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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)*

**(“the Company”)**

**(Stock Code: 536)**

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012.

#### FINANCIAL HIGHLIGHTS

	<i>Note</i>	<b>Year ended 31 December 2012 (HK\$'000)</b>	<b>Year ended 31 December 2011 (HK\$'000)</b>
<b>Turnover</b>	3	<b>232,383</b>	206,176
<b>Profit from operations</b>		<b>91,792</b>	74,922
<b>Profit for the year</b>		<b>80,177</b>	70,065
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<b>80,262</b>	70,065
Non-controlling interest		<b>(85)</b>	–
<b>Total assets</b>		<b>615,973</b>	575,598
<b>Net assets</b>		<b>358,970</b>	340,806
<b>Dividend per share (HK cents)</b>	8		
Interim		<b>3.3</b>	2.8
Proposed final		<b>6.9</b>	6.1
<b>Earnings per share (HK cents)</b>	9		
Basic		<b>10.4</b>	9.1
Diluted		<b>10.2</b>	9.0
<b>Issued and fully paid ordinary shares (in'000)</b>			
As at 31 December		<b>783,588</b>	782,546
Weighted average number of ordinary shares (basic) outstanding as at 31 December		<b>765,247</b>	765,575

**CONSOLIDATED INCOME STATEMENT***For the year ended 31 December 2012*

	<i>Note</i>	<b>2012</b> <b>(HK\$'000)</b>	<b>2011</b> <b>(HK\$'000)</b>
<b>Turnover</b>	3	<b>232,383</b>	206,176
Interest income		<b>11,898</b>	8,302
Other net loss	5	–	(422)
Cost of purchases		<b>(19,965)</b>	(1,747)
Staff costs		<b>(89,847)</b>	(88,188)
Depreciation		<b>(9,959)</b>	(19,517)
Other operating expenses		<b>(32,718)</b>	(29,682)
<b>Profit from operations</b>		<b>91,792</b>	74,922
Share of results of associates		<b>2,973</b>	5,841
Share of result of jointly controlled entity		<b>(391)</b>	–
<b>Profit before taxation</b>	6	<b>94,374</b>	80,763
Taxation	7	<b>(14,197)</b>	(10,698)
<b>Profit for the year</b>		<b>80,177</b>	70,065
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>80,262</b>	70,065
Non-controlling interest		<b>(85)</b>	–
<b>Profit for the year</b>		<b>80,177</b>	70,065
<b>Earnings per share (HK cents)</b>	9		
Basic		<b>10.4</b>	9.1
Diluted		<b>10.2</b>	9.0

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 December 2012*

	2012 (HK\$'000)	2011 (HK\$'000)
<b>Profit for the year</b>	<b>80,177</b>	70,065
<b>Other comprehensive income for the year (after tax):</b>		
Exchange difference on translation of:		
– financial statements of overseas operations	(66)	4,080
– non-controlling interest	<u>4</u>	<u>–</u>
	<b>80,115</b>	74,145
Available-for-sale debt securities: net movement in fair value reserve	<u>11,928</u>	<u>(1,596)</u>
<b>Total comprehensive income for the year</b>	<b><u>92,043</u></b>	<b><u>72,549</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	92,124	72,549
Non-controlling interest	<u>(81)</u>	<u>–</u>
<b>Total comprehensive income for the year</b>	<b><u>92,043</u></b>	<b><u>72,549</u></b>

