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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 2014

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 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	Note	Six months ended 30 June	
		2014 (HK\$'000)	2013 (HK\$'000)
Turnover	3	110,891	111,779
Interest income		7,055	5,353
Other net income	5	3,669	10,259
Cost of purchases		(9,406)	(10,438)
Staff costs	6	(46,497)	(45,327)
Depreciation		(4,674)	(5,144)
Other operating expenses		(19,348)	(15,156)
Profit from operations		41,690	51,326
Share of results of associates		3,248	(2,536)
Share of result of joint venture		(238)	(1,569)
Profit before taxation	6	44,700	47,221
Taxation	7	(6,629)	(5,774)
Profit for the period		38,071	41,447

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED) (CONTINUED)

		Six months ended 30 June	
	<i>Note</i>	2014	2013
		(HK\$'000)	(HK\$'000)
Attributable to:			
Equity shareholders of the Company		38,071	41,493
Non-controlling interest		<u>–</u>	<u>(46)</u>
Profit for the period		<u>38,071</u>	<u>41,447</u>
Earnings per share (HK cents)	<i>9</i>		
Basic		4.84	5.41
Diluted		<u>4.80</u>	<u>5.27</u>

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**

	Six months ended 30 June	
	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Profit for the period	38,071	41,447
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of PRC operations	(1,030)	1,846
– non-controlling interest	–	10
Available-for-sale debt securities: net movement in fair value reserve	2,833	(9,085)
Total comprehensive income for the period	39,874	34,218
Attributable to:		
Equity shareholders of the Company	39,874	34,254
Non-controlling interest	–	(36)
Total comprehensive income for the period	39,874	34,218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		As at 30 June 2014 Unaudited (HK\$'000)	As at 31 December 2013 Audited (HK\$'000)
	<i>Note</i>		
Non-current assets			
Fixed assets		33,347	36,673
Goodwill		9,976	9,976
Interest in associates		101,116	98,601
Interest in joint venture		1,541	1,832
		145,980	147,082
Current assets			
Trade receivables	10	21,629	18,057
Other receivables and prepayments	11	46,029	42,072
Other financial assets	12	273,781	289,444
Deposits with bank		3,722	4,897
Cash and cash equivalents		117,943	108,947
		463,104	463,417
Current liabilities			
Trade creditors, accounts payable and other payables	13	228,167	231,082
Taxation		5,861	2,454
		234,028	233,536
Net current assets		229,076	229,881
Total assets less current liabilities		375,056	376,963

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(CONTINUED)

		As at 30 June 2014 Unaudited <i>(HK\$'000)</i>	As at 31 December 2013 Audited <i>(HK\$'000)</i>
	<i>Note</i>		
Non-current liabilities			
Provision for long service payments		2,913	2,954
Deferred taxation		638	1,053
		<u>3,551</u>	<u>4,007</u>
NET ASSETS		<u>371,505</u>	<u>372,956</u>
Capital and reserves			
Share capital	<i>14</i>	292,213	158,058
Reserves		79,292	214,898
TOTAL EQUITY		<u>371,505</u>	<u>372,956</u>

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 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 and 1 July 2013		157,536	127,403	(16,139)	4,380	9,109	563	59,795	342,647	486	343,133
Changes in equity for the six months ended 31 December 2013:											
Dividend declared in respect of the current year	8	-	-	-	-	-	-	(31,525)	(31,525)	-	(31,525)
Issue of new shares		522	3,714	-	(785)	-	-	-	3,451	-	3,451
Equity-settled share-based transactions		-	-	-	1,367	-	-	-	1,367	-	1,367
Disposal of unallocated shares		-	-	7,464	-	-	-	8,804	16,268	-	16,268
Changes in shares held for share award scheme		-	-	430	-	-	-	-	430	-	430
Vesting of awarded shares		-	-	23	(8)	-	-	-	15	-	15
Disposal of a subsidiary		-	-	-	-	-	-	-	-	(477)	(477)
Profit for the period		-	-	-	-	-	39,018	39,018	(17)	39,001	
Other comprehensive income for the period		-	-	-	-	1,408	(123)	-	1,285	8	1,293
Total comprehensive income for the period		-	-	-	-	1,408	(123)	39,018	40,303	(9)	40,294
As at 31 December 2013		158,058	131,117	(8,222)	4,954	10,517	440	76,092	372,956	-	372,956

