Tradelink Electronic Commerce Limited
貿易通電子貿易有限公司

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

(Stock Code: 536)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of Tradelink Electronic Commerce Limited ("Tradelink" or the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

FINANCIAL HIGHLIGHTS

	Note	**Year ended 31 December 2016 *(HK$'000)***	Year ended 31 December 2015 *(HK$'000)*
Revenue	*3*	**231,302**	222,719
Profit from operations		**91,931**	85,982
Profit for the year		**79,252**	81,404
Profit attributable to equity shareholders of the Company		**79,252**	81,404
Total assets		**564,624**	576,728
Net assets		**350,351**	360,649
Dividend per share (HK cents)	*8*		
Interim		**2.4**	3.6
Proposed final		**6.3**	5.1
Proposed special		**–**	2.9
Earnings per share (HK cents)	*9*		
Basic		**9.9**	10.2
Diluted		**9.9**	10.2
Issued and fully paid ordinary shares (in'000)			
As at 31 December		**794,486**	794,217
Weighted average number of ordinary shares (basic) outstanding as at 31 December		**794,354**	793,731

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	**2016** *(HK$'000)*	2015 *(HK$'000)*
Revenue	*3*	**231,302**	222,719
Interest income		**19,386**	15,195
Other net income	*5*	**6,354**	12,455
Cost of purchases		**(18,577)**	(16,044)
Staff costs		**(103,052)**	(102,342)
Depreciation		**(6,723)**	(7,159)
Other operating expenses		**(36,759)**	(38,842)
Profit from operations		**91,931**	85,982
Share of results of associates		**(10,557)**	6,596
Profit before taxation	*6*	**81,374**	92,578
Taxation	*7*	**(2,122)**	(11,174)
Profit for the year		**79,252**	81,404
Profit attributable to equity shareholders of the Company		**79,252**	81,404
Earnings per share (HK cents)	*9*		
Basic		**9.9**	10.2
Diluted		**9.9**	10.2

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

For the year ended 31 December 2016

	2016 *(HK$'000)*	2015 *(HK$'000)*
Profit for the year	**79,252**	81,404
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of the People's Republic of China ("PRC") operations	**(1,080)**	(8,772)
Available-for-sale debt securities: net movement in fair value reserve	**(7,388)**	3,904
Total comprehensive income for the year	**70,784**	76,536

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	**2016** **(HK$'000)**	2015 (HK$'000)
Non-current assets			
Property, plant and equipment		**26,222**	29,313
Goodwill		**9,976**	9,976
Interest in associates		**13,685**	24,917
Other financial assets	*10*	**407,115**	229,403
Deferred taxation	*11*	**8,920**	–
		465,918	293,609
Current assets			
Trade receivables	*12*	**26,029**	21,906
Other receivables and prepayments	*13*	**28,348**	114,987
Deposits with bank		**4,286**	3,800
Cash and cash equivalents		**40,043**	142,426
		98,706	283,119
Current liabilities			
Trade creditors, accounts payable and other payables	*14*	**207,683**	211,740
Taxation		**3,141**	791
		210,824	212,531
Net current (liabilities)/assets		**(112,118)**	70,588
Total assets less current liabilities		**353,800**	364,197
Non-current liabilities			
Provision for long service payments		**3,035**	3,033
Deferred taxation	*11*	**414**	515
		3,449	3,548
NET ASSETS		**350,351**	360,649
Capital and Reserves			
Share capital	*15*	**295,870**	295,415
Reserves		**54,481**	65,234
TOTAL EQUITY		**350,351**	360,649