**CONSOLIDATED BALANCE SHEET***As at 31 December 2012*

	<i>Note</i>	2012 (HK\$'000)	2011 (HK\$'000)
<b>Non-current assets</b>			
Fixed assets		41,376	45,010
Goodwill		9,976	9,976
Interest in associates		100,010	97,975
Interest in jointly controlled entity	10	4,443	–
		<u>155,805</u>	<u>152,961</u>
<b>Current assets</b>			
Trade receivables	12	24,135	27,194
Other receivables and prepayments	13	43,547	21,832
Other financial assets	11	265,234	225,594
Deposits with bank		3,700	41,700
Cash and cash equivalents		123,552	106,317
		<u>460,168</u>	<u>422,637</u>
<b>Current liabilities</b>			
Trade creditors, accounts payable and other payables	14	247,931	224,512
Taxation		4,616	5,851
		<u>252,547</u>	<u>230,363</u>
<b>Net current assets</b>		<u>207,621</u>	<u>192,274</u>
<b>Total assets less current liabilities</b>		<u>363,426</u>	<u>345,235</u>
<b>Non-current liabilities</b>			
Provision for long service payments		2,923	2,727
Deferred taxation		1,533	1,702
		<u>4,456</u>	<u>4,429</u>
<b>NET ASSETS</b>		<u>358,970</u>	<u>340,806</u>
<b>Capital and Reserves</b>			
Share capital	15	156,718	156,509
Reserves		201,730	184,297
<b>Total equity attributable to equity shareholders of the Company</b>		<u>358,448</u>	<u>340,806</u>
Non-controlling interest		522	–
<b>TOTAL EQUITY</b>		<u>358,970</u>	<u>340,806</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2012*

	Attributable to equity shareholders of the Company										
	Note	Shares capital (HK\$'000)	Share premium (HK\$'000)	Share held for Share Award Scheme (HK\$'000)	Capital reserve (HK\$'000)	Exchange reserve (HK\$'000)	Fair value reserve (HK\$'000)	Retained profits (HK\$'000)	Total (HK\$'000)	Non- controlling interest (HK\$'000)	Total equity (HK\$'000)
<b>As at 1 January 2011</b>		155,721	118,217	(11,543)	5,440	3,249	(684)	65,881	336,281	-	336,281
<b>Changes in equity for 2011</b>											
Dividends approved in respect of the previous year		-	-	-	-	-	-	(49,184)	(49,184)	-	(49,184)
Issue of new shares	15	788	3,232	-	(251)	-	-	-	3,769	-	3,769
Equity-settled share-based transactions		-	-	-	724	-	-	-	724	-	724
Changes in shares held for share award scheme		-	-	(1,794)	-	-	-	-	(1,794)	-	(1,794)
Vesting of awarded shares		-	-	951	(579)	-	-	-	372	-	372
Lapse of share options		-	-	-	(792)	-	-	792	-	-	-
Total comprehensive income for the year		-	-	-	-	4,080	(1,596)	70,065	72,549	-	72,549
Dividends declared in respect of the current year	8	-	-	-	-	-	-	(21,911)	(21,911)	-	(21,911)
<b>As at 31 December 2011 and 1 January 2012</b>		<b>156,509</b>	<b>121,449</b>	<b>(12,386)</b>	<b>4,542</b>	<b>7,329</b>	<b>(2,280)</b>	<b>65,643</b>	<b>340,806</b>	<b>-</b>	<b>340,806</b>
<b>Changes in equity for 2012</b>											
Dividends approved in respect of the previous year		-	-	-	-	-	-	(47,745)	(47,745)	-	(47,745)
Issue of new shares	15	209	945	-	(108)	-	-	-	1,046	-	1,046
Equity-settled share-based transactions		-	-	-	689	-	-	-	689	-	689
Changes in shares held for share award scheme		-	-	(3,696)	-	-	-	-	(3,696)	-	(3,696)
Vesting of awarded shares		-	-	1,051	(70)	-	-	102	1,083	-	1,083
Lapse of share options		-	-	-	(214)	-	-	214	-	-	-
Equity contribution from non-controlling interest		-	-	-	-	-	-	-	-	603	603
Profit for the year		-	-	-	-	-	-	80,262	80,262	(85)	80,177
Other comprehensive income for the year		-	-	-	-	(66)	11,928	-	11,862	4	11,866
Total comprehensive income for the year		-	-	-	-	(66)	11,928	80,262	92,124	(81)	92,043
Dividends declared in respect of the current year		-	-	-	-	-	-	(25,859)	(25,859)	-	(25,859)
<b>As at 31 December 2012</b>		<b>156,718</b>	<b>122,394</b>	<b>(15,031)</b>	<b>4,839</b>	<b>7,263</b>	<b>9,648</b>	<b>72,617</b>	<b>358,448</b>	<b>522</b>	<b>358,970</b>

*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. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements for the year ended 31 December 2012, comprise the Group and the Group’s interest in associates and a jointly controlled entity.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for available-for-sale debt securities, which are stated at their fair value (*Note 11*).