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

	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)
As at 1 January 2014		158,058	131,117	(8,222)	4,954	10,517	440	76,092	372,956
Changes in equity for the six months ended 30 June 2014:									
Dividends approved in respect of the previous year		-	-	-	-	-	-	(49,115)	(49,115)
Issue of new shares		2,833	205	-	(588)	-	-	-	2,450
Equity-settled share-based transactions		-	-	-	1,666	-	-	-	1,666
Transition to no-par value regime on 3 March 2014	14	131,322	(131,322)	-	-	-	-	-	-
Vesting of awarded shares		-	-	8,222	(4,912)	-	-	364	3,674
Profit for the period		-	-	-	-	-	-	38,071	38,071
Other comprehensive income for the period		-	-	-	-	(1,030)	2,833	-	1,803
Total comprehensive income for the period		-	-	-	-	(1,030)	2,833	38,071	39,874
As at 30 June 2014		292,213	-	-	1,120	9,487	3,273	65,412	371,505

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 2013, except for the changes set out in *Note 2*.

The interim financial report for the six-month period ended 30 June 2014 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 the a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new Interpretation 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 HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group’s interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal.

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 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 periods ended 30 June 2014 and 2013 is set out below.

	Six months ended 30 June 2014				
	E-commerce		Security solutions (HK\$'000)	Other services (HK\$'000)	Total (HK\$'000)
	GETS (HK\$'000)	DTTN services (HK\$'000)			
Turnover from external customers	85,072	5,972	10,503	9,344	110,891
Inter-segment turnover	-	145	3,535	3,116	6,796
Reportable segment turnover	85,072	6,117	14,038	12,460	117,687
Elimination of inter-segment turnover					(6,796)
Consolidated turnover					110,891
Reportable segment profit	28,219	2,425	836	7,097	38,577
Interest income					7,055
Other net income					3,669
Depreciation					(4,674)
Share of results of associates					3,248
Share of result of joint venture					(238)
Unallocated corporate expenses					(2,937)
Consolidated profit before taxation					44,700

4. SEGMENT REPORTING (CONTINUED)

	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	23,790	2,167	6,190	6,858	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

Note: Comparative figures of reportable segment profit have been adjusted to conform to current format of internal reporting to the Board of Directors.

5. OTHER NET INCOME

	Six months ended 30 June	
	2014 (HK\$'000)	2013 (HK\$'000)
Gain on disposal of available-for-sale debt securities	3,669	3,259
Gain on disposal of investment in an associate	–	7,000
	3,669	10,259

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2014 (HK\$'000)	2013 (HK\$'000)
Staff costs:		
Contributions to defined contribution retirement plan	1,294	1,256
Equity-settled share-based payment expenses		
– share option scheme	4	–
– share award scheme	1,662	1,183
Salaries, wages and other benefits	43,537	42,888
	<u>46,497</u>	<u>45,327</u>
Other items:		
Auditors' remuneration	562	543
Depreciation		
– assets held for use under finance lease	71	71
– other assets	4,603	5,073
Operating lease charges in respect of properties	416	460
Net foreign exchange loss/(gain)	2,938	(1,879)
Net (gain)/loss on disposal of fixed assets	(51)	66

7. TAXATION

	Six months ended 30 June	
	2014 (HK\$'000)	2013 (HK\$'000)
Provision for Income Tax for the period		
– Hong Kong Profits Tax	6,965	5,711
– PRC tax	79	165
	<u>7,044</u>	<u>5,876</u>
Deferred taxation	(415)	(102)
	<u>6,629</u>	<u>5,774</u>