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Share capital (HK$'000)	Capital reserve (HK$'000)	Exchange reserve (HK$'000)	Fair value reserve (HK$'000)	Retained profits (HK$'000)	Total equity (HK$'000)
As at 1 January 2015		293,532	1,414	10,188	(2,622)	74,616	377,128
Changes in equity for 2015							
Dividends approved in respect of the previous year		–	–	–	–	(68,267)	(68,267)
Issue of new shares	*15*	1,883	(329)	–	–	–	1,554
Equity-settled share-based transactions		–	2,287	–	–	–	2,287
Lapse of share options		–	(280)	–	–	280	–
Profit for the year		–	–	–	–	81,404	81,404
Other comprehensive income for the year		–	–	(8,772)	3,904	–	(4,868)
Total comprehensive income for the year		–	–	(8,772)	3,904	81,404	76,536
Dividends declared in respect of the current year	*8*	–	–	–	–	(28,589)	(28,589)
As at 31 December 2015 and 1 January 2016		**295,415**	**3,092**	**1,416**	**1,282**	**59,444**	**360,649**
Changes in equity for 2016							
Dividends approved in respect of the previous year		**–**	**–**	**–**	**–**	**(63,553)**	**(63,553)**
Issue of new shares	*15*	**455**	**(74)**	**–**	**–**	**–**	**381**
Equity-settled share-based transactions		**–**	**1,156**	**–**	**–**	**–**	**1,156**
Lapse of share options		**–**	**(5)**	**–**	**–**	**5**	**–**
Profit for the year		**–**	**–**	**–**	**–**	**79,252**	**79,252**
Other comprehensive income for the year		**–**	**–**	**(1,080)**	**(7,388)**	**–**	**(8,468)**
Total comprehensive income for the year		**–**	**–**	**(1,080)**	**(7,388)**	**79,252**	**70,784**
Dividends declared in respect of the current year	*8*	**–**	**–**	**–**	**–**	**(19,066)**	**(19,066)**
As at 31 December 2016		**295,870**	**4,169**	**336**	**(6,106)**	**56,082**	**350,351**

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2016 and 2015 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2016 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified and they did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying it's reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

These 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. These 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.

At 31 December 2016, the Group had net current liabilities of HK$112,118,000. Notwithstanding the net current liabilities of the Group at 31 December 2016, the Group's consolidated financial statements for the year ended 31 December 2016 has been prepared on a going concern basis as the directors of the Group are of the opinion that the Group would have sufficient funds to meet its obligations as and when they fall due, having regard to the following:

i. The Group will continue to generate positive operating cash flows; and

ii. it is not expected that significant customer deposits are required to be refunded in the next twelve months from the end of the reporting period.

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015 except for the changes stated as in *Note 2*.

The consolidated financial statements for the year ended 31 December 2016 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 10*).

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 amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3. REVENUE

The principal activity of the Group is the provision of front-end Government Electronic Trading Services ("GETS") for processing certain official trade-related documents. Revenue represents the value of services provided and goods supplied to customers. The amount of each significant category of revenue recognised during the year is disclosed in *Note 4*.

4. SEGMENT REPORTING

The Board 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.
- Commercial 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 and mobile 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 fees and 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 for the years ended 31 December 2016 and 2015 is set out below.

	31 December 2016				
	E-commerce				
	GETS *(HK$'000)*	**Commercial services** *(HK$'000)*	**Security solutions** *(HK$'000)*	**Other services** *(HK$'000)*	**Total** *(HK$'000)*
Revenue from external customers	**166,584**	**15,521**	**29,726**	**19,471**	**231,302**
Inter-segment revenue	**–**	**–**	**9,044**	**9,590**	**18,634**
Reportable segment revenue	**166,584**	**15,521**	**38,770**	**29,061**	**249,936**
Elimination of inter-segment revenue					**(18,634)**
Consolidated revenue					**231,302**
Reportable segment profit	**52,092**	**6,948**	**2,755**	**10,675**	**72,470**
Interest income					**19,386**
Other net income					**6,354**
Depreciation					**(6,723)**
Share of results of associates					**(10,557)**
Unallocated corporate income					**444**
Consolidated profit before taxation					**81,374**

