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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board of Directors (the “Board”) of Tradelink Electronic Commerce Limited (“Tradelink” or the “Company”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Six months ended 30 June	
		2013 (HK\$'000)	2012 (HK\$'000)
Turnover	3	111,779	102,854
Interest income		5,353	6,059
Other net income	5	10,259	–
Cost of purchases		(10,438)	(2,936)
Staff costs	6	(45,327)	(43,301)
Depreciation		(5,144)	(4,914)
Other operating expenses		(15,156)	(17,939)
Profit from operations		51,326	39,823
Share of results of associates		(2,536)	26
Share of result of joint venture		(1,569)	–
Profit before taxation	6	47,221	39,849
Taxation	7	(5,774)	(6,116)
Profit for the period		41,447	33,733

CONSOLIDATED INCOME STATEMENT (UNAUDITED) (CONTINUED)

		Six months ended 30 June	
	<i>Note</i>	2013	2012
		(HK\$'000)	(HK\$'000)
<hr/>			
Attributable to:			
Equity shareholders of the Company		41,493	33,733
Non-controlling interest		(46)	–
		<hr/>	<hr/>
Profit for the period		41,447	33,733
		<hr/>	<hr/>
Earnings per share (HK cents)			
	9		
Basic		5.41	4.40
Diluted		5.27	4.31
		<hr/>	<hr/>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended 30 June	
	2013	2012
	(HK\$'000)	(HK\$'000)
Profit for the period	41,447	33,733
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of:		
– financial statements of overseas operations	1,846	(601)
– non-controlling interest	10	–
Available-for-sale debt securities: net movement in fair value reserve	(9,085)	6,283
Total comprehensive income for the period	34,218	39,415
Attributable to:		
Equity shareholders of the Company	34,254	39,415
Non-controlling interest	(36)	–
Total comprehensive income for the period	34,218	39,415

CONSOLIDATED BALANCE SHEET (UNAUDITED)

		As at 30 June 2013 Unaudited (HK\$'000)	As at 31 December 2012 Audited (HK\$'000)
	<i>Note</i>		
Non-current assets			
Fixed assets		40,255	41,376
Goodwill		9,976	9,976
Interest in associates	10	94,120	100,010
Interest in joint venture	11	2,953	4,443
		147,304	155,805
Current assets			
Trade receivables	12	25,381	24,135
Other receivables and prepayments	13	39,430	43,547
Other financial assets	14	224,611	265,234
Deposits with bank		3,714	3,700
Cash and cash equivalents		155,326	123,552
		448,462	460,168
Current liabilities			
Trade creditors, accounts payable and other payables	15	240,902	247,931
Taxation		7,331	4,616
		248,233	252,547
Net current assets		200,229	207,621
Total assets less current liabilities		347,533	363,426

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)

	<i>Note</i>	As at 30 June 2013 Unaudited <i>(HK\$'000)</i>	As at 31 December 2012 Audited <i>(HK\$'000)</i>
Non-current liabilities			
Provision for long service payments		2,968	2,923
Deferred taxation		1,432	1,533
		4,400	4,456
NET ASSETS		343,133	358,970
Capital and reserves			
Share capital	16	157,536	156,718
Reserves		185,111	201,730
Total equity attributable to equity shareholders of the Company		342,647	358,448
Non-controlling interest		486	522
TOTAL EQUITY		343,133	358,970

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity shareholders of the Company										
	Note	Share capital (HK\$'000)	Share premium (HK\$'000)	Shares 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)
As at 1 January 2012		156,509	121,449	(12,386)	4,542	7,329	(2,280)	65,643	340,806	–	340,806
Changes in equity for the six months ended 30 June 2012:											
Dividends approved in respect of the previous year		–	–	–	–	–	–	(47,745)	(47,745)	–	(47,745)
Issue of new shares		33	138	–	(11)	–	–	–	160	–	160
Equity-settled share-based transactions		–	–	–	306	–	–	–	306	–	306
Changes in shares held for share award scheme		–	–	(4,079)	–	–	–	–	(4,079)	–	(4,079)
Vesting of awarded shares		–	–	971	(51)	–	–	92	1,012	–	1,012
Lapse of share options		–	–	–	(41)	–	–	41	–	–	–
Equity contribution from non-controlling interest		–	–	–	–	–	–	–	–	603	603
Profit for the period		–	–	–	–	–	–	33,733	33,733	–	33,733
Other comprehensive income for the period		–	–	–	–	(601)	6,283	–	5,682	–	5,682
Total comprehensive income for the period		–	–	–	–	(601)	6,283	33,733	39,415	–	39,415
As at 30 June 2012 and 1 July 2012		156,542	121,587	(15,494)	4,745	6,728	4,003	51,764	329,875	603	330,478
Changes in equity for the six months ended 31 December 2012:											
Dividend declared in respect of the current year	8	–	–	–	–	–	–	(25,859)	(25,859)	–	(25,859)
Issue of new shares		176	807	–	(97)	–	–	–	886	–	886
Equity-settled share-based transactions		–	–	–	383	–	–	–	383	–	383
Changes in shares held for share award scheme		–	–	383	–	–	–	–	383	–	383
Vesting of awarded shares		–	–	80	(19)	–	–	10	71	–	71
Lapse of share options		–	–	–	(173)	–	–	173	–	–	–
Profit for the period		–	–	–	–	–	–	46,529	46,529	(85)	46,444
Other comprehensive income for the period		–	–	–	–	535	5,645	–	6,180	4	6,184
Total comprehensive income for the period		–	–	–	–	535	5,645	46,529	52,709	(81)	52,628
As at 31 December 2012		156,718	122,394	(15,031)	4,839	7,263	9,648	72,617	358,448	522	358,970