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

8. DIVIDENDS

	Six months ended 30 June	
	2014 (HK\$'000)	2013 (HK\$'000)
Interim dividend declared after the interim period of HK 3.6 cents per share (2013: HK 4.0 cents per share, paid)	<u>28,521</u>	<u>31,525</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\$38,071,000 (2013: HK\$41,493,000) and the weighted average number of 785,912,000 ordinary shares (2013: 766,584,000 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\$38,071,000 (2013: HK\$41,493,000) and the weighted average number of 792,762,000 ordinary shares (2013: 786,643,000 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. 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 2014 (HK\$'000)	As at 31 December 2013 (HK\$'000)
Less than 1 month	16,001	11,502
1 to 3 months	2,767	2,324
3 to 12 months	1,229	1,754
Over 12 months	1,632	2,477
	<u>21,629</u>	<u>18,057</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 13*).

11. OTHER RECEIVABLES AND PREPAYMENTS

Included in the balance of HK\$46,029,000 (31 December 2013: HK\$42,072,000) are security tokens of HK\$7,835,000 (31 December 2013: HK\$10,946,000) purchased in respect of security solution service to certain financial institutions.

12. OTHER FINANCIAL ASSETS

As at 30 June 2014, 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 quality commensurate with the return as considered acceptable to the Group.

13. TRADE CREDITORS, ACCOUNTS PAYABLE AND OTHER PAYABLES

	As at 30 June 2014 (HK\$'000)	As at 31 December 2013 (HK\$'000)
Trade creditors (due on demand or within one month)	5,795	11,267
Customer deposits received	158,598	160,818
Accrued charges and other payables	63,774	58,997
	<u>228,167</u>	<u>231,082</u>

Customer deposits received are refundable on demand.

14. SHARE CAPITAL

	As at 30 June 2014		As at 31 December 2013	
	Number of shares (in '000)	Amounts (HK\$'000)	Number of shares (in '000)	Amounts (HK\$'000)
Authorised (Note 14(i)):				
Ordinary shares of HK\$0.20 each (Note 14(ii))	–	–	1,250,000	250,000
Ordinary shares, issued and fully paid:				
As at 1 January	790,290	158,058	783,588	156,718
Shares issued under share option schemes	1,967	2,833	6,702	1,340
Transition to no-par value regime on 3 March 2014 (Note 14(iii))	–	131,322	–	–
As at 30 June/31 December	<u>792,257</u>	<u>292,213</u>	<u>790,290</u>	<u>158,058</u>

- (i) Under the new Hong Kong Companies Ordinance (Cap. 622) which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.
- (ii) In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (iii) Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) respectively. In accordance with the transitional provisions set out in section 37 of the Schedule 11 of the new Hong Kong Companies Ordinance (Cap. 622), any amount standing to the credit of the share premium account on 3 March 2014 has become part of the Company's share capital. Accordingly, HK\$131,322,000 has been transferred from the share premium account to the share capital of the Company on 3 March 2014.

15. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) 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.

On 19 November 2013, the Board resolved to terminate the Scheme and on 25 March 2014, the Board further endorsed the early release to eligible employees of all the locked-up shares. All the awarded shares were vested immediately and were transferred to all eligible employees by early June 2014. The trust was wound up by the end of June 2014.