	31 December 2015				
	E-commerce				
	GETS *(HK$'000)*	Commercial services *(HK$'000)*	Security solutions *(HK$'000)*	Other services *(HK$'000)*	Total *(HK$'000)*
Revenue from external customers	164,802	9,669	29,504	18,744	222,719
Inter-segment revenue	–	216	8,419	6,983	15,618
Reportable segment revenue	164,802	9,885	37,923	25,727	238,337
Elimination of inter-segment revenue					(15,618)
Consolidated revenue					222,719
Reportable segment profit	46,998	4,285	4,211	13,739	69,233
Interest income					15,195
Other net income					12,455
Depreciation					(7,159)
Share of results of associates					6,596
Unallocated corporate expenses					(3,742)
Consolidated profit before taxation					92,578

Geographic information

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

5. OTHER NET INCOME

	2016	2015
	(HK$'000)	*(HK$'000)*
Net gain on disposal of available-for-sale debt securities	**6,354**	381
Gain on disposal of associates	**–**	12,074
	6,354	12,455

6. PROFIT BEFORE TAXATION

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

	2016	2015
	(HK$'000)	*(HK$'000)*
Staff costs:		
Contributions to defined contribution retirement plan	**2,874**	2,816
Equity-settled share-based payment expenses	**1,156**	2,287
Salaries, wages and other benefits	**99,022**	97,239
	103,052	102,342
Other items:		
Auditors' remuneration	**945**	986
Depreciation		
– interset in leasehold land held for own use	**142**	142
– other property, plant and equipment	**6,581**	7,017
Operating lease charges in respect of properties	**1,206**	1,084
Net foreign exchange (gain)/loss	**(444)**	3,742
Net gain on disposals of property, plant and equipment	**(44)**	–

7. TAXATION

	2016	2015
	(HK$'000)	*(HK$'000)*
Provision for Hong Kong Profits Tax for the year	**11,171**	10,862
Provision for PRC taxes for the year	**–**	213
Over-provision in respect of prior years	**(28)**	(1)
Deferred taxation	**(9,021)**	100
	2,122	11,174

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 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

	2016 (HK$'000)	2015 (HK$'000)
Interim	**19,066**	28,589
Proposed final	**50,053**	40,505
Proposed special	**–**	23,032
	69,119	92,126

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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$79,252,000 (2015: HK$81,404,000) and the weighted average number of 794,354,000 ordinary shares (2015: 793,731,000 ordinary shares) in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$79,252,000 (2015: HK$81,404,000) and the weighted average number of ordinary shares of 794,605,000 (2015: 794,137,000) after adjusting for the effect of the potential dilution from ordinary shares issuable under the Company's share option schemes.

10. OTHER FINANCIAL ASSETS

	2016 (HK$'000)	2015 (HK$'000)
Available-for-sale debt securities at fair value		
– listed	**407,115**	229,403

As at 31 December 2016 and 2015, 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.

11. DEFERRED TAXATION

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	**Depreciation allowances in excess of related depreciation** *(HK$'000)*	**Tax losses** *(HK$'000)*	**Total** *(HK$'000)*
As at 1 January 2016	**(515)**	**–**	**(515)**
Credited to profit or loss	**101**	**8,920**	**9,021**
As at 31 December 2016	**(414)**	**8,920**	**8,506**

	2016	2015
	(HK$'000)	*(HK$'000)*
Representing:		
Deferred tax assets on the consolidated statement of financial position	**8,920**	–
Deferred tax liabilities on the consolidated statement of financial position	**(414)**	(515)
	8,506	(515)

As at 31 December 2016, the Group has recognised deferred tax assets in respect of cumulative tax losses of HK$54,060,000 of a subsidiary not recognised in prior years. Based on a forecast prepared by management, future taxable profits against which the losses can be utilised will be available in foreseeable future. The tax losses do not expire under current tax legislation.

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:

	2016	2015
	(HK$'000)	*(HK$'000)*
Less than 1 month	**17,463**	15,729
1 to 3 months	**6,137**	2,510
3 to 12 months	**1,619**	1,545
Over 12 months	**810**	2,122
	26,029	21,906

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

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

	2016	2015
	(HK$'000)	*(HK$'000)*
Neither past due nor impaired	**14,912**	13,522
Less than 1 month past due	**4,758**	3,317
1 to 3 months past due	**4,434**	2,520
Over 3 months past due	**1,925**	2,547
	11,117	8,384
	26,029	21,906

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.