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)

	Attributable to equity shareholders of the Company									
	Share capital <i>(HK\$'000)</i>	Share premium <i>(HK\$'000)</i>	Shares held for share award scheme <i>(HK\$'000)</i>	Capital reserve <i>(HK\$'000)</i>	Exchange reserve <i>(HK\$'000)</i>	Fair value reserve <i>(HK\$'000)</i>	Retained profits <i>(HK\$'000)</i>	Total <i>(HK\$'000)</i>	Non- controlling interest <i>(HK\$'000)</i>	Total equity <i>(HK\$'000)</i>
As at 1 January 2013	156,718	122,394	(15,031)	4,839	7,263	9,648	72,617	358,448	522	358,970
Changes in equity for the six months ended 30 June 2013:										
Dividends approved in respect of the previous year	-	-	-	-	-	-	(54,328)	(54,328)	-	(54,328)
Issue of new shares	818	5,009	-	(1,082)	-	-	-	4,745	-	4,745
Equity-settled share-based transactions	-	-	-	1,183	-	-	-	1,183	-	1,183
Changes in shares held for share award scheme	-	-	(3,258)	-	-	-	-	(3,258)	-	(3,258)
Vesting of awarded shares	-	-	2,150	(502)	-	-	(45)	1,603	-	1,603
Lapse of share options	-	-	-	(58)	-	-	58	-	-	-
Profit for the period	-	-	-	-	-	-	41,493	41,493	(46)	41,447
Other comprehensive income for the period	-	-	-	-	1,846	(9,085)	-	(7,239)	10	(7,229)
Total comprehensive income for the period	-	-	-	-	1,846	(9,085)	41,493	34,254	(36)	34,218
As at 30 June 2013	<u>157,536</u>	<u>127,403</u>	<u>(16,139)</u>	<u>4,380</u>	<u>9,109</u>	<u>563</u>	<u>59,795</u>	<u>342,647</u>	<u>486</u>	<u>343,133</u>

Notes:

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“the SEHK”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies adopted in preparing the interim financial report are consistent with those used in preparing the Group’s annual financial statements for the year ended 31 December 2012, except for the changes set out in *Note 2*.

The interim financial report for the six-month period ended 30 June 2013 is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards (“HKFRSs”) and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 13, *Fair value measurement*

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

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in the interim financial report has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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 period is disclosed in *Note 4*.

4. SEGMENT REPORTING

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 by those segments and the expenses incurred by those segments. The measure used for reporting segment results is profit before interest, taxation and depreciation.

4. SEGMENT REPORTING (CONTINUED)

Information regarding the Group's reportable segments results as provided to the Board of Directors for the periods ended 30 June 2013 and 2012 is set out below.

	Six months ended 30 June 2013				
	E-commerce		Security solutions (HK\$'000)	Other services (HK\$'000)	Total (HK\$'000)
	GETS (HK\$'000)	DTTN services (HK\$'000)			
Turnover from external customers	81,609	2,903	18,185	9,082	111,779
Inter-segment turnover	–	1,833	3,126	2,065	7,024
Reportable segment turnover	81,609	4,736	21,311	11,147	118,803
Elimination of inter-segment turnover					(7,024)
Consolidated turnover					111,779
Reportable segment profit	22,421	2,167	6,190	8,227	39,005
Interest income					5,353
Other net income					10,259
Depreciation					(5,144)
Share of results of associates					(2,536)
Share of result of joint venture					(1,569)
Unallocated corporate income					1,853
Consolidated profit before taxation					47,221