(b) Share option scheme

The Company adopted a Share Option Scheme 2014 on 9 May 2014, whereby the options will be granted to eligible persons, including Directors, consultants, business associates or advisers as the Board of the Company may identify from time to time (“Grantees”), entitling them to subscribe for shares of the Company, subject to acceptance of the Grantees and the payment of HK\$1.00 by each of the Grantees upon acceptance of the options. Each option gives the holder the right to subscribe for one ordinary share in the Company. On 30 June 2014, 12,200,000 share options were granted for HK\$1.00 consideration to Directors, senior management and employees of the Group under Share Option Scheme 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Tradelink

Our operating environment improved during the first six months of 2014 due to a slight, 3.6%, recovery of the overall GETS market. This, adding to our winning back of the five Government Approved Certification Organizations' ("GACOs") franchise for providing paper-to-electronic conversion service in late April, improved our GETS revenue for the period by about 4.6%. Our other trade-related services also grew by about 5%, with the addition of another new service, the Advance Filing Rules ("AFR") service for Japan-bound cargo, in March this year. As a result, and as foreshadowed in our 2013 Annual Report, our core E-Commerce business succeeded in reversing the persistent downtrend in revenue for this segment which has plagued the Group for many years.

This trend should continue for at least the remainder of this year, particularly with the roll-out of another important value-added service during the latter part of this year, since the GACOs franchise and the AFR service only began contributing to our revenue from Q2. This is timely as we expect to lose the revenue from our Textile Traders Registration Scheme ("TTRS") service later this year as the Government has announced the cessation of the requirement by November/December this year.

DTTN

Our DTTN services also continued to improve, with revenue doubling from HK\$3 million for the first half of 2013 to nearly HK\$6 million this year. While a significant portion of this increase came from low-margined business of sourcing products for customers, a number of new projects were completed. An important aspect of these projects is that they, in one form or another, are building blocks in our overall suite of supply chain systems, some of which are already being replicated for other clients. In addition, these projects all have continuing revenue contribution capabilities which will strengthen our revenue diversification efforts.

The Community Platform for electronic document exchanges between shippers and air forwarders, developed jointly with Global Logistics System (HK) Company Limited ("GLSHK"), did not take off as we had hoped due to the limited number of forwarders joining the platform. Discussions were held with Hongkong Association of Freight Forwarding and Logistics Limited ("HAFFA") to identify functionalities required to make the platform more attractive to its members. These proved extremely rewarding as we are now collaborating with HAFFA on a wider Supply Chain e-Processing Hub initiative which would extend the capabilities of the current platform beyond the forwarders and air freight business to all parties in the supply chain and to all transport modes. HAFFA has announced that they have the support of no less than 17 trade associations for the initiative and a submission has been made to the Government to seek funding support for developing the platform.

With more projects commencing in the second half of this year, we expect DTTN activities to remain high.

Digi-Sign/TESS

During the period under review, Digi-Sign revenue slipped by some 40%, from HK\$18 million for the first half of 2013 to just over HK\$10 million. This was not entirely unexpected as the 2013 result was boosted by the revenue from the Smart Warrant Card System (“SWCS”) delivered to the Hong Kong Police last year. In addition, deliveries of security tokens for our major bank client during the first six months of this year slowed by a third when compared with the same period last year, from 132,000 to 86,000, as the initial demand became satisfied. This too was expected.

The plan to fill the gap with revenue from our mobile wallet solution did not, however, materialize due to delays in its launch for reasons beyond our control. The original schedule of a November 2013 launch was delayed, first to this Spring and now to early in Q3, mainly because of technical and other procedural issues at the client end. These issues have all now been resolved and two banks have made a soft internal launch to test usage and to identify operational issues before their formal launches, currently scheduled for Q3 2014. In the meantime, a Proof-of-Concept launch of the product was undertaken in June in the PRC in conjunction with our partner there and we are awaiting its results. If successful, this will bring our concept of a greater China mobile wallet solution one step closer as Taiwan has set up a government sponsored joint venture with the banks there to launch the mobile wallet concept by the end of this year. They have confirmed acceptance of our product for the project. In addition, our solution has essentially cleared all the technical requirements for Singapore and discussions with a local partner on the launch of our solution there are progressing. This leaves Macau, where little progress has been made to date. Consideration is now being given to ways and means for kick-starting the project in that market.

