholders) and has an important role to play in the long term development of the trade and logistics industry in Hong Kong. Hong Kong is one of the most important financial and trading hubs in the world. According to the figures published by the

Hong Kong Census and Statistics Department, total volume of Hong Kong's exports reached approximately HK\$2,842 billion in 2008. For the period between 2003 to 2008, the full year exports volume has been growing at a compound annual growth rate of approximately 10.1%. The Port Cargo Throughput statistics for the full year of 2006 and 2007, and 1st to 3rd quarter of 2007 and 2008 so far indicated a period-to-period increase of approximately 3.02% and approximately 9.79% respectively. The Directors believe that DTTN which offers a common e-platform to facilitate information flow along the supply chain in the trade and logistics industry would benefit from the continuous growth in the trade industry, hence increasing demand for the service of DTTN.

In addition, China market represents a new business opportunities to DTTNCo. China has become one of the most important trading partners of Hong Kong. With the ever increasing trading activities between China and Hong Kong and DTTNCo's ability to provide a common e-platform for electronic business adoption and to facilitate information flow along the supply chain in the trade and logistics industry especially by small and medium-sized enterprises, the Directors believe there are opportunities which DTTNCo can seek to exploit and DTTNCo would benefit from the continuous growth of the Hong Kong trade industry along side with their trading partners outside Hong Kong.

The Directors have therefore been considering different scenarios on how to help DTTNCo turnaround its loss making position to ensure its long term viability and success.

INFORMATION ON THE VENDORS

The Financial Secretary Incorporated is a corporation sole incorporated under the Financial Secretary Incorporation Ordinance, Cap 1015 of the laws of Hong Kong.

The Federation of Hong Kong Industries was established under the Federation of Hong Kong Industries Ordinance, Cap 321 of the laws of Hong Kong, to promote and foster the interests of Hong Kong's industrial and business communities and advise the government on policies and legislation which affect business.

The Hong Kong Association of Freight Forwarding and Logistics Ltd is a non-profit making organization founded in 1966 which promotes, protects and develops the carriage of goods, and the businesses of cargo forwarding agents and logistics service providers in particular.

The Hong Kong Shippers' Council is an independent organisation established in 1967 to protect and promote the interests of Hong Kong exporters and importers, traders and manufacturers in matters relating to the transportation of merchandise.

The Hong Kong General Chamber of Commerce is a self-funding, non-profit business organization founded in 1861 to watch over and protect the general interests of commerce, to collect information on all matters of interest to the mercantile community and to communicate with authorities and other thereupon.

The Indian Chamber of Commerce Hong Kong was established in 1952 to promote and protect the commerce of Hong Kong and South China, and to represent and express the views of the Indian community on matters of commercial interest in Hong Kong.

The Hong Kong Exporters' Association was established in 1955 to closely liaise with local and overseas trade associations to safeguard interests of Hong Kong's export trade and expand business opportunities for exporters.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in the provision of trade-related electronic services connecting the government and the business parties, whilst DTTNCo provides the platform for interconnection among the trade, logistics and finance industries. DTTNCo is currently owned as to 56.57% by the Company. Upon Completion, DTTNCo will become a wholly-owned subsidiary of the Company.

The Directors consider that the Acquisition serves as part of the Group's long-term business objective and has a strategic value to the Company. As mentioned in the 2008 interim report of the Company, the Company intended to make more significant progress with DTTNCo's development. The Directors believe that the Acquisition will allow the integration of the businesses of the Company and DTTNCo where improvement can be explored and synergies can be realized. Upon Completion, DTTNCo will become a wholly-owned subsidiary of the company. Cost synergy can be realized as DTTNCo can then be subsumed in the Company's operations where business and operational resources can be shared and costs can be saved. In addition, DTTNCo's business platform can be integrated with the service platform of the Company. Further, upon Completion, the Operating Agreement will be terminated thus removing the constraints on the operation of DTTNCo under the Operating Agreement. With these constraints removed, DTTNCo can bundle value-adding applications with its basic document exchange services, adding more values and benefits to its customers, whereby DTTNCo can better cater the customers' needs and is expected to enhance its commercial viability and to bring in more business opportunities in the future. The Acquisition also presents the Group with an alternative approach to build its own electronic platform to exploit the business potential of the logistics industry in the PRC and to participate in the e-commerce business in the PRC market.

As compared to the Previous Agreement, the consideration pursuant to the Agreement has removed the share alternative and the total consideration has increased from HK\$18,796,800, representing HK\$0.32 per Sale Share to HK\$22,791,120, representation HK\$0.388 per Sale Share. Under the revised structure, the total cash consideration is approximately HK\$3.99 million more than the total cash consideration based on a price per Sale Share of HK\$0.32 as proposed in the Previous Agreement which the Directors consider that the advantages of the transaction justify the increment. After taking into account of the above rationale for the Acquisition, the Directors consider that the revised consideration based on subsequent negotiation between the Company and the Vendors on an arms length basis to be fair and reasonable. The Company considers that it is in the best interest of the Company to proceed with the Acquisition as soon as possible so that the constraints on the

operation of DTTN can be released and the Company can utilise and leverage DTTNCo's existing infrastructure to exploit the PRC market as soon as practicable.