	Six months ended 30 June 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	82,941	1,956	8,466	9,491	102,854
Inter-segment turnover	–	1,388	3,133	2,096	6,617
Reportable segment turnover	82,941	3,344	11,599	11,587	109,471
Elimination of inter-segment turnover					(6,617)
Consolidated turnover					102,854
Reportable segment profit	24,988	1,921	4,097	8,769	39,775
Interest income					6,059
Depreciation					(4,914)
Share of results of associates					26
Unallocated corporate expenses					(1,097)
Consolidated profit before taxation					39,849

5. OTHER NET INCOME

	Six months ended 30 June	
	2013 (HK\$'000)	2012 (HK\$'000)
Gain on disposal of available-for-sale debt securities	3,259	–
Gain on disposal of investment in an associate	7,000	–
	<u>10,259</u>	<u>–</u>

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2013 (HK\$'000)	2012 (HK\$'000)
Staff costs:		
Contributions to defined contribution retirement plan	1,256	1,162
Equity-settled share-based payment expenses		
– share award scheme	1,183	306
Salaries, wages and other benefits	42,888	41,833
	<u>45,327</u>	<u>43,301</u>
Other items:		
Auditors' remuneration	543	522
Depreciation		
– assets held for use under finance lease	71	71
– other assets	5,073	4,843
Operating lease charges in respect of properties	460	755
Net foreign exchange (gain)/loss	(1,879)	1,094
Net loss on disposal of fixed assets	66	–
	<u>66</u>	<u>–</u>

7. TAXATION

	Six months ended 30 June	
	2013 (HK\$'000)	2012 (HK\$'000)
Provision for Income Tax for the period		
– Hong Kong Profits Tax	5,711	6,121
– overseas tax	165	–
	<u>5,876</u>	<u>6,121</u>
Deferred taxation	(102)	(5)
	<u>5,774</u>	<u>6,116</u>

7. TAXATION (CONTINUED)

The provision for Hong Kong Profits Tax for the period is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is similarly calculated using the effective rates of taxation that are expected to be applicable in the relevant countries.

8. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	(HK\$'000)	(HK\$'000)
Interim dividend declared after the interim period of HK 4.0 cents per share (2012: HK 3.3 cents per share, paid)	<u>31,507</u>	<u>25,859</u>

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\$41,493,000 (2012: HK\$33,733,000) and the weighted average number of 766,584,000 ordinary shares (2012: 766,361,000 shares) in issue during the period 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\$41,493,000 (2012: HK\$33,733,000) and the weighted average number of 786,643,000 ordinary shares (2012: 782,903,000 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 ASSOCIATES

On 18 June 2013, the Company entered into an agreement to sell its 25% of the issued share capital of Telstra Technology Services (Hong Kong) Limited ("TTS") at a consideration of HK\$7 million. The transaction was completed on 18 June 2013. The Group's interest in TTS was fully impaired previously. As such, a disposal gain of HK\$7 million was recognised for the period.

On 10 April 2013, the shareholders of 江蘇世成網絡科技有限公司 ("SCNT") agreed to reduce the capital of SCNT from RMB10 million to RMB5 million. The capital reduction was completed on 10 June 2013. The respective shareholding ratio and significant influence at the Board of Directors of SCNT remain unaffected.

As at 30 June 2013, the Group has a 35% equity interest in i-Legal Service Ltd, 20% in Guangdong Nanfang Hai'an Science & Technology Service Company Limited, 25.17% in 國富瑞數據系統有限公司 (China International Data Systems Co., Ltd.), 24.5% in 上海匯通供應鏈技術與運營有限公司 and 24.5% in SCNT.

There were no other changes in the particulars of associates during the period.

11. INTEREST IN JOINT VENTURE

As at 30 June 2013, the Group has a 49% equity interest in 北京工聯環球科技有限公司.

There were no changes in the particulars of the Company's joint venture during the period.

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:

	As at 30 June 2013 (HK\$'000)	As at 31 December 2012 (HK\$'000)
Less than 1 month	18,706	18,499
1 to 3 months	3,044	2,721
3 to 12 months	1,151	448
Over 12 months	2,480	2,467
	<u>25,381</u>	<u>24,135</u>

All the above balances are expected to be recovered within one year and they are generally covered by customer deposits received from customers (see *Note 15*).

13. OTHER RECEIVABLES AND PREPAYMENTS

Included in the balance of HK\$39,430,000 (31 December 2012: HK\$43,547,000) are security tokens of HK\$9,712,000 (31 December 2012: HK\$14,793,000) purchased in respect of security solution service to certain financial institutions.