Meanwhile, development work on the eco-system for the mobile wallet project is continuing, with system development work scheduled for completion sometime in Q3 of this year. Merchant recruitment and discussions with potential user banks are progressing smoothly.

The E-cheque initiative is now scheduled for a Q4 2015 launch, with testing to commence from the middle of next year. Discussions for adopting our proposed solution are underway with the banks, with some of the project work likely to commence in the second half of this year.

While discussing our E-cheque solution with banks, new opportunities were identified for our online banking security business beyond the ten banks currently using Digi-Sign’s services. These will be followed up aggressively to add to our stable of bank clients. In addition, although fulfillment of the security token service for our major bank client, which commenced in mid-2012, has slowed, the original contract was completed in June this year. We have since commenced fulfillment of the additional contract and discussions on a further contract for a 2015/16 fulfillment programme will commence shortly.

Preparation for the launch of our mobile Point-of-Sale (“PoS”) solution also progressed during the period, with the signing of an MoU with a major Telco on strategic partnership for merchant recruitment and another MoU with a major international credit card association for adopting its use is being finalized. These enabled us to finalize the technical specifications for the mobile PoS and for its production to commence.

Separately, initial reaction to our Peer-to-Peer (“P2P”) payment solution, leveraging on the range of solutions developed for our bank clients, was extremely positive. As a result, discussions have commenced with the relevant stakeholders, including the regulatory authorities, on its roll-out, hopefully towards the end of 2015.

China

Our China activities suffered a setback during the first half of this year, with a number of projects deferred due to personnel changes at the client end. It is unclear whether these projects could be resurrected under the respective new regimes. This, unfortunately, is part of the risks of doing business in China. We are, however, developing a number of other business opportunities in the market, mostly related to the policy initiative introduced last year to develop cross-border E-commerce at a number of locations, including Shanghai, Chongqing and Guangzhou.

In addition, we have reached agreement with a PRC partner to jointly develop a platform for connecting the carriers, cargo terminal and freight forwarders at Shenzhen Airport, a platform not dissimilar to the Community Platform we developed jointly with GLSHK. The agreement involves us eventually getting 20% of the joint venture set up to operate the platform in return for our designing and developing the systems for the JV.

During the period, our China investments fared better, with our share of the results of our PRC associates coming to about HK\$3 million, a substantial improvement on the same period in 2013 even after discounting the HK\$6 million claw back of 2010 declared profits at Guofurui reported last year.

We are particularly excited about the performance of 上海匯通供應鏈技術與運營有限公司 (“U-Link”), our joint-venture 4PL company in Shanghai, which launched its Matching Platform in Q3 of last year. To date, it has established offices in eight locations: Shanghai, Shenzhen, Guangzhou, Ningbo, Chengdu, Tianjin, Chongqing and Dalian, with some 2,000 registered routes and approximately 50,000 transactions successfully completed. The Platform is currently recording revenue of about RMB2 million per month which it expects to double by the end of Q3 this year. At a symposium organized by the Shanghai Municipal government in April this year, 80% of the 100 transactions demonstrated were completed, with the fastest one completed within two minutes of the order being placed. The JV is attracting interest from potential partners, investors and local governments alike, with the Wuhan City Government, for example, offering a set-up grant, equity participation, free office accommodation for two years and tax incentives to attract it to set up an office there. Extension of the Platform’s functionalities beyond China’s border in collaboration with us will start initially with the Platform’s launch in Hong Kong towards the end of Q3 this year. This will represent a major milestone for the logistics industry in China as its services does not traditionally extend beyond China’s borders and will give the JV a major boost.

Work on the divestment of our interest in the stalled logistics park at Pinggu and in Goufuruui, our data center JV in Beijing, is continuing. We hope to complete these during the current financial year.