During the year, the Group has written off trade receivable from a customer amounted to HK$1.2 million as its recoverability is considered remote.

13. OTHER RECEIVABLES AND PREPAYMENTS

All other receivables and prepayments are expected to be recovered or recognised as expenses within one year.

As at 31 December 2015, included in the balance of HK$114,987,000 was residual proceeds of RMB75 million (equivalent to HK$87,585,000) receivable in respect of the disposal of an associate. The residual proceeds was received in January 2016.

14. TRADE CREDITORS, ACCOUNTS PAYABLE AND OTHER PAYABLES

	2016	2015
	(HK$'000)	*(HK$'000)*
Trade creditors *(Note 14(i))*	**19,088**	9,447
Customer deposits received *(Note 14(ii))*	**145,719**	152,522
Accrued charges and other payables	**42,876**	49,771
	207,683	211,740

(i) As at the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	2016	2015
	(HK$'000)	*(HK$'000)*
Less than 1 month	**17,439**	9,447
1 to 3 months	**1,649**	–
	19,088	9,447

(ii) Customer deposits received are refundable on demand.

15. SHARE CAPITAL

	2016		2015	
	Number of shares *(in'000)*	**Amounts** *(HK$'000)*	Number of shares *(in'000)*	Amounts *(HK$'000)*
Ordinary shares, issued and fully paid:				
As at 1 January	**794,217**	**295,415**	793,041	293,532
Shares issued under share option schemes	**269**	**455**	1,176	1,883
As at 31 December	**794,486**	**295,870**	794,217	295,415

16. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option schemes

The Company currently has two share option schemes in operation, the first one was adopted on 14 October 2005 (the "Share Option Scheme 2005") and the second one was adopted on 9 May 2014 (the "Share Option Scheme 2014"). Under the Share Option Scheme 2014, options will be granted to eligible persons, including Directors, employees, 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 4 July 2016 and 2 July 2015, 7,400,000 and 7,600,000 share options were granted respectively for HK$1.00 consideration to Directors, senior management and employees of the Group under Share Option Scheme 2014.

17. REVIEW OF RESULTS

The financial results for the year ended 31 December 2016 have been reviewed with no disagreement by the Audit Committee of the Company. The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement profit or loss and comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

BUSINESS REVIEW

E-Commerce – GETS Review

Against the overall pessimistic view about Hong Kong external trade sector for 2016 as forecasted the year before due to a number of unfavorable external factors, the overall GETS market which generally ties to Hong Kong's trade activities, has actually recorded a growth of 2.8% year-on-year. Set aside the macro economic factors, indeed we have noticed that online purchases as a growing trend changing the conventional trade model in recent years has positively impacted the GETS market in terms of increased transaction volume. Benefited from the expanded market, our GETS business volume also increased by 1.1% and total GETS revenue at HK$166.6 million, was also up 1.1%, or HK$1.8 million more compared to the 2015 revenue at HK$164.8 million. On the other hand, with the success of our vigorous cost control, our total costs dropped to HK$114.5 million, down HK$3.3 million compared to 2015. As a result, our GETS profit increased from HK$47.0 million in 2015 to HK$52.1 million in 2016, up 10.9% or HK$5.1 million.