14. OTHER FINANCIAL ASSETS

As at 30 June 2013, 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 the fair value reserve. The debt securities are issued by corporate entities with credit rating ranging from AA- to BBB-.

15. TRADE CREDITORS, ACCOUNTS PAYABLE AND OTHER PAYABLES

	As at 30 June 2013 (HK\$'000)	As at 31 December 2012 (HK\$'000)
Trade creditors (due on demand or within one month)	7,463	11,672
Customer deposits received	162,075	164,410
Accrued charges and other payables	71,364	71,849
	<u>240,902</u>	<u>247,931</u>

Customer deposits received are refundable on demand.

16. SHARE CAPITAL AND SHARE AWARD SCHEME

(a) Share capital

	As at 30 June 2013		As at 31 December 2012	
	Number of shares (in '000)	Amounts (HK\$'000)	Number of shares (in '000)	Amounts (HK\$'000)
Authorised:				
Ordinary shares of HK\$0.20 (2012: HK\$0.20) each	1,250,000	250,000	1,250,000	250,000
Ordinary shares, issued and fully paid:				
As at 1 January	783,588	156,718	782,546	156,509
Shares issued under share option schemes	4,090	818	1,042	209
As at 30 June/31 December	787,678	157,536	783,588	156,718

(b) 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 period, the Company acquired, through the Trustee, a total of 2,300,000 ordinary shares (2012: 4,200,000) of the Company from the open market at a total cash consideration of approximately HK\$3,714,000 (2012: HK\$4,552,000) including transaction costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Highlights of the Group's business during the review period are:

Tradelink

The operating environment remained weak during the first six months of 2013: although there appears to be some light at the end of the tunnel in the US, Europe continued to stagnate while growth in China slowed further. This inevitably affected our core trade-related activities, with Government Electronic Trading Services ("GETS") revenue declining 1.6% despite a 0.22% increase in the number of transactions handled and revenue from our other trade-related services, such as our Road Cargo Service ("ROCARS"), also declining, by about 4%, when compared with the same period last year.

As we expect this trend of gradual decline in revenue contribution from our trade-related services to be a continuing one, further effort was devoted to introducing additional value-added services to supplement revenue whilst better serving our extensive SME customer base, helping them to improve efficiency and to reduce costs in the process.

As part of this effort, following the success of our cargo insurance service, two new services were rolled out during the first half of 2013: first, a cloud-based document filing service for our SME clients to help them store their trade-related documents for easy retrieval and integration with other Tradelink applications and to facilitate exchanges with their business partners. Secondly, the Freight Forwarder Invoice module, much needed by our shipper clients to help them deal with the thousands of freight invoices handled daily, was rolled out in June. Initial reaction to both services was positive and we will be exploring further services to serve our clients whilst expanding our revenue base. We are hopeful that these additional services will help to arrest, if not reverse, the trend of declining revenue contribution from our GETS and GETS-related activities.

DTTN

During the first half of 2013, Digital Trade and Transportation Network ("DTTN") Limited revenue recorded a remarkable recovery, rising from HK\$2 million for the first half of 2012 to HK\$3 million this year, up by nearly 50% year-on-year. Apart from new local projects, two projects were completed in the PRC market. With other projects commencing in the second half of this year, we expect DTTN activities to remain high for the rest of this year. Despite this, we are continuing to pursue additional opportunities, both in Hong Kong and in China, particularly those that contribute to or enhance the completeness of our range of Supply Chain solutions.

The Community Platform for electronic document exchanges between shippers and air forwarders, the prelude to paperless e-freight shipment developed jointly with Cathay Pacific Airways and Global Logistics System (HK) Company Limited, commenced its pilot run in the second quarter of this year with a limited number of shippers and forwarders participating. A review of the results is underway to identify ways to improve the platform prior to formal launch.

Digi-Sign

During the period under review, Digi-Sign Certification Services Limited (“Digi-Sign”) revenue more than doubled, from HK\$8.5 million for the first half of 2012 to HK\$18 million. The Smart Warrant Card System (“SWCS”) was successfully delivered to the Hong Kong Police, fully demonstrating the ingenuity, resourcefulness and professionalism of our team. This has opened further e-Government opportunities which we are pursuing. As an example, this, combined with our expertise and experience in online security for the banking and financial services industries, has enabled us to obtain endorsement from the relevant authorities for our solution to the Hong Kong Monetary Authority’s (“HKMA”) E-cheque initiative scheduled to be launched in the first quarter of 2015. Discussions for adopting our proposed solutions are underway with the banks involved.

