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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 2013

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 2013.

FINANCIAL HIGHLIGHTS

		Year ended 31 December 2013 (HK\$'000)	Year ended 31 December 2012 (HK\$'000)
	<i>Note</i>		
Turnover	3	230,006	232,383
Profit from operations		96,105	91,792
Profit for the year		80,448	80,177
Profit attributable to:			
Equity shareholders of the Company		80,511	80,262
Non-controlling interest		(63)	(85)
Total assets		610,499	615,973
Net assets		372,956	358,970
Dividend per share (HK cents)	8		
Interim		4.0	3.3
Proposed final		6.2	6.9
Earnings per share (HK cents)	9		
Basic		10.4	10.4
Diluted		10.2	10.2
Issued and fully paid ordinary shares (in'000)			
As at 31 December		790,290	783,588
Weighted average number of ordinary shares (basic) outstanding as at 31 December		768,495	765,247

CONSOLIDATED INCOME STATEMENT*For the year ended 31 December 2013*

	<i>Note</i>	2013 <i>(HK\$'000)</i>	2012 <i>(HK\$'000)</i>
Turnover	3	230,006	232,383
Interest income		11,863	11,898
Other net income	5	13,837	–
Cost of purchases		(21,295)	(19,965)
Staff costs		(90,756)	(89,847)
Depreciation		(9,997)	(9,959)
Other operating expenses		(37,553)	(32,718)
Profit from operations		96,105	91,792
Share of results of associates		120	2,973
Share of result of joint venture		(2,750)	(391)
Profit before taxation	6	93,475	94,374
Taxation	7	(13,027)	(14,197)
Profit for the year		80,448	80,177
Attributable to:			
Equity shareholders of the Company		80,511	80,262
Non-controlling interest		(63)	(85)
Profit for the year		80,448	80,177
Earnings per share (HK cents)	9		
Basic		10.4	10.4
Diluted		10.2	10.2

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 2013*

	2013 (HK\$'000)	2012 (HK\$'000)
Profit for the year	80,448	80,177
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that may be reclassified to profit or loss:		
Exchange difference on translation of:		
– financial statements of PRC operations	3,254	(66)
– non-controlling interest	18	4
Available-for-sale debt securities: net movement in fair value reserve	<u>(9,208)</u>	<u>11,928</u>
Total comprehensive income for the year	<u>74,512</u>	<u>92,043</u>
Attributable to:		
Equity shareholders of the Company	74,557	92,124
Non-controlling interest	<u>(45)</u>	<u>(81)</u>
Total comprehensive income for the year	<u>74,512</u>	<u>92,043</u>

CONSOLIDATED BALANCE SHEET*As at 31 December 2013*

	<i>Note</i>	2013 (HK\$'000)	2012 (HK\$'000)
Non-current assets			
Fixed assets		36,673	41,376
Goodwill		9,976	9,976
Interest in associates	10	98,601	100,010
Interest in joint venture		1,832	4,443
		<u>147,082</u>	<u>155,805</u>
Current assets			
Trade receivables	12	18,057	24,135
Other receivables and prepayments	13	42,072	43,547
Other financial assets	11	289,444	265,234
Deposits with bank		4,897	3,700
Cash and cash equivalents		108,947	123,552
		<u>463,417</u>	<u>460,168</u>
Current liabilities			
Trade creditors, accounts payable and other payables	14	231,082	247,931
Taxation		2,454	4,616
		<u>233,536</u>	<u>252,547</u>
Net current assets		<u>229,881</u>	<u>207,621</u>
Total assets less current liabilities		<u>376,963</u>	<u>363,426</u>
Non-current liabilities			
Provision for long service payments		2,954	2,923
Deferred taxation		1,053	1,533
		<u>4,007</u>	<u>4,456</u>
NET ASSETS		<u>372,956</u>	<u>358,970</u>
Capital and Reserves			
Share capital	15	158,058	156,718
Reserves		214,898	201,730
Total equity attributable to equity shareholders of the Company		<u>372,956</u>	<u>358,448</u>
Non-controlling interest		–	522
TOTAL EQUITY		<u>372,956</u>	<u>358,970</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	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 2012											
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	8	-	-	-	-	-	-	(25,859)	(25,859)	-	(25,859)
As at 31 December 2012 and 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 2013											
Dividends approved in respect of the previous year		-	-	-	-	-	-	(54,328)	(54,328)	-	(54,328)
Issue of new shares	15	1,340	8,723	-	(1,867)	-	-	-	8,196	-	8,196
Equity-settled share-based transactions		-	-	-	2,550	-	-	-	2,550	-	2,550
Disposal of unallocated shares		-	-	7,464	-	-	-	8,804	16,268	-	16,268
Changes in shares held for share award scheme		-	-	(2,828)	-	-	-	-	(2,828)	-	(2,828)
Vesting of awarded shares		-	-	2,173	(510)	-	-	(45)	1,618	-	1,618
Lapse of share options		-	-	-	(58)	-	-	58	-	-	-
Disposal of a subsidiary		-	-	-	-	-	-	-	-	(477)	(477)
Profit for the year		-	-	-	-	-	-	80,511	80,511	(63)	80,448
Other comprehensive income for the year		-	-	-	-	3,254	(9,208)	-	(5,954)	18	(5,936)
Total comprehensive income for the year		-	-	-	-	3,254	(9,208)	80,511	74,557	(45)	74,512
Dividends declared in respect of the current year	8	-	-	-	-	-	-	(31,525)	(31,525)	-	(31,525)
As at 31 December 2013		158,058	131,117	(8,222)	4,954	10,517	440	76,092	372,956	-	372,956