In terms of the competitive landscape in 2016, it was largely stable with no major threat and much lessened price pressure. This was not unexpected as the existing GETS service providers have already been combatting in the GETS battle field at least for seven years. In the run up to the end of the current GETS contract which will expire by 2018, it makes sense that we focus on our respective clienteles. That said, we have not slacked off our work on ensuring the quality, reliability and integrity of our services which our customers consider value-for-money and choose from amongst others in the market. In this regard, we are glad that, in 2016, our Call Centre which primarily services our GETS customers, has for 5 consecutive years won the Gold Award and for 2 consecutive years awarded the "Best-in-Class" title in the "Commerce and Utilities" category in the Mystery Caller Assessment Award organized by the Hong Kong Caller Association. Our service quality has always been a key value which we offer to our customers; clearly differentiating our services from others. Going forward, we expect the GETS competitive operating environment to continue stable. Given our long established reputation and brand name in the market, and barring any external factors drastically affecting the overall GETS market, we expect to continue a steady GETS business in 2017.

As regards the bigger picture about Government's plan to implement the Trade Single Window ("SW"), until more concrete details could be confirmed and announced by the Government, we would stay vigilance and try keep our ears open to gauge the general direction the stakeholders are pursuing so as to enable us to formulate our longer term business planning for GETS and SW. Meanwhile more imminently is the post-2018 GETS arrangement for which Government has revealed their plan to follow the current GETS model which likely would mean that Government would issue tender for the new GETS licence (2019–2024 extendable to 2026). Same as the past two GETS tendering exercises, we do not expect surprises in terms of our GETS business continuity under the new contract. We would prepare the formality required for the tender proposal submission expected to come about some times in 2017.

As always we would strive to enhance stickiness with our GETS customers by offering other value-added services including offerings from the Commercial Services division, not only for obvious reasons like to fend off GETS competition and increase revenue, but more importantly, to shift our relations with customers to non-GETS space. The latter is of strategic importance to us in mitigating the potential business risks under the future open SW operating environment. During the reporting period, several quality sales leads were referred to the Commercial Services team, some of which have been successfully closed. Proving a three-way winning for the two business segments and the customers, we would continue this approach in coming years.

E-Commerce – Commercial Services Review

Revenue of our Commercial Services (formally called DTTN services) in 2016 recorded a significant growth from HK$9.7 million in 2015 to HK$15.5 million in 2016, an increase of almost 59.8%. The segment profit also rose remarkably to HK$6.9 million, 60.5% or HK$2.6 million higher than the profit in 2015. The impressive full year result was a result of the successful completion of several major projects in the second half of 2016; some originally scheduled for delivery in the first half; and some newly signed in the second half of the year.

We are pleased to demonstrate that the focus approach to market our mature products such as Warehouse Management System ("WMS") and Delivery Order Management System ("DOMS") as set out in our 2015 Annual Report was a success. Using our core solutions as the building block to replicate/customize for new customers of similar needs, our projects could be completed within a substantially shortened timeframe with reduced risks and higher margin. We now could have a sizeable WMS/DOMS project delivered within a couple of months but would have otherwise required at least 8 to 9 months to complete in the past. All we are doing is to create a virtuous cycle of our progressively mature solutions with increasing ease of selling and delivery to new customers. Added to this is the success stories from our renowned customers in the logistics and retails industry to whom we have deployed our WMS and/or DOMS. They have proved to be extremely useful in helping us generating quality sales leads and shortening the selling cycle. During the reporting period, indeed we have more prominent brand names added to our customer reference list. Amongst others, we have a major leading commercial laundry company serving aviation, hospitality and education sectors, the largest international health and beauty retailer in Asia and Europe with over thirteen thousands stores in 25 markets including Hong Kong where they operate under several different brand names; and two major logistics service providers, one with international presences providing customized supply-chain solutions to customers across multi-modal transport modes; and the other providing warehouse management service and cross border trucking services between Hong Kong and China. With further strengthened references, we are delighted that we are not only getting solid and quality sales leads from our own target lists but also referrals from existing customers and/or requests from these customers for extension of our solutions deployment to other geographic locations or for their groups' other businesses. We are excited with these opportunities and would vigorously work on them for further growing of the business in 2017.

Meanwhile, as our ongoing plan to expand our business and augment our suite of supply chain management solutions, we would continue to explore opportunities to work on new services and solutions development initiatives. We have committed resources to invest on the research and development of a couple of new initiatives which we hope to complete a pilot version for some of them for deployment later in 2017 or early 2018.