Our online security business for the banking and financial services industries continued to develop during the period. We now have ten banks using Digi-Sign’s services, with another bank coming on stream in the third quarter of this year. Fulfillment of the security token service for our major bank client which we announced in March last year continued, with completion expected for end 2013. Development work on the common authentication scheme to avoid the need for multiple security devices has, however, been delayed by the need to await promulgation of the standard for Union Pay cards to ensure that the product is fully compatible with all the cards issued by the consortium of banks.

Meanwhile, all available resources were dedicated to the development work for a fully functional mobile wallet for the Hong Kong market as the first phase of our mobile banking application. The solution being developed has received initial clearance from the HKMA and is hugely popular with our bank and other clients. Work on obtaining clearance from Visa, Mastercard and Union Pay are underway and, barring unforeseen circumstances, the solution should be launched during the fourth quarter of this year. Our partners in Taiwan and Macau are equally enthusiastic about the solution. In addition to agreeing to adopt the solution for their markets, discussions are underway to explore the feasibility of making the mobile wallet a common one across the three markets. If successful, the intention is to extend it to the China market in co-operation with PRC partners to make it a Greater China Mobile Wallet. Work on the solution also identified the need for an entire eco-system to enable the solution to operate at its optimum. This opened further opportunities for the business which we are pursuing with different parties.

Given the amount and extent of activities currently underway, we see a need to hive off all non-CA related activities from Digi-Sign to ensure that these do not impinge on Digi-Sign’s core CA functions, which is a regulated business. For this reason, we have decided to establish a new subsidiary, to be called Tradelink E-Biz Secure Solutions Limited (“TESS”), to take over these activities from Digi-Sign. On establishment, TESS will assume all non-CA related activities from Digi-Sign, leaving it to concentrate on its core CA functions. This process will require some time to complete as it might not be possible completely to transfer all existing non-CA businesses from Digi-Sign to TESS which will mean a need for Digi-Sign to continue to honour contractual commitments it previously entered into.

China

Our China activities also recovered nicely during the first half of this year, with two key projects completed. Development work on a number of other projects have commenced while negotiations on other projects are near to closure. These activities, aligned with our DTTN projects, form the core of our effort to develop a third recurrent revenue stream for the Group and represent initiation of the second phase of the diversification strategy which has served us so well.

In addition, our China investments also fared better. Business at Guangdong Nanfang Haian Science & Technology Service Company Ltd improved while the data centre in Beijing operated by the China International Data Systems Co Ltd (“Guofurui”) is now 100% let, returning a satisfactory profit. However, a re-statement of its accounts from its establishment in 2002 in accordance with a different accounting method (from the original receipts method to an accrual basis) ordered by the state auditors after their audit last year resulted in a reversion of HK\$6 million from our share of its 2011 profits. As the re-statement of its accounts was approved by their Board at the end of April this year, the reversion had to be booked into our accounts for the first six months of this year. Net of this HK\$6 million, our share of its profits for the first half amounted to HK\$3.8 million, approximately five times the HK\$0.7 million for the same period of 2012. Obviously, part of this increase came about because of the revised accounting method.

Divestment of our interest in the stalled logistics park at Pinggu, which is covered by a capital protection pledge from the controlling shareholder/operator, is nearly complete. However, the re-engineering of 江蘇世成網絡科技有限公司 (“SCNT”), our joint venture with the Kunshan District Government, ECI Corporation (Kunshan) and Universal EC Inc. (Taiwan), has yet to take place, with the parties still considering options. Pending a decision, all SCNT staff has been laid-off and its capital re-structured downwards, removing the need to contribute the second tranche of our committed investment.

Separately, after a year’s gestation, our joint-venture 4PL company in Shanghai, 上海匯通供應鏈技術與運營有限公司 (“U-Link”), finally launched its Matching Platform in June of this year. Although only the first phase of the platform was launched and only at three locations, viz Shanghai, Shenzhen and Chengdu, initial reception was extremely positive, with many approaches for partnership/co-operation received. In addition to completing development of the next two phases of the platform, the immediate task will be for the JV to extend its geographical coverage. The initial plan is to have a presence in the top 30 cities, with the JV owning/operating about half of these, leaving the other half to partners/franchisees. Similarly, our B2C platform joint-venture, 北京工聯環球科技有限公司 (“T-Link”), in Beijing launched its “Teachers’ Union” platform in July. Its strategy is to devote the remainder of this year to membership acquisition through a series of sponsored charity and life-style events before official business launch next year. We have high expectations for both these platforms and believe that they will contribute strongly to the performance of our China investments in the coming years.