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 2013, comprise the Group and the Group’s interest in associates and a joint venture.

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 a number of new 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 12, *Disclosure of interests in other entities*
- 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. Impacts of the adoption of other new or amended HKFRSs are discussed below:

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

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income 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.

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 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards for these investees. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes to the financial statements.

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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes to the financial statements. 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 year 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 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 2013 and 2012 is set out below.

	31 December 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	168,244	9,820	31,548	20,394	230,006
Inter-segment turnover	–	1,738	6,252	3,699	11,689
Reportable segment turnover	168,244	11,558	37,800	24,093	241,695
Elimination of inter-segment turnover					(11,689)
Consolidated turnover					230,006
Reportable segment profit	46,498	5,047	10,153	15,992	77,690
Interest income					11,863
Other net income					13,837
Depreciation					(9,997)
Share of results of associates					120
Share of result of joint venture					(2,750)
Unallocated corporate income					2,712
Consolidated profit before taxation					93,475

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	4,189	12,583
Reportable segment turnover	169,607	8,683	43,330	23,346	244,966
Elimination of inter-segment turnover					(12,583)
Consolidated turnover					232,383
Reportable segment profit	55,552	5,985	13,631	14,553	89,721
Interest income					11,898
Depreciation					(9,959)
Share of results of associates					2,973
Share of result of joint venture					(391)
Unallocated corporate income					132
Consolidated profit before taxation					94,374

Note: Comparative figures of inter-segment turnover and the corresponding elimination have been adjusted to conform to current format of internal reporting to the Board of Directors.

5. OTHER NET INCOME

	2013 (HK\$'000)	2012 (HK\$'000)
Net gain on disposal of available-for-sale debt securities	6,731	–
Gain on disposal of investment in an associate	7,000	–
Gain on disposal of a subsidiary	106	–
	13,837	–

6. PROFIT BEFORE TAXATION

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

	2013 (HK\$'000)	2012 (HK\$'000)
Staff costs:		
Contributions to defined contribution retirement plan	2,430	2,330
Equity-settled share-based payment expenses		
– share award scheme	2,550	689
Salaries, wages and other benefits	85,776	86,828
	<u>90,756</u>	<u>89,847</u>
Other items:		
Auditors' remuneration	894	865
Depreciation		
– assets held for use under finance lease	142	143
– other assets	9,855	9,816
Operating lease charges in respect of properties	973	1,383
Net foreign exchange gain	(2,802)	(155)
Net loss on disposals of fixed assets	66	25
	<u>66</u>	<u>25</u>

7. TAXATION

	2013 (HK\$'000)	2012 (HK\$'000)
Provision for Hong Kong Profits Tax for the year	12,986	14,100
Provision for PRC tax for the year	507	295
Under/(over)-provision in respect of prior years	14	(29)
Deferred taxation	(480)	(169)
	<u>13,027</u>	<u>14,197</u>

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012:16.5%) of the estimated assessable profits for the year. Taxation for PRC subsidiaries is similarly calculated using the effective rates of taxation that are expected to be applicable in the PRC.