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.

## **2. CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group’s financial statements.

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

## **3. TURNOVER**

The principal business of the Group 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 disclosed in *Note 4*.

#### 4. SEGMENT REPORTING

Starting from this year, the Board of Directors 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.

Digital Trade and Transportation Network ("DTTN") 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 and 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 sales generated and the expenses incurred by those segments. The measure used for reporting segment results is profit before interest, taxation and depreciation.

Information regarding the Group's reportable segments results as provided to the Board of Directors for the years ended 31 December 2012 and 2011 is set out below.

	31 December 2012				
	E-commerce		Security solutions (HK\$'000)	Other services (HK\$'000)	Total (HK\$'000)
	GETS (HK\$'000)	DTTN services (HK\$'000)			
Turnover from external customers	169,607	6,553	37,066	19,157	232,383
Inter-segment turnover	–	2,130	6,264	11,059	19,453
<b>Reportable segment turnover</b>	<b>169,607</b>	<b>8,683</b>	<b>43,330</b>	<b>30,216</b>	<b>251,836</b>
Elimination of inter-segment turnover					(19,453)
<b>Consolidated turnover</b>					<b>232,383</b>
<b>Reportable segment profit</b>	<b>52,830</b>	<b>5,985</b>	<b>13,631</b>	<b>17,275</b>	<b>89,721</b>
Interest income					11,898
Depreciation					(9,959)
Share of results of associates					2,973
Share of result of jointly controlled entity					(391)
Unallocated corporate income					132
<b>Consolidated profit before taxation</b>					<b>94,374</b>

31 December 2011

	E-commerce		Security solutions (HK\$'000)	Other services (HK\$'000)	Total (HK\$'000)
	GETS (HK\$'000)	DTTN services (HK\$'000)			
Turnover from external customers	171,855	8,978	9,199	16,144	206,176
Inter-segment turnover	–	2,985	6,270	5,061	14,316
<b>Reportable segment turnover</b>	171,855	11,963	15,469	21,205	220,492
Elimination of inter-segment turnover					(14,316)
<b>Consolidated turnover</b>					<u>206,176</u>
<b>Reportable segment profit</b>	58,069	8,851	5,355	14,540	86,815
Interest income					8,302
Net loss on disposal of available-for-sale debt securities					(422)
Depreciation					(19,517)
Share of results of associates					5,841
Unallocated corporate expenses					(256)
<b>Consolidated profit before taxation</b>					<u>80,763</u>

### Geographical information

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

### 5. OTHER NET LOSS

	2012 (HK\$'000)	2011 (HK\$'000)
Net loss on disposal of available-for-sale debt securities	–	(422)

## 6. PROFIT BEFORE TAXATION

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

	2012 (HK\$'000)	2011 (HK\$'000)
<b>Staff costs:</b>		
Contributions to defined contribution retirement plan	2,330	2,196
Equity-settled share-based payment expenses		
– share option schemes	–	20
– share award scheme	689	704
Salaries, wages and other benefits	<u>86,828</u>	<u>85,268</u>
	<u>89,847</u>	<u>88,188</u>
<b>Other items:</b>		
Auditors' remuneration	865	792
Depreciation		
– assets held for use under finance lease	143	143
– other assets	9,816	19,374
Operating lease charges in respect of properties	1,383	1,398
Net foreign exchange (gain)/loss	(155)	272
Loss/(gain) on disposals of fixed assets	<u>25</u>	<u>(18)</u>

## 7. TAXATION

	2012 (HK\$'000)	2011 (HK\$'000)
Provision for Hong Kong Profits Tax for the year	14,100	12,651
Provision for overseas tax for the year	295	103
Over-provision in respect of prior years	(29)	(4)
Deferred taxation	<u>(169)</u>	<u>(2,052)</u>
	<u>14,197</u>	<u>10,698</u>