Finally, the approach to acquire part of our stake in the Beijing Data Center announced last year fell through at the last hurdle despite the buyer successfully bidding for the stake offered by the Government. We were given to understand that this was due to problems securing financing for the acquisition by the buyer. However, we received another approach for our stake from an independent third party and the necessary due diligence work for the disposal is currently underway.

Financial Review

The Group's turnover during the review period came to HK\$111.8 million, an increase of 8.6% over the same period last year despite a drop in revenue from our GETS and other trade-related services. The decline was, however, compensated by the increase in revenue from Digi-Sign's security solutions business, the completion of the SWCS project for the Hong Kong Police Force and the strong growth of DTTN projects in Hong Kong and in China. In addition, the Group recorded exceptional gains of HK\$10.3 million during the period: HK\$7 million from the disposal of our 25% shareholding in an associate, Telstra Technology Services (Hong Kong) Limited ("TTS"), which was subject to an announcement in June, and HK\$3.3 million from the switching of one of the bonds in our investment portfolio.

The Group's operating expenses before depreciation for the first half of 2013 came to HK\$70.9 million, as compared with HK\$64.2 million for the same period in 2012, an increase of HK\$6.7 million. This was due to a near four-fold increase, from HK\$3 million to HK\$10.4 million, in our cost of sales in respect of the security tokens business and equipment for the Police project. Net of such increases and excluding other one-off expenses, such as the cost of relocating our Disaster Recovery site and our Silver Jubilee celebrations during the period, operating costs actually fell by about 4% year-on-year. Depreciation charges for the first six months of 2013 amounted to HK\$5.1 million, higher than last year by HK\$0.2 million.

As a result, the Group's unaudited profit from operations for the six months ended 30 June 2013 was HK\$51.3 million, an increase of 28.9% as compared with HK\$39.8 million for the same period in 2012.

During the period, the Group's investments in associates and joint venture in the PRC showed losses of HK\$2.5 million and HK\$1.6 million respectively. The former included the "claw-back" of HK\$6.0 million from our share of the 2011 profits from Guofurui mentioned earlier. Without this, our PRC investments would have shown a profit of HK\$1.9 million for the first half of 2013 compared with a gain of HK\$0.026 million for the same period last year.

The Group's unaudited attributable profit for the six months ended 30 June 2013 was thus HK\$41.5 million, an increase of 23.1% over the same period in 2012.

Basic earnings per share for the six months of 2013 were HK 5.41 cents as compared to HK 4.40 cents per share for the same period last year, a 23% increase.

The Board has resolved to declare an interim dividend of HK 4.0 cents per share (2012: HK 3.3 cents per share) for the six months ended 30 June 2013, an increase of 21.2% over last year. The interim dividend payout ratio is about 75% of the Group's distributable profit attributable to shareholders and is consistent with the ratios for previous years.

Liquidity and Financial Position

As at 30 June 2013, the Group had total cash and bank deposits of HK\$159.0 million (31 December 2012: HK\$127.3 million). The increase in our cash reserve was mainly due to a temporary re-balancing of the Group's portfolio of corporate bonds which are treated as available-for-sale securities, from HK\$265.2 million at the end of 2012 to HK\$224.6 million as at 30 June 2013. Total assets and net assets of the Group amounted to HK\$595.8 million (31 December 2012: HK\$616.0 million) and HK\$343.1 million (31 December 2012: HK\$359.0 million) respectively.

As at 30 June 2013, the Group had no borrowings (31 December 2012: Nil).

Capital and Reserves

As at 30 June 2013, the capital and reserves attributable to equity shareholders were HK\$342.6 million, a reduction of HK\$15.8 million from end 2012.

Charges on Assets and Contingent Liabilities

As at 30 June 2013, the Group had two bank guarantees and one performance bond issued to the Government for the due performance of services under various contracts as follows:

- (i) A bank guarantee, in the amount of HK\$2.1 million, for the due performance of our GETS II Contract, which will remain effective until 31 December 2016;
- (ii) A performance bond, in the amount of HK\$0.6 million, for the due performance of the call centre services under the ROCARS Contract, which will remain effect for 5 years commencing September 2009; and
- (iii) A bank guarantee, in the amount of HK\$0.4 million, for the due performance of the SWCS on behalf of the Hong Kong Police. This guarantee will remain extant throughout the contract duration of 10 years commencing from production rollout at the end of 2012.

The above bank guarantees and performance bond are secured by charges over deposits and are subject to review annually.