8. DIVIDENDS

	2013 (HK\$'000)	2012 (HK\$'000)
Interim	31,525	25,859
Proposed final	48,998	54,068
	<u>80,523</u>	<u>79,927</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\$80,511,000 (2012: HK\$80,262,000) and the weighted average number of 768,495,000 ordinary shares (2012: 765,247,000 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\$80,511,000 (2012: HK\$80,262,000) and the weighted average number of ordinary shares of 788,463,000 shares (2012: 783,448,000 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 entire 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 year.

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.

On 20 November 2013, the Company and the non-controlling shareholder entered into a Sales and Purchase Agreement under which the Company agreed to sell to the non-controlling shareholder partial equity interests in 廣州易通威裕物流信息技術有限公司 ("易通威裕"), a subsidiary of the Company at that time, representing 2% of the issued and paid up share capital of 易通威裕 for a consideration of RMB20,000. After the disposal, the Group has accounted for its investment in 易通威裕 as an investment in an associate.

11. OTHER FINANCIAL ASSETS

	2013 (HK\$'000)	2012 (HK\$'000)
Available-for-sale debt securities at fair value		
– unlisted	–	1,531
– listed	<u>289,444</u>	<u>263,703</u>
	<u>289,444</u>	<u>265,234</u>

As at 31 December 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 equity in the fair value reserve. The debt securities are issued by corporate entities with credit quality commensurate with the return as considered acceptable to the Group.

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:

	2013 <i>(HK\$'000)</i>	2012 <i>(HK\$'000)</i>
Less than 1 month	11,502	18,499
1 to 3 months	2,324	2,721
3 to 12 months	1,754	448
Over 12 months	2,477	2,467
	18,057	24,135

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:

	2013 <i>(HK\$'000)</i>	2012 <i>(HK\$'000)</i>
Neither past due nor impaired	9,623	19,528
Less than 1 month past due	2,821	2,699
1 to 3 months past due	1,613	1,518
Over 3 months past due	4,000	390
	8,434	4,607
	18,057	24,135

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 2013, included in the balance of HK\$42,072,000 (2012: HK\$43,547,000) are security tokens of HK\$10,946,000 (2012: HK\$14,793,000) purchased in respect of security solution service to certain local financial institutions.

14. TRADE CREDITORS, ACCOUNTS PAYABLE AND OTHER PAYABLES

	2013 (HK\$'000)	2012 (HK\$'000)
Trade creditors (due on demand or within 1 month)	11,267	11,672
Customer deposits received	160,818	164,410
Accrued charges and other payables	58,997	71,849
	<u>231,082</u>	<u>247,931</u>

Customer deposits received are refundable on demand.

15. SHARE CAPITAL

	2013		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	<u>1,250,000</u>	<u>250,000</u>	<u>1,250,000</u>	<u>250,000</u>
Ordinary shares, issued and fully paid:				
As at 1 January	783,588	156,718	782,546	156,509
Shares issued under share option schemes	<u>6,702</u>	<u>1,340</u>	<u>1,042</u>	<u>209</u>
As at 31 December	<u>790,290</u>	<u>158,058</u>	<u>783,588</u>	<u>156,718</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. On 19 November 2013, the Board approved to discontinue the Scheme. Shares previously awarded under the share award scheme remain valid and subject to the same terms and conditions.

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 2,300,000 (2012: 4,200,000) ordinary shares 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. Prior to 31 December 2013, the Company disposed of 10,493,445 unallocated shares at a total consideration of HK\$16,268,000 net of transaction costs through the Trustee after the Board approved to discontinue the Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

General

Continued weakness in Hong Kong's major markets, buffeted by the uncertainties surrounding the timing and speed of the US Federal Reserve's tapering, inevitably affected our business last year, a time when we increased resources in the search for growth through diversification. As a result, turnover remained at around HK\$230.0 million while costs increased 5% to HK\$159.6 million and profits attributable to shareholders stayed at around the HK\$80.5 million mark.

As in past years, intense competition squeezed margins for our core Government Electronic Trading Services ("GETS") business and, as a consequence, total revenue from this segment continued its decline, albeit marginally, despite higher volumes last year. Fortunately, there appears to be light at the end of the tunnel as the decline is the slowest for many years. With signs of the world economy finally on the mend, continued cost controls and expanded services, we are quietly confident that our efforts to arrest, and reverse, this down trend will bear fruit in the coming year. This augurs well for our prospects as the Group's immediate goal is to protect our GETS revenue while developing new services/businesses.