Financial Review

The Group's turnover during the first half of 2014 came to HK\$110.9 million, a decline of 0.8% over the same period last year. The increases in revenue during the period from our GETS services, by 4.2% to HK\$85.1 million, and our DTTN services, by 106% to HK\$6.0 million, was offset by a 40% drop in revenue at Digi-Sign to HK\$10.5 million. During the period, a gain of HK\$3.7 million was recorded from a re-balancing of the components of our bond portfolio, higher than that recorded for the same period last year by HK\$0.4 million.

The Group's operating expenses before depreciation for the first half of 2014 came to HK\$75.3 million, an increase of HK\$4.4 million or 6%, over last year. This was due entirely to the impact of the fluctuation in the exchange rate of the RMB on our bond portfolio, from an exchange gain of HK\$1.9 million during the first half of last year to a loss of HK\$2.9 million this year. Depreciation charges for the period amounted to HK\$4.7 million, HK\$0.4 million lower than last year.

The Group's unaudited profit from operations for the six months ended 30 June 2014 came to HK\$41.7 million, 18.7% down on last year as the 2013 first half result was boosted by the HK\$7 million one-off gain from the disposal of our stake in Telstra Technology Services (Hong Kong) Limited ("TTS") last year. Ignoring the TTS one-off gain, the decline in profit from operations would have been 5.9%, which, as explained earlier, was due entirely to the depreciation of the RMB this year.

During the first half of 2014, the results shared from the Group's investments in the PRC recorded a net share of profit of HK\$3.0 million as compared with a net share of loss of HK\$4.1 million which was caused by the HK\$6 million claw back of Guofurui's 2010 profits.

The Group's unaudited after tax profit for the six months ended 30 June 2014 thus came to HK\$38.1 million, a decline of 8.1% over the same period in 2013. Again discounting the gain from the disposal of TTS last year, this year's performance would have represented a growth of 10.5% over the same period last year despite the impact of the RMB exchange rate fluctuation.

Basic earnings per share for the first six months of 2014 were HK 4.84 cents as compared to HK 5.41 cents per share for the same period last year.

The Board has resolved to declare an interim dividend of HK 3.6 cents per share (2013: HK 4.0 cents per share) for the six months ended 30 June 2014 to shareholders, a 10% drop from last year. The interim dividend payout ratio is about 75% of the Group's distributable profit attributable to shareholders and is consistent with our traditional dividend payout ratio.

Liquidity and Financial Position

As at 30 June 2014, the Group had total cash and bank deposits of HK\$121.7 million (31 December 2013: HK\$113.8 million). The increase in our cash reserve was mainly due to a hiatus whilst the Group's portfolio of financial instruments was re-balanced to reduce its exposure to the PRC property sector. This temporarily reduced our investments in available-for-sale debt securities from HK\$289.4 million at the end of 2013 to HK\$273.8 million as at 30 June 2014. Total assets and net assets of the Group amounted to HK\$609.1 million (31 December 2013: HK\$610.5 million) and HK\$371.5 million (31 December 2013: HK\$373.0 million) respectively.

As at 30 June 2014, the Group had no borrowings (31 December 2013: Nil).

Capital and Reserves

As at 30 June 2014, the capital and reserves attributable to equity shareholders were HK\$371.5 million, a reduction of HK\$1.5 million from end 2013.

Charges on Assets and Contingent Liabilities

As at 30 June 2014, 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 issued by the Company, in the amount of HK\$2.1 million, for the due performance of our GETS II Contract, which is effective from 1 January 2010 to 31 December 2016;
- (ii) A performance bond issued by the Company, in the amount of HK\$0.6 million, for the due performance of the call centre services under the ROCARS Contract, which will remain in effect for 5 years commencing from the production roll-out of the ROCARS originally scheduled for September 2009; and
- (iii) A bank guarantee issued by Digi-Sign, 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 the production rollout of the SWCS at the end of 2012.

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

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

Capital Commitments

Capital commitments outstanding as at 30 June 2014 not provided for in the financial statements amounted to HK\$0.7 million (31 December 2013: HK\$0.2 million). They are mainly in respect of the purchase of computer equipment.