GENERAL

Based on the relevant consideration of the Acquisition in the Agreement, the applicable percentage ratios defined in Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the Acquisition will be classified as a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is subject to the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules. As (1) one of the Vendors, the Financial Secretary Incorporated, is interested in 95,673,000 Shares, representing approximately 12.29% of the issued share capital of the Company and (2) another Vendor, HKGCC is a 11.09% shareholder in DTTNCo and hence both of them being connected persons of the Company, the Acquisition constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules and is subject to Independent Shareholders' approval in the EGM.

The Vendors, including the Financial Secretary Incorporated and HKGCC, and their respective associates will abstain from voting at the EGM on all resolutions in respect of the Acquisition.

The Company has established the Independent Board Committee, comprising three independent non-executive Directors, being Mr Yuen Kam Ho, George, Mr Chung Wai Kwok, Jimmy and Mr Wu Wai Chung, Michael, to advise the Independent Shareholders in respect of the Acquisition. As Mr. Ho Lap Kee, Sunny, an independent non-executive Director, is a director of the Hong Kong Shippers' Council, a 0.24% shareholder of DTTNCo and one of the Vendors, he is excluded from the Independent Board Committee. Optima Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

A circular containing, amongst other things, (i) further information on the Acquisition, (ii) the respective letters of advice from the Independent Board Committee and from Optima Capital Limited, and (iii) a notice convening the EGM will be despatched to the Shareholders in accordance with the requirements of the Listing Rules as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the proposed acquisition of 43.43% equity interest in DTTNCo pursuant to the Agreement
“Agreement”	the sale and purchase agreement entered into by the Company and the Vendors on 18 February 2009, pursuant to which the Company shall purchase, and the Vendors shall sell the Sale Shares at a consideration of HK\$0.388 per Sale Share

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Business Day”	a day (other than Saturday, Sunday or gazetted public holiday and a day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are open for business in Hong Kong
“Company”	Tradelink Electronic Commerce Limited, a company incorporated in Hong Kong under the Companies Ordinance with limited liabilities and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Agreement
“Consideration Shares”	Shares to be issued by the Company in accordance with the Previous Agreement to satisfy part/all of the consideration for the purchase of the Sale Shares
“Director(s)”	the director(s) of the Company
“DTTN Shares”	ordinary share of HK\$1.00 each in the capital of DTTNCo
“DTTNCo”	Digital Trade and Transportation Network Ltd., a company incorporated in Hong Kong with limited liability
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought appropriate, to approve, among other matters (if any), the Agreement and all transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HKGCC”	Hong Kong General Chamber of Commerce
“Independent Board Committee”	the independent board committee, comprising three independent non-executive Directors, being Mr Yuen Kam Ho, George, Mr Chung Wai Kwok, Jimmy and Mr Wu Wai Chung, Michael, to advise the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than the Vendors and their respective associates
“January 2009 EGM”	the extraordinary general meeting of the Company held on 21 January 2009 for the approval of the Previous Agreement and the transactions contemplated thereunder

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operating Agreement”	the operating agreement of DTTNCo dated 31 August 2005 between DTTNCo and the Government of Hong Kong
“Previous Agreement”	the draft sale and purchase agreement in relation to the proposed acquisition of the Sale Shares, details of which was disclosed in the announcement and the circular of the Company dated 19 December 2008 and 5 January 2009 respectively
“Previous Announcement and Circular”	the announcement and circular of the Company respectively dated 19 December 2008 and 5 January 2009 in relation to the Previous Agreement
“Sale Shares”	58,740,000 shares of DTTNCo, representing 43.43% of the issued share capital of DTTNCo held by the Vendors
“Share(s)”	ordinary share(s) of nominal value of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement of DTTNCo dated 31 August 2005 between the Financial Secretary Incorporated, the Company and DTTNCo and as supplemented by the supplemental agreement dated 22 May 2006
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor(s)”	(i) the Financial Secretary Incorporated; (ii) the Federation of Hong Kong Industries; (iii) the Hong Kong Association of Freight Forwarding and Logistics Ltd; (iv) the Hong Kong Shippers’ Council; (v) the Hong Kong General Chamber of Commerce; (vi) the Indian Chamber of Commerce Hong Kong; and (vi) the Hong Kong Exporters’ Association
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

By the order of the Board
Tradelink Electronic Commerce Limited
YUE Kwok Hung
Executive Director & CEO

Hong Kong, 18 February 2009

As at the date of this announcement, the Board comprises (a) two executive Directors, namely Mr. YUE Kwok Hung, Justin and Ms. CHUNG Shun Kwan; (b) seven non-executive Directors, namely Dr. LEE Nai Shee, Harry, S.B.S., J.P. (Chairman), Mr. CHAK Hubert, Mr. LO Sze Wai, Albert, Mr. WEBB Lawrence, Mr. KIHM Lutz Hans Michael, Mr. IP Sing Chi and Ms. CHAN Wai Yan, Ann; and (c) four independent non-executive Directors, namely Mr. HO Lap Kee, Sunny, Mr. YUEN Kam Ho, George, Mr. CHUNG Wai Kwok, Jimmy and Mr. WU Wai Chung, Michael.