The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

## 8. DIVIDENDS

	2012 (HK\$'000)	2011 (HK\$'000)
Interim	25,859	21,911
Proposed final	<u>54,068</u>	<u>47,735</u>
	<u>79,927</u>	<u>69,646</u>

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

## 9. 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\$80,262,000 (2011: HK\$70,065,000) and the weighted average number of 765,247,000 ordinary shares (2011: 765,575,000 shares) in issue during the year less shares held for share award scheme.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$80,262,000 (2011: HK\$70,065,000) and the weighted average number of ordinary shares of 783,448,000 shares (2011: 781,419,000 shares) after adjusting for the effect of the potential dilution from ordinary shares issuable under the Company's share option schemes and share award scheme.

## 10. INTEREST IN JOINTLY CONTROLLED ENTITY

In September 2012, the Group subscribed for a 49% equity interest in 北京工聯環球科技有限公司 ("T-Link") for a cash consideration of RMB3,920,000. The relevant amount was fully paid up during the year. It has an operation period of 20 years and is engaged in e-commerce services.

## 11. OTHER FINANCIAL ASSETS

	2012 (HK\$'000)	2011 (HK\$'000)
<b>Current</b>		
Available-for-sale debt securities at fair value		
– unlisted	1,531	1,539
– listed in Hong Kong	117,870	109,621
– listed outside Hong Kong	145,833	114,434
	<u>265,234</u>	<u>225,594</u>

As at 31 December 2012, the Group held corporate bonds and designated the instruments as available-for-sale debt securities with fair value changes recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. The debt securities are issued by corporate entities with credit rating ranging from AA- to BBB-.

## 12. TRADE RECEIVABLES

Credit terms granted by the Company to customers generally range from one week 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:

	<b>2012</b> <i>(HK\$'000)</i>	2011 <i>(HK\$'000)</i>
Less than 1 month	<b>18,499</b>	24,482
1 to 3 months	<b>2,721</b>	2,439
3 to 12 months	<b>448</b>	273
Over 12 months	<b>2,467</b>	–
	<b>24,135</b>	27,194

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

The ageing analysis of trade receivables that are past due but neither individually nor collectively considered as impaired are as follows:

	<b>2012</b> <i>(HK\$'000)</i>	2011 <i>(HK\$'000)</i>
Neither past due nor impaired	<b>19,528</b>	22,003
Less than 1 month past due	<b>2,699</b>	3,074
1 to 3 months past due	<b>1,518</b>	1,847
Over 3 months past due	<b>390</b>	270
	<b>4,607</b>	5,191
	<b>24,135</b>	27,194

Receivables that were neither past due nor impaired relate to a wide range of customers for which there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 13. OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2012, included in the balance of HK\$43,547,000 are security tokens of HK\$14,793,000 purchased in respect of security solution service to a local financial institution.

#### 14. TRADE CREDITORS, ACCOUNTS PAYABLE AND OTHER PAYABLES

	2012 (HK\$'000)	2011 (HK\$'000)
Trade creditors (due on demand or within 1 month)	11,672	15,784
Customer deposits received	164,410	167,215
Accrued charges and other payables	71,849	41,513
	<u>247,931</u>	<u>224,512</u>

Customer deposits received are refundable on demand.

#### 15. SHARE CAPITAL

	2012		2011	
	Number of shares (in'000)	Amounts (HK\$'000)	Number of shares (in'000)	Amounts (HK\$'000)
<b>Authorised:</b>				
Ordinary shares of HK\$0.20 (2011: HK\$0.20) each	<u>1,250,000</u>	<u>250,000</u>	<u>1,250,000</u>	<u>250,000</u>
<b>Ordinary shares, issued and fully paid:</b>				
As at 1 January	782,546	156,509	778,606	155,721
Shares issued under share option schemes	<u>1,042</u>	<u>209</u>	<u>3,940</u>	<u>788</u>
As at 31 December	<u>783,588</u>	<u>156,718</u>	<u>782,546</u>	<u>156,509</u>

#### 16. SHARES HELD FOR SHARE AWARD SCHEME

On 16 March 2009, the Board adopted a Share Award Scheme (“the Scheme”) as a means of rewarding and retaining employees at the grade of assistant manager or above within the Group.