As well, our expectation of continued growth at Digi-Sign Certification Services Limited ("Digi-Sign") was dashed by a temporary shortage in the chip market last year, which delayed the launch of our mobile wallet solution by around six months. Thus, although we have signed up four banks for our solution, product launch for the first client will not be until Q2 in 2014. As a result, Digi-Sign performance during last year slipped by about 15%, from HK\$37.1 million to HK\$31.5 million, and its share of our total revenue dropped from 16% to 14%. We made use of the delay to further improve the product and to develop associated value-added services. As well, we also furthered development work for our mobile point of sale ("MPoS") solution and expect to launch the product in the second half of 2014.

The uncertainties in the China market continued to affect our activities there, with only one project completed last year and decisions on a number of projects delayed.

Fortunately, our Digital Trade and Transportation Network ("DTTN") activities fared better, recording a 50% increase in revenue, from HK\$6.6 million in 2012 to just under HK\$9.8 million last year. With a solid pipeline of projects in the works, performance during 2014 should continue to improve. Our other trade-related services also improved with the roll-out of additional services. Revenue from this segment grew by about 7%, from HK\$19.2 million to HK\$20.4 million. These two segments now account for some 13% of our total revenue, up from around 11% a year ago. Thus, our effort to diversify our revenue base continued during the past year, albeit at a slower pace than planned.

The performance of our PRC associates also improved but a HK\$6.0 million claw back of profits declared in 2011, due to the adoption of a new accounting policy at China International Data Systems Co., Ltd ("Guofurui"), our data center joint venture in Beijing, caused a turnaround from a HK\$2.6 million gain in 2012 to a HK\$2.6 million loss last year. Without the claw back, profit contribution from our PRC associates would have been HK\$3.4 million, a 30% increase year-on-year. As this claw back is once off, we expect profit contributions from our PRC associates to return to normal in 2014.

Unfortunately, the negotiations on the sale of our stake in Guofurui fell through at the final stages despite the parties reaching an understanding on price. As our stake at Guofurui no longer forms part of our business strategy in the market, we will review our exit strategy options.

This will not affect the scope or scale of our China strategy. As explained last year, our current strategy is to work with, rather than against, domestic PRC players with a view to grafting our international network and connectivity 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. Part ownership of a data center over which we have no control and little management input does not contribute to this.

On the other hand, the 4th party logistics platform, developed in conjunction with 上海匯通供應鏈技術與運營有限公司 (“U-Link”), an associate where we have a 24.5% stake, is central to our strategy. The platform, which was launched in Q3 of 2013, is expanding rapidly and we are excited about its prospects.

As well, discussions are on-going to see how the Group can collaborate with operators in Shanghai, ChongQing and Guangzhou to exploit the new policy initiative on the development of cross-border E-Commerce announced by Beijing last year.

As foreshadowed last year, we faced cost pressures as the Group invested resources to developing new revenue streams. Additional resources caused staff costs to rise, albeit by a modest 1.0%, while other operational costs rose by nearly 5% year-on-year, from HK\$152.5 million to HK\$159.6 million, due partly to the Silver Jubilee celebrations and to higher cost of sales as our business evolves from a pure provision of services model to a total solution provider model. The phenomenal growth in our cost of sales during the past few years – from just HK\$1.7 million in 2011 to HK\$20.0 million in 2012 to HK\$21.3 million last year, an increase in excess of ten-folds in just three years – reflects the need to acquire equipment/hardware for our clients as a total solution provider.

Our costs last year was also affected by the provisions made in respect of our court case with Brio, a commercial dispute dating back to the 2006–2009 era. Irrespective of the outcome of our appeal against the decision, this, and the Silver Jubilee expenditures, will only be one-off and we are confident that costs will not spiral out of control.

In summary, our performance during 2013 can best be described as workman-like as we maintained existing operations while building for the future of the Group. It also demonstrated the added resilience of our balance sheet, with revenue from different fronts making up for declines in other parts of the business.

With expectations of a reversal of the decline in our GETS revenue, a strong DTTN pipeline, the rollout of our mobile wallet and MPoS solutions and improved performance in our China activities plus the non-recurrence of a couple of exceptional expenditure items, we expect a much improved 2014 performance.