Employees and Remuneration Policy

As at 30 June 2014, the Group employed 250 staff (2013: 251), of which 218 are in Hong Kong and 32 in Guangzhou. The related staff costs for the six months ended 30 June 2014 amounted to HK\$46.5 million (2013: HK\$45.3 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, the Group has a discretionary performance bonus scheme to drive performance and growth.

The Company also has share option and share award schemes to reward the performance of, and to help retain, staff at assistant manager grade and above. The share award scheme was, however, terminated in April 2014 and was replaced by the new share option scheme approved by shareholders at the AGM on 9 May 2014.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As at 30 June 2014, 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 Corporate Governance Code and the 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 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 Code throughout the half-year period ended 30 June 2014.

Board of Directors

The Company is led by and controlled through its Board of Directors which comprises three Executive Directors ("EDs"), five Non-executive Directors ("NEDs"), including the Chairman of the Board, and four Independent Non-executive Directors ("INEDs"). 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 NEDs and INEDs. 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, one half of the Directors is required to retire but are eligible for re-election at each Annual General Meeting ("AGM").

During the period under review, the Company convened two Board meetings. Eleven Directors attended the meeting held on 25 March 2014 to review and approve the 2013 annual results and to endorse the new share option scheme for submission to shareholders for approval at the AGM. Dr. LEE Delman, a NED, was unable to attend due to business engagements overseas. Ten Directors attended the meeting held on 24 June 2014. Mr. TSE Kam Keung, an INED, and Mr. YING Tse Man, Kenneth, a NED, were unable to attend because of business engagements overseas.

On 3 July 2014, Mr. TSE Kam Keung, an INED, signed a contract to act as the Chief Executive Officer of the Company with effect from 1 July 2015, for a three-year term until 30 June 2018, subject to a 3-month written notice to terminate the contract by either party thereto. In view of his future role as the CEO of the Company, Mr. TSE was re-designated as a NED of the Company on the same date. As a result, the composition of the Board changed to four INEDs, five NEDs and three EDs from that date. The percentage of INEDs continues to account for one-third of the Board and is in compliance with Listing Rule 3.10A.

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 business.

Audit Committee

The Group has an Audit Committee to oversee the overall financial reporting process as well as the adequacy and effectiveness of the Group's internal controls. It comprises five INEDs until the re-designation of Mr. TSE Kam Keung as a NED on 3 July 2014. As at the date of this report, the Committee is composed of four INEDs, namely, Mr. CHUNG Wai Kwok, Jimmy, (Chairman of the Committee), Mr. CHAK Hubert, Mr. CHAU Tak Hay and Mr. HO Lap Kee, Sunny, J.P., and one NED, Mr. TSE Kam Keung.

The Committee met on 11 March 2014 to review the consolidated financial statements for 2013, reviewed and approved audit plans and audit reports prepared by the Internal Audit Department of the Company, reviewed and proposed the audit fee for 2014, recommended the re-appointment of the external auditor and held separate independent discussions with KPMG and the Company's Internal Auditor without the presence of the executive directors and senior management. The Committee convened another meeting on 12 August 2014 to review the accounting policies adopted by the Group and the interim financial report for the six months ended 30 June 2014. It also had separate discussions with KPMG.

The interim financial report for the first six months of 2014 have not been audited but have been reviewed by the Company's external auditor, KPMG.

Remuneration Committee

The Group has a Remuneration Committee, comprising a majority of INEDs, for making recommendations to the Board on the Group's remuneration policy and structure for all Directors and senior management. The Committee comprises the Chairman of the Board, Dr. LEE Nai Shee, Harry, S.B.S., J.P., and two INEDs, namely Mr. CHAU Tak Hay (Chairman of the Committee) and Mr. CHUNG Wai Kwok, Jimmy.