The shares awarded under the Scheme are acquired from the open market. The net consideration paid, including any directly attributable incremental costs, is presented as “Shares held for Share Award Scheme” and deducted from total equity.

During the year, the Company acquired, through the Trustee, a total of 4,200,000 (2011: 2,198,000) ordinary shares of the Company from the open market at a total cash consideration of approximately HK\$4,552,000 (2011: HK\$2,601,000) including transaction costs.

## MANAGEMENT DISCUSSION AND ANALYSIS

### General

As expected, the economic climate in Hong Kong's major markets remained weak during 2012. This, plus intense competition, continued to depress margins for our core GETS business. Our DTTN and China activities were similarly affected. With growth slowing in China, the sentiment for investing in expansion, particularly in new technology, weakened and delayed our effort to close any of the projects under negotiation. It also de-railed our plan to extend the deployment of DTTN Gateways in that market. As well, profit contributions from our PRC associates fell by over 50%. Fortunately, revenue from our new ROCARS service, launched in November 2011, and our new security solutions business, which was rolled out in earnest during the second half of 2012, more than made up the shortfall and total revenue improved in excess of 12%.

In addition to falling revenue from key sources, we also faced heavy cost pressures. While staff costs rose only by a modest 2%, other operational costs rose by nearly 20% year-on-year, due mainly to new activities, particularly the banking security tokens business and the Police Smart Warrant Card System. Net of these, our operational costs grew by about 4% despite major efforts to address costs, including bringing staff numbers down, by about 9% from 281 in 2011 to 256 at the end of 2012, closing down our Beijing Office and two of our three Service Centers.

Total costs dropped, however, by 4% because of lower depreciation charges, which fell by HK\$9.5 million since the DTTN computer platform became fully depreciated during the fourth quarter of 2011. As a result, the Group's profits for the year rose 14.6% to HK\$80.3 million.

The 2012 results show the first fruits of our effort at diversification: both revenue and profits recorded double digit growth despite the decline in GETS revenue, the drastic decline in returns from our PRC activities and rising costs. While it is satisfying, we are not content and will re-double our effort to seek further growth.

The search for growth will follow an overall strategy of expanding our product offerings, preferably away from the Hong Kong trade sector to further reduce reliance on our traditional GETS franchise for operational success. The focus will be on new recurrent business based on our core competencies and domain knowledge.

Our new ROCARS service and our security solutions business are examples. They both devolved from expertise gained from traditional activities, leverage heavily on our domain knowledge and are recurrent in nature. The security solutions business is critical to this strategy. As it is totally divorced from the trade sector, it improves our resilience to the vagaries of Hong Kong's external trade sector, a sector upon which our GETS franchise is totally dependent but where we have absolutely no ability to influence. For this reason, we will be devoting additional resources to consolidate and further grow this business. In addition, resources will be devoted to widening the DTTN net, in terms of both its operational and geographical catchment, to ensure that the current growth trend is sustained.

In terms of operational catchment, we will go up stream in the Supply Chain to entrench DTTN functionalities. The Community Platform being built in partnership with Global Logistics System (HK) Company Limited (“GLSHK”) and the mobile Order Management and Freight Forwarder Invoice applications being completed for our Tradelink Box utility will further improve our service offerings. While the mobile Order Management application has been on trial for some months now, the Community Platform will only be launched at the end of the first quarter this year and the Freight Forwarder Invoice application early in the second half of 2013. As transactions mature, we expect strong revenue contributions from these sources.

Expanding our geographical catchment obviously involves China. We will work with, rather than against, domestic PRC players to avoid competing head to head with them. Our primary strategy is to graft our international network and connectivities to platforms owned/developed by strategic partners, leaving them to market and operate their systems domestically while we look after the international aspects of their systems. The first such platform, in conjunction with U-Link an associate where we have a 20% stake, should be rolled out in the second quarter of this year. In addition, five other projects under negotiation in different key areas in the China market will help to resuscitate our effort to deploy DTTN networks there.