Following the disposal of our 25% shareholding in TTS on 18 June 2013, the bank guarantee of HK\$1.2 million in respect of a revolving credit facility Dah Sing Bank Limited granted to TTS will be discharged at the expiration of six months following settlement of the facility by TTS.

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

Capital Commitments

Capital commitments outstanding as at 30 June 2013 not provided for in the financial statements amounted to HK\$0.3 million (31 December 2012: HK\$1.5 million). They are mainly in respect of computer equipment.

During the review period, SCNT, a PRC joint venture, completed a capital restructure and removed the Group's outstanding cash investment commitment to it.

Employees and Remuneration Policy

As at 30 June 2013, the Group employed 251 staff (2012: 267), of which 217 are in Hong Kong and 34 are in Guangzhou. The related staff costs for the six months ended 30 June 2013 amounted to HK\$45.3 million (2012: HK\$43.3 million).

The Group's remuneration policy is that all employees are rewarded on the basis of market levels. In addition to salaries, the Group provides staff benefits including medical insurance and contribution to staff's mandatory provident fund. To motivate and reward staff for their performance, the Group has a discretionary performance bonus scheme to drive and reward growth.

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

Exposure to Fluctuation in Exchange Rates and Related Hedges

As at 30 June 2013, other than its investments in the PRC incorporated entities and Renminbi-denominated debt securities, the Group had no foreign exchange exposure and related hedges.

CORPORATE GOVERNANCE

The Company is committed to a high standard of corporate governance practices and every effort is made to ensure full compliance with the provisions of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). In this regard, the Company has complied with all these provisions during the review period.

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

The Company has adopted the Model Code and, having made specific enquiry of all Directors, confirms that all Directors have complied with the required standards as set out in the Model Code throughout the half-year period ended 30 June 2013.

Board of Directors

The Company is led by and controlled through the Board of Directors which comprises three Executive Directors, four Non-executive Directors, including the Chairman of the Board, and five Independent Non-executive Directors. The Board oversees the overall management and operations of the Company with the objective of enhancing shareholder value.

There is no service contract between the Company and the Non-executive and Independent Non-executive Directors. They have no fixed terms of service but are subject to rotational retirement and re-election at annual general meetings pursuant to Article 100 of the Articles of Association of the Company. Under that Article, about one half of the Directors shall retire but may be eligible for re-election at each annual general meeting.

During the period under review, the Company convened two Board meetings. Eleven Directors attended the meeting on 26 March 2013 to review and approve the 2012 annual results. Eleven Directors attended the meeting on 25 June 2013. Dr. LEE Delman, a Non-executive Director, was unable to attend both meetings because of business engagements overseas.

Chairman and Chief Executive Officer

The positions of the Chairman of the Board and the Chief Executive Officer are held by Dr. LEE Nai Shee, Harry, S.B.S., J.P. and Mr. WU Wai Chung, Michael, respectively to maintain effective segregation of duties. The Chairman is responsible for overseeing the functioning of the Board and the strategies of the Group while the Chief Executive is responsible for managing the Group's day-to-day businesses.

Audit Committee

The Group established an Audit Committee which comprises all five Independent Non-executive Directors, namely Mr. CHUNG Wai Kwok, Jimmy (Chairman of the Committee), Mr. CHAK Hubert, Mr. CHAU Tak Hay, Mr. HO Lap Kee, Sunny, J.P. and Mr. TSE Kam Keung. It oversees the overall financial reporting process as well as the adequacy and effectiveness of the Group's internal control. The Committee met on 12 March 2013 to review the consolidated financial statements for 2012, reviewed and approved the audit plan and audit report prepared by the Internal Auditor, reviewed the audit fee for 2013, recommended the re-appointment of the external auditor and held independent discussions with KPMG and the Internal Auditor without the presence of executive directors and senior management. The Committee met on 13 August 2013 to review the accounting policies adopted by the Group and the interim financial report for the six months ended 30 June 2013. It also had separate discussions with KPMG.

The interim financial report for the first six months of 2013 have not been audited but have been reviewed by KPMG, the Company's external auditor.

Remuneration Committee

The Group established a Remuneration Committee with a majority of Independent Non-executive Directors to make recommendations to the Board on the remuneration of Directors and senior management. It comprises the Chairman of the Board, Dr. LEE Nai Shee, Harry, S.B.S., J.P. and two Independent Non-executive Directors, namely, Mr. CHAU Tak Hay

(Chairman of the Committee) and Mr. CHUNG Wai Kwok, Jimmy. The Committee met on 26 March 2013 to discuss and review the remuneration of Directors and senior management.