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 from intense competition, with margins being squeezed. Despite higher transactions handled, GETS revenue declined further, albeit by only 1%. This is the slowest decline since the issue of a third licence in 2010, from an 8.7% and a 1.3% drop in 2011 and 2012.

With signs that the world economy is finally on the mend and the roll-out of additional services, we are hopeful that the down trend in our GETS revenue, which has persisted for many years and accelerated since the issue of a third GETS licence in 2010, will finally be reversed. Of particular note is the development of analytics to assist our clients to better manage their business. We believe this service will increase our "stickiness" and help defend our business from being poached by the competition purely by undercutting our prices.

Income from operating the Road Cargo System ("ROCARS") Call Centre Service on behalf of the Customs & Excise Department and from our own ROCARS services during the past year remained at a par with 2012 while revenue from our non-GETS trade-related services increased with the roll-out of additional services, such as the Warehouse Management System and the Freight Forwarder Invoice application. Our latest service launches, a cloud-based data storage service and the advanced cargo submissions for the Japanese market, both met with good response. As a result, revenue from our other trade-related services grew from HK\$19.2 million to HK\$20.4 million, or by about 7%, last year.

With the uncertainties in the China market continuing to affect activities there, the DTTN team focused its attention on our home market during 2013, with substantial resources devoted to developing E-commerce platforms, and ancillary services, for a number of local clients. Similar proposals are under discussions with other clients, with prospects looking positive. Other DTTN projects underway include a Proof of Delivery system for a major furniture retailer, an on-board diagnostics system for the logistical arm of a major cross-border foodstuff supplier. As a result, DTTN revenue grew strongly, from HK\$6.6 million in 2012 to nearly HK\$9.8 million last year, an increase of about 50%.

The "Community Platform" for connecting our predominantly shipper clients with their air forwarders and the forwarders with their carriers, a joint project Global Logistics System (HK) Company Limited ("GLSHK") was launched at the end of the first quarter of 2013. Take up has, however, been slow as only a limited number of the forwarders have signed up. While working with GLSHK to remedy this, we have also started discussions with the Hong Kong Association of Freight Forwarding and Logistics Limited to explore ways and means of leveraging the Platform to enhance the value and attractiveness to the forwarders community.

(ii) *Digi-Sign*

Digi-Sign's security solutions business continued to expand during the year, with another bank added to our client list in Q4 2013. The delivery of security tokens for our major bank client, which commenced in the second half of 2012, also continued with a further 300,000 tokens ordered for delivery as from 2014. The Hong Kong Police Smart Warrant Card System was successfully completed on schedule during the first half of the year to the total satisfaction of the client. Maintenance and additional enhancement work plus provision of supplies for the project continued throughout the year. During last year, we also completed delivery of our PKI solution as an integral component of Hong Kong Police's system for transmission of finger prints electronically to the courts for evidentiary purposes. Discussions on other E-Government projects are also underway.

However, the launch of our mobile wallet solution by Tradelink E-Biz Secure Solutions Limited ("TESS"), our newly established wholly-owned subsidiary responsible for our security solutions business, had to be delayed by about six months, to Q2 2014, due to a temporary shortage in the chip market during the second half of last year. This depressed Digi-Sign's performance last year, with revenue dropping some 15%, from HK\$37.1 million in 2012 to HK\$31.5 million and its share of total revenue slipping from 16% to 14% last year.

We, however, made best use of the delay in the launch of our mobile wallet solution to further improve our product and to develop ancillary value-added services for our product offering. Reception for these ancillary services has been very positive and we hope to develop these services into a solid future recurrent revenue stream for the Group. With the product now fully certified by both MasterCard and Visa and the process of certification by China UnionPay underway, prospects for the solution looks promising.

We also used the time to further the development work for our MPoS solution. This is nearing completion and the solution is expected to be launched during the second half of this year. In addition, discussions with China UnionPay on the adoption of our solution, including our potential role as their PoS concentrator in Hong Kong, are progressing.

Preparatory work on our E-cheque security solution is also nearly complete and discussions initiated with a number of banks to adopt our solution when the project is launched during 2015.