The medium term goal is to develop a third source of recurrent revenue for the Group from our DTTN base. This, together with our core GETS services and the security solutions business, should in future provide three distinct sources of recurrent revenue for the Group. The aim is to achieve roughly equal revenue contributions from each of these sources over time. As long as we can successfully protect our GETS franchise, this strategy should eventually result in our gross revenue and profits doubling. We are confident of success in this.

Thus, the Group’s prospects look extremely promising as we reach a major milestone in our Group’s history, our Silver Jubilee year.

## **Business Review**

### *(i) Tradelink/DTTN*

As mentioned above, our core business of providing front-end GETS remained under pressure from the weak economic sentiment in Hong Kong’s major markets and intense competition, with margins being squeezed. Despite a 1.7% recovery in the overall GETS market, turnover of our GETS services declined by 1.3% year-on-year. At the same time, income from operating the ROCARS Call Service on behalf of the Customs & Excise Department fell dramatically as the industry became familiar with the requirements. This shortfall was, however, adequately covered by revenue from our ROCARS services.

Although the weak sentiments in the China market also affected our DTTN activities, particularly our ability to deploy additional DTTN gateways in that market, DTTN development work continued during 2012. The successful paperless e-freight pilot in collaboration with Cathay Pacific Airways and GLSHK in 2011 led to a project with GLSHK to jointly develop a “Community Platform” for connecting our predominantly shipper clients with their air forwarders and the forwarders with their carriers. When the platform is completed at the end of the first quarter of 2013, our clients will be able to dispense with all paper documents when connecting with their forwarders through

the platform, improving efficiencies and saving costs whilst paving the way for the introduction of e-freight in Hong Kong.

Work on the Tradelink Box also progressed, with our web-form clients commencing migration to it towards the end of 2012. Since then, all new clients are serviced via the Tradelink Box. New applications developed included a mobile Order Management System and a Warehouse Management System. In addition, the Freight Forwarder module is being augmented with a Freight Forwarder Invoice application to help shippers manage settlement of their freight charges.

(ii) *Digi-Sign*

Digi-Sign's new security solutions business blossomed during the year, with about ten banks currently using its services. After lengthy delay, delivery of security tokens for our major bank client commenced in the second half of 2012, with about half of the contract performed by the end of the year. Similarly, work on the Hong Kong Police Smart Warrant Card System commenced during the second half of the year, with Phase 1 completed by the year-end. Even with only partial completion of these two major projects, revenue grew about four-fold during the year. Digi-Sign now accounts for about 16% of the Group's revenue.

(iii) *China*

Our China activities suffered the most during 2012: we were unable to close any of the projects under negotiation and returns from our PRC associates dropped by over 50%. In addition, our associate, 江蘇世成網絡科技有限公司 ("SCNT"), failed to take off and is now in the process of being re-launched. Another associate, U-Link, is, however, completing its initial build-up and should be launching its 4PL Matching platform in the second quarter of 2013. It expects to become profitable in 2013.

## **Financial Review**

The Group's turnover for the year rose 12.7%, from HK\$206.2 million in 2011 to HK\$232.4 million in 2012. Despite a 1.7% increase in the size of the overall GETS market, turnover of our GETS services declined by 1.3% year-on-year as a result of intense competition. The increase in 2012 revenue thus came mainly from the fulfillment of approximately half of the security token services contract for a local bank and the completion of Phase I of the Police Smart Warrant Card System.

The Group's operating costs before depreciation charges increased substantially, from HK\$119.6 million in 2011 to HK\$142.5 million in 2012, due mainly to the cost of tokens for the security tokens contract and the system hardware, smart cards and accessories for the Hong Kong Police project. These amounted to HK\$20 million in 2012, a significant increase over the HK\$1.7 million recorded in 2011 under this head. Net of this, operating costs increased by 4%, from HK\$117.9 million in 2011 to HK\$122.6 million, last year. During the year, depreciation charges at HK\$10 million, was lower than 2011 by HK\$9.5 million as the DTTN computer platform was fully depreciated in the fourth quarter of 2011. As a result, the Group's profit from operations for 2012 increased 22.6% to HK\$91.8 million, compared to the HK\$74.9 million recorded for 2011.