Nomination Committee

The Group established a Nomination Committee with a majority of Independent Non-executive Directors to review the structure, size and composition of the Board and to select suitable candidates for the Board. It comprises the Chairman of the Board, Dr. LEE Nai Shee, Harry, S.B.S., J.P. and two Independent Non-executive Directors, namely, Mr. HO Lap Kee, Sunny, J.P. (Chairman of the Committee) and Mr. CHUNG Wai Kwok, Jimmy. The Committee met on 26 March 2013 to nominate and recommend Directors for approval by shareholders at the Company's Annual General Meeting ("AGM") on 10 May 2013. The six Directors appointed at the AGM are Mr. CHUNG Wai Kwok, Jimmy, Mr. CHAK Hubert, Mr. YING Tze Man, Kenneth, Dr. LEE Delman, Mr. TSE Kam Keung and Mr. WU Wai Chung, Michael.

Investment Committee

The Group established an Investment Committee which comprises a majority of Independent Non-executive Directors, namely Mr. TSE Kam Keung (Chairman of the Committee), Mr. CHAK Hubert, Mr. CHAU Tak Hay and Dr. LEE Delman to guide the Group's investments in financial instruments. It met on 25 June 2013 to review the execution of the investment policy by Management and to consider proposed changes to the investment guidelines.

Corporate Governance Committee

The Group established a Corporate Governance Committee with responsibilities for ensuing and upholding good corporate governance of the Company and its subsidiaries. It comprises all five Independent Non-executive Directors, namely, Mr. CHUNG Wai Kwok, Jimmy (Chairman of the Committee), Mr. CHAK Hubert, Mr. CHAU Tak Hay, Mr. HO Lap Kee, Sunny, J.P. and Mr. TSE Kam Keung. The Committee met on 13 August 2013 to review the Group's policies and practices on corporate governance, the Group's whistle-blowing policy and procedures and the relevant compliance disclosures in the Interim Report.

Directors' and Auditors' Attendance at the Annual General Meeting

The Chairman of the Board, Dr. LEE Nai Shee, Harry, S.B.S., J.P. and four Independent Non-executive Directors, namely Mr. CHUNG Wai Kwok, Jimmy (Chairman of the Audit Committee and Corporate Governance Committee), Mr. CHAU Tak Hay (Chairman of the Remuneration Committee), Mr. HO Lap Kee, Sunny, J.P. (Chairman of the Nomination Committee) and Mr. TSE Kam Keung (Chairman of the Investment Committee) attended the Company's AGM held on 10 May 2013. Mr. CHAK Hubert, an Independent Non-executive Director, was unable to attend the AGM due to other business commitments.

The Company's external auditor, KPMG, attended the AGM to confirm the audited financial statements of the Company and to answer questions from shareholders.

Directors' Insurance

The Company has arranged Directors' and Officers' liability insurance, at the amount of HK\$100 million, to indemnify Directors for liabilities in respect of legal actions arising from its day-to-day business activities.

Changes in Information of Directors

There were no changes in information of Directors pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the 2012 annual report.

Communications with Shareholders and Investors

The Company encourages two-way communication with both its institutional and individual investors to enhance investors' understanding of the Group's business performance and developments. Institutional investors, analysts and media are invited to have company visits and one-on-one meetings with Management to discuss the Company's latest developments. Eight such meetings were arranged during the review period.

On 17 April 2013, the Company held a forum for its individual shareholders to brief them on the 2012 annual results and the latest corporate developments.

Board members, in particular the Chairmen of the respective Board Committees and Senior Management of the Company attended the AGM on 10 May 2013 to answer questions raised by shareholders.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK 4.0 cents per share (2012: HK 3.3 cents per share) for the six months ended 30 June 2013 to shareholders whose names appear on the Register of Members of the Company on 25 September 2013. Dividend warrants will be dispatched on or around 9 October 2013. Consistent with previous years, the interim dividend payout ratio is about 75% of the Group's distributable profit attributable to shareholders.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities, other than those purchased for the Share Award Scheme by its trustee as detailed in *Note 16(b)*.

Closure of Register of Members

The Register of Members will be closed from 25 September 2013 to 27 September 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares must be properly 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 no later than 4:30 pm on 24 September 2013. Dividend warrants will be dispatched on or around 9 October 2013.

Publication of Financial Information

The Interim Report of the Group for the six months ended 30 June 2013 containing all detailed information will be dispatched to Shareholders and available at the Company's website www.tradelink.com.hk in September 2013.

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

Hong Kong, 27 August 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.