(iii) *China*

Our China activities recovered somewhat during last year but full recovery is being held back by uncertainties in the market. For example, the re-launch of our associate, 江蘇世成網絡科技有限公司 ("SCNT"), has been held in abeyance by our partners while 北京工聯環球科技有限公司 ("T-Link"), our joint venture partner in Beijing, was only able to undertake a soft launch of the Teachers Platform, a B2C E-Commerce platform. In addition, it clearly affected our plan to divest our stake in Guofurui.

After basically agreeing the price for the disposal with the prospective buyer, the negotiations on the disposal of our Guofurui stake fell through at the final stages. This was because a condition precedent set by the prospective buyer who intended to eventually secure a controlling stake in the joint venture, could not be met when the China International Electronic Commerce Center declined to honour its undertaking to dispose of part of its holding to this buyer despite their having put the stake in the public market following Ministry of Commerce approval for the disposal, including the price thereof.

As part ownership of a data center in Beijing over which we have no control or management input does not contribute to our future business plans in the China market, we will review our options for an exit strategy in respect of this investment.

On the other hand, disposal of our stake in Pinggu, the moribund logistics park just outside Beijing, is, in its final stages and is only awaiting the board and shareholders meetings to complete the process.

Another associate, U-Link, launched its 4th Party Logistics Matching Platform during Q3 of 2013. The platform, where service providers, such as truckers, warehouse operators and insurers etc, list their services, including expected delivery time, and charges to allow shippers to make orders on-line, is being expanded rapidly. It now has eight offices in major transport hubs around China and some 1,800 routes on offer. The intention is to expand the number of offices to 15 with around 5,000 routes on offer during the coming year.

As the expansion plan is to be achieved using existing resources and the proceeds of sales, we do not expect any contribution from this associate during 2014. However, the data on the network of services and users of the platform will be a treasure trove as the logistics market in China is totally opaque and systematic dissemination of such information is not currently available. Such information is invaluable, particularly as China transforms from the manufacturer of the world to the consumer of the world.

On our part, apart from continuing to provide strong technical support to U-Link, (most of the development work for the Matching Platform was done by us), we will make available all our connections to overseas markets to enable them to overcome the Achilles heel in the PRC logistics industry – the services of the local players all tend to stop at China's borders. In this regard, discussions are underway to launch the Matching Platform in Hong Kong to exploit the lucrative trans-shipment market using Hong Kong as a hub. As well, we have, on behalf of U-Link, initiated discussions with a similar platform operator in the US to inter-connect their platforms.

With reasonable expectations of a reversal of the persistent decline in GETS revenue, steady growth in our non-GETS trade-related services, the strong DTTN pipeline, the roll-out of our mobile wallet and MPoS solutions and a turnaround in profit contributions from our PRC associates, we are confident of a much improved performance in 2014.

Financial Review

The Group's turnover for the year was HK\$230.0 million, about 1% lower than 2012 (HK\$232.4 million). As explained earlier, the decline was caused by slightly lower GETS revenue as a result of the continued weakness in Hong Kong's major markets, price pressures from intense competition and a delay in the launch of our mobile wallet solution caused by a temporary shortage in the chip market.

The Group's overall costs increased to HK\$159.6 million (2012: HK\$152.5 million), a rise of about 5%, which compares favourably with Hong Kong's rate of inflation of over 4% last year, particularly given the need to increase resources devoted to developing future businesses. Part of the increase came from a rise in our other operating costs due to additional expenditures in relation to our Silver Jubilee celebrations and the costs from the Brio case, a commercial dispute from the 2006 to 2009 era. Net of these costs, the Group's 2013 other operating costs was actually lower than 2012 by about 9%, a sign that our cost controls are still on course. Depreciation charges in 2013, of HK\$10.0 million, were the same as in 2012.

Apart from the above, the Group recorded HK\$13.8 million in other net income which included a gain of HK\$6.7 million from the switching of some corporate bonds in our investment portfolio and a gain of HK\$7.0 million from the disposal of our 25% shareholding of Telstra Technology Services (Hong Kong) Limited, an investment with an original cost of HK\$25, which was written off in 2003.

As a result, the Group's profit from operations for 2013 came to HK\$96.1 million, an increase of 5% over the HK\$91.8 million in 2012.

Unfortunately, the Group's associates and joint ventures in the PRC returned a loss of HK\$2.6 million in 2013, as compared to a profit of HK\$2.6 million in 2012. The turnaround was due to a HK\$6.0 million claw back of profits declared in 2011 at Guofurui caused by a change in accounting policy demanded by the PRC State Auditors. Without this adjustment, our PRC associates and joint ventures would have returned a profit of HK\$3.4 million, over 30% up on 2012.