With the performance of the Group's PRC associates and jointly controlled entity slipping, from HK\$5.8 million in 2011 to HK\$2.6 million in 2012, the profit for 2012 came to HK\$80.2 million, a 14.4% increase over the HK\$70.1 million achieved in 2011. After adjusting the results shared from non-controlling interests, profit attributable to equity shareholders for 2012 was HK\$80.3 million, a growth of 14.6% over 2011. Basic earnings per share for 2012 came to HK 10.4 cents, up 14.3% from HK 9.1 cents in 2011.

### **Liquidity and Financial Position**

As at 31 December 2012, the Group had total cash and bank deposits of HK\$127.3 million (31 December 2011: HK\$148.0 million). The decline in our cash balance mainly reflected an increase in our investments in corporate bonds, treated as available-for-sale securities, from HK\$225.6 million in 2011 to HK\$265.2 million. Total assets and net assets of the Group as at 31 December 2012 amounted to HK\$616.0 million (2011: HK\$575.6 million) and HK\$359.0 million (2011: HK\$340.8 million) respectively.

As at 31 December 2012, the Group had no borrowings (2011: Nil).

### **Capital and Reserves**

As at the end of 2012, the capital and reserves attributable to shareholders stood at HK\$358.4 million, an increase of HK\$17.6 million over 2011.

### **Charges on Assets and Contingent Liabilities**

As at 31 December 2012, the Group had two bank guarantees and one performance bond issued to the Government for the due performance of the following contracts:

- (i) A bank guarantee of HK\$2.1 million for our GETS II Contract, which runs from 1 January 2010 to 31 December 2016;
- (ii) A performance bond of HK\$0.6 million for the ROCARS Contract, which runs for 5 years from production roll-out in January 2010; and
- (iii) A bank guarantee of HK\$0.4 million for the Hong Kong Police Smart Warrant Card System, which will remain extant for 10 years commencing from production roll-out at the end of 2012.

The above are secured by charges over our deposits.

The Group also provided a bank guarantee of HK\$1.2 million for a revolving credit facility granted to Telstra Technology Services (Hong Kong) Limited, an associate. The guarantee is a continuing one and may not be released or discharged until the expiration of six months after payment, discharge or satisfaction in full of the guaranteed liability.

Other than the foregoing, the Group had no other charges on its assets.

## **Capital Commitments**

Capital commitments outstanding as at end 2012 not provided for in the financial statements amounted to HK\$1.5 million (2011: HK\$0.5 million), mainly in respect of hardware and software for our computer platforms and office premises improvements.

In 2011, the Group entered into an agreement with strategic business partners to subscribe for a 24.5% equity interest in SCNT for a cash consideration of RMB2.45 million. Half was invested in 2012. Outstanding commitment as at 31 December 2012 in respect of the capital investment in SCNT not provided in the financial statements amounted to RMB1.225 million.

## **Exposure to Fluctuation in Exchange Rates and Related Hedges**

As at 31 December 2012, other than its investments in the PRC incorporated entities and Renminbi-denominated debt securities, the Group had no foreign exchange exposure or related hedges.

## **Audit Committee**

The Audit Committee has reviewed the Group's accounting policies and the financial statements for the year ended 31 December 2012. It also had independent discussions with the internal auditor and the external auditor, KPMG, without the presence of the management team.

## **Corporate Review**

### *(i) Employees and Remuneration Policy*

As at 31 December 2012, the Group employed 256 staff (2011: 281), of which 219 work in Hong Kong and 37 in Guangzhou. The related staff costs for the year came to HK\$89.8 million (2011: HK\$88.2 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 performance, the Group has a discretionary performance bonus scheme, the mechanics of which were revised during 2012 to better drive and reward growth.