During the first six months of 2014, the Committee convened two meetings, on 26 March 2014 and 24 June 2014. At the March meeting, the Committee reviewed the remuneration of Directors and the senior management. At the June meeting, the Committee reviewed the remuneration package of the new Chief Executive Officer and the rules for the new Share Option Scheme and Management's recommendations on the grant of share options for 2014.

Nomination Committee

The Group has a Nomination Committee, comprising a majority of INEDs, to review the structure, size and composition of the Board and to select suitable Board members based on a balance of skills, professional qualifications and experience and diversity of perspectives appropriate to the Company's business. The Committee comprises the Chairman of the Board, Dr. LEE Nai Shee, Harry, S.B.S., J.P., and two INEDs, namely Mr. HO Lap Kee, Sunny, J.P., (Chairman of the Committee) and Mr. CHUNG Wai Kwok, Jimmy.

During the first six months of 2014, it met twice, on 26 March 2014 and 24 June 2014. At the March meeting, the Committee nominated and recommended Directors for approval by shareholders at the Company's AGM on 9 May 2014. The five Directors appointed at the AGM were: Dr. LEE Nai Shee, Harry, S.B.S., J.P., Mr. KIHLM Lutz Hans Michael, Mr. CHAU Tak Hay, Mr. CHENG Chun Chung, Andrew, and Ms. CHUNG Shun Kwan, Emily. On 24 June 2014, the Committee discussed the appointment of Mr. TSE Kam Keung as the Chief Executive Officer of the Company and his re-designation as a NED.

Investment Committee

The Group has an Investment Committee, comprising two NEDs namely, Mr. TSE Kam Keung (Chairman of the Committee) and Dr. LEE Delman and two INEDs, namely Mr. CHAK Hubert and Mr. CHAU Tak Hay, to guide the Group's investments in financial instruments. On 12 August 2014, the Committee met to review the execution of the investment policy by Management and the portfolio of the Company's investment.

Corporate Governance Committee

The Group has a Corporate Governance Committee to ensure and uphold good corporate functions of the Company and its subsidiaries. The Committee comprises four INEDs, 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 one NED, Mr. TSE Kam Keung. The Committee met on 12 August 2014 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 2014 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 all Chairmen of the Board Committees, 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 9 May 2014. Mr. CHAK Hubert, an INED, and Mr. KIHM Lutz Hans Michael, a NED, were unable to attend due to other business commitments.

The Company's external auditor, KPMG, also 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

Save for the re-designation of Mr. TSE Kam Keung, from an INED to NED on 3 July 2014 for the reasons mentioned earlier, there has been no change in the information of Directors of the Company since publication of the 2013 annual report up to the date of this announcement.

Communications with Shareholders and Investors

The Company encourages two-way communication with investors to enhance understanding of the Group's performance and developments. The Company arranges company visits and one-on-one meetings with Management for institutional investors, analysts and media to discuss the Company's latest developments. Twenty-nine such meetings were arranged during the period when Management met with one hundred and ten institutional investors, analysts and the media.

On 11 April 2014, the Company also held a forum for its individual shareholders at the Company's Board room to brief them on the 2013 annual results and the latest corporate developments. 29 individual shareholders attended the meeting.

Board members, in particular the Chairmen of the respective Board Committees, and Senior Management of the Company attended the AGM on 9 May 2014 to answer questions raised by shareholders.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK 3.6 cents per share (2013: HK 4.0 cents per share) for the six months ended 30 June 2014 to shareholders whose names appear on the Register of Members of the Company on 24 September 2014. Dividend warrants will be dispatched on or around 9 October 2014. Consistent with last year, the interim dividend payout ratio is about 75% of the Group's distributable profit attributable to shareholders for the period.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

Closure of Register of Members

The Register of Members will be closed from 24 to 26 September 2014, 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 accompanied by share certificates and transfer forms must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 pm on 23 September 2014. Dividend warrants will be dispatched on or around 9 October 2014.

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

Hong Kong, 26 August 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, Mr. TSE Kam Keung 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 and Mr. HO Lap Kee, Sunny, J.P.