The Group's pretax profit for 2013 thus came to HK\$93.5 million, lower than 2012 by HK\$0.9 million. Net profit for the year was HK\$80.4 million, slightly higher than the HK\$80.2 million achieved in 2012. After adjusting the results shared from non-controlling interest, profit attributable to equity shareholders for 2013 came to HK\$80.5 million.

Basic earnings per share for 2013 was HK 10.4 cents, same as that in 2012 while diluted earnings per share, at HK 10.2 cents, was also same as that for 2012.

Liquidity and Financial Position

As at 31 December 2013, the Group had total cash and bank deposits of HK\$113.8 million (2012: HK\$127.3 million). The drop mainly reflected an increase in our investments in corporate bonds, treated as available-for-sale securities, from HK\$265.2 million as at 31 December 2012 to HK\$289.4 million as at 31 December 2013. Total assets and net assets of the Group as at 31 December 2013 amounted to HK\$610.5 million (2012: HK\$616.0 million) and HK\$373.0 million (2012: HK\$359.0 million) respectively.

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

Capital and Reserves

As at the end of 2013, the capital and reserves attributable to shareholders stood at HK\$373.0 million (2012: HK\$358.4 million), an increase of HK\$14.6 million over 2012.

Charges on Assets and Contingent Liabilities

As at 31 December 2013, 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 September 2009; 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 deposits.

The Group's guarantee of HK\$1.2 million for a revolving credit facility granted to Telstra Technology Services (Hong Kong) Limited ("TTS"), a former associate, was discharged on 13 December 2013 when TTS repaid the loan to Dah Sing Bank following the disposal of our stake in June 2013.

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

Capital Commitments

Capital commitments outstanding as at end of 2013 not provided for in the financial statements amounted to HK\$0.2 million (2012: HK\$1.5 million), mainly in respect of hardware and software for our platforms.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As at 31 December 2013, 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 2013. It also had independent discussions with the internal auditor and the external auditor, KPMG, without the presence of the management team.

Corporate Review

Employees and Remuneration Policy

As at 31 December 2013, the Group employed 249 staff (2012: 256), of which 218 work in Hong Kong and 31 in Guangzhou. The related staff costs for the year came to HK\$90.8 million (2012: HK\$89.8 million).

The Group's remuneration policy is that all employees are rewarded at market levels. In addition to salaries, the Group provides staff benefits including medical insurance and contributions to the staff's mandatory provident fund. To motivate and reward performance, the Group has a discretionary performance bonus scheme 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. The share award scheme was terminated in December 2013.

Corporate Developments

For two consecutive years, Tradelink won a Gold Award in the 2013 Mystery Caller Assessment Award organized by the Hong Kong Call Centre Association, demonstrating its consistent high quality.

Tradelink and its wholly-own subsidiary, Digi-Sign, also successfully applied to the Hong Kong Council of Social Service to be classified as a "Caring Company". This is the second consecutive year that Tradelink has achieved such classification and the first year in which Digi-Sign is entitled to use the "Caring Company" logo.

Dividend

The Board has recommended a final 2013 dividend of HK 6.2 cents per share (2012: HK 6.9 cents per share). The proposed final dividend plus the interim dividend of HK 4.0 cents (2012: HK 3.3 cents) paid on 9 October 2013 represents 100% of the Group's profit attributable to shareholders for 2013.

The proposed final dividend will be submitted to shareholders for approval at the annual general meeting on 9 May 2014. The final dividend will be paid, on or about 26 May 2014, to shareholders whose names appear on the Register of Members of the Company on 15 May 2014.

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 eight 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 2014, 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 9 May 2014. 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 5 May 2014.

The Register of Members will also be closed from 15 to 19 May 2014, 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 must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 pm on 14 May 2014.

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

During the year, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities other than those purchased or sold under the Share Award Scheme (*Note 16*).

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 2013.

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 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 confirms that it has complied with all these provisions during 2013.

Publication of Financial Information

The annual report of the Group for the year ended 31 December 2013 containing all the detailed information will be dispatched to shareholders and available at the Company's website www.tradelink.com.hk in April 2014.

Annual General Meeting

It is proposed that the Annual General Meeting of the Company be held on 9 May 2014. 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, 25 March 2014

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.