The Company operates two share option schemes and a share award scheme to reward performance of assistant managers and above. Since implementation of the share award scheme in 2009, no additional options have been granted, although earlier options remain valid.

### *(ii) Corporate Developments*

Our "China-Hong Kong Cross Border Co-operation on Electronic Cargo Manifest" joint project with our associate, Guangdong Nanfang Hai'an Science & Technology Service Co Ltd, won the Best Collaboration (Service) Gold Award at the Hong Kong ICT Award 2012. In awarding us the Gold Award, the judges acknowledged the innovativeness of the project and the contribution it made to enhancing HK's overall competitiveness.

Tradelink also won a Gold Award at this year's Mystery Caller Assessment Award organized by the Hong Kong Call Center Association, the first year we have participated in the event. Our Call Center was also awarded a Service Quality Management Certification by the Hong Kong Quality Assurance Agency.

With concerted effort at staff relations and charitable work, we successfully applied to the HK Council of Social Service to be a "Caring Company" and became entitled to use the logo as from 1 March 2013.

## **Dividend**

The Board has recommended a final 2012 dividend of HK 6.9 cents per share (2011: HK 6.1 cents per share) for the approval of shareholders at the coming annual general meeting. This will be paid, on or about 27 May 2013, to shareholders whose names appear on the Register of Members of the Company on 16 May 2013. This, plus the interim dividend of HK 3.3 cents (2011: HK 2.8 cents) paid on 10 October 2012, roughly represents 100% of the Group's profit attributable to shareholders for 2012.

The Board would like to remind shareholders of the Company's dividend policy enunciated at the time of our IPO in 2005, which is that the Company will pay not less than 60% of its distributable profit as dividend. The fact that the Company has paid out 100% of its distributable profit for the past seven years does not mean that the policy has changed.

## **Closure of Register of Members**

The Register of Members will be closed from 7 to 9 May 2013, both days inclusive, during which period no transfer of shares will be registered to determine the shareholders entitled to attend and vote at the Annual General Meeting to be held on 10 May 2013. All transfer of shares accompanied by share certificates and transfer forms must be lodged with the Company's registrar, Computershare Hong Kong Investors Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 6 May 2013.

The Register of Members will also be closed from 16 to 20 May 2013, 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 forms must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 pm on 15 May 2013.

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

During the year, except for shares purchased under the Share Award Scheme mentioned in *Note 16* above, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to govern Directors' dealings in the Company's securities. Having made specific enquiry, all Directors have confirmed compliance with the Model Code during 2012.

## **Compliance with the Code on Corporate Governance Practices**

The Company is committed to a high standard of corporate governance and every effort is made to ensure full compliance with the prevailing Code on Corporate Governance Practices. In this regard, the Company confirms that it has been in full compliance with the Code's provisions during 2012.

## **Publication of Financial Information**

The annual report of the Group for the year ended 31 December 2012 containing all the detailed information will be dispatched to shareholders and will be available at the Company's website ([www.tradelink.com.hk](http://www.tradelink.com.hk)) and the website of the Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) in April 2013.

## **Annual General Meeting**

It is proposed that the Annual General Meeting of the Company be held on 10 May 2013. 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**  
**Dr. LEE Nai Shee, Harry, S.B.S., J.P.**  
*Chairman*

Hong Kong, 26 March 2013

As at the date of this announcement, the Board of Directors of the Company comprises Non-executive Directors: Dr. LEE Nai Shee, Harry, S.B.S., J.P. (Chairman), Dr. LEE Delman, Mr. KIHM Lutz Hans Michael and Mr. YING Tze Man, Kenneth; Executive Directors: Mr. WU Wai Chung, Michael, Mr. CHENG Chun Chung, Andrew and Ms. CHUNG Shun Kwan, Emily; and Independent Non-executive Directors: Mr. CHAK Hubert, Mr. CHAU Tak Hay, Mr. CHUNG Wai Kwok, Jimmy, Mr. HO Lap Kee, Sunny, J.P. and Mr. TSE Kam Keung.