Security Solutions – Digi-Sign/TESS Review

While revenue of our Security Solutions business in 2016 at HK$29.7 million was almost the same as 2015, profit however dropped to HK$2.8 million, down 33.3%, or HK$1.4 million lower than 2015. The catch up of the full year topline from the first half result was partly due to additional revenue from the completion and delivery of the one-time password ("OTP") solutions in the second half of the year to the two new bank customers as mentioned in the 2016 Interim Report. Also contributing to this was the delivery of phase 1 of our biometric-based authentication solution for our major bank customer before end of the year. These additional revenue in 2016 almost cancelled out our e-cheque related projects income which was recorded in 2015 but not in 2016. On the other hand, due to the continued delay of the launch of our mobile Point-of-Sales ("PoS")/payment solutions and the additional cost incurred in the research and development of our biometric authentication solution resulting in inflated cost and declined profit for 2016 compared to the 2015 figures.

Leveraging on our sound domain knowledge and expertise in the e-security field, over the years we have extended our solution offerings from just the digital certification service as the start under Digi-Sign Certification Services Limited as a commercial Recognized Certification Authority (under the Electronic Transactions Ordinance of the Laws of Hong Kong) to a comprehensive range of solutions for identification management which included security tokens and biometric-based authentication solutions. As our business progresses the way we are going, we are building our unique brand positioning in the electronic identification management ("e-IDM") space. Our e-IDM solutions utilize multi-authentication as a secure mechanism to confirm user's claim identity in processing and authorizing transactions. To cater for the business/operation requirements of different customers in different industries, our solutions can be flexibly customized and deployed as in the case of security token, on different form factors, as a hard token or software installed on mobile device. As for our biometric solution for which we partner with a renowned global leader in this field, it is uniquely designed to run on an authentication platform that supports multiple biometric factors for banking transactions. The phase 1 solution deployed in 2016 for our major bank customer was only a pilot and the customer already has agreement with us to expand the features of our solution for mass rollout in 2017 supporting more applications including banking transactions classified as sensitive/high risks. While the full-fledged solution for this major bank has yet to be launched, we have already lined up with a number of banks who have indicated keen interests to implement similar solution once we have our first proven case launched successfully in the market. In fact the interests for our e-IDM solutions, in particular the biometric solutions, go beyond the banking industry. We have a few opportunities in the health-care industry in which authentication of user identity is of topmost importance and which we are actively pursuing. They have demands for sophisticated e-IDM solutions which we could offer to meet their requirements. We would explore further similar opportunities in other business sectors. We are hopeful about the prospect of our e-IDM business.

Regarding our mobile PoS/payment solution, though managed to sort out all critical internal project issues, we still suffered some further slippage in the completion of the development work due to the prolonged time spent on discussing and agreeing with a major bank on the technical and operational details to support the deployment of our solution for a target merchant of this potential bank customer. We are glad that our first order from this major bank has formally been confirmed in early 2017 and with the greenlight from the merchant, we are working together with all partners concerned towards a target timeline of soft launch of our solution around middle of the year. Our mobile PoS/payment solution will be deployed by this merchant for their clients' payment using credit cards. Upon deployment of our core solution, further value-adding features and functions would be developed in subsequent phases to facilitate the business operations and workflow of the merchant. With our first success story built when our solution is launched in the market, we believe we would attract interests from banks and merchants. Indeed we already have several interested parties in various sectors including not only banks and others in the retail and health care industries currently at various stages of discussion with us on deployment of our mobile PoS/payment solutions. We hope we can start reaping some results in 2017 after years of our hard work on developing our secure payment business which currently focuses on mobile PoS/payment solutions.

Other Services Review

The Group's revenue from other services which primarily are GETS-related and included our own Road Cargo Service ("ROCARS"), outsourced call center services for Customs and Excise Department's ROCARS and paper-to-electronic conversion services for our GETS paper users, recorded a slight increase from HK$18.7 million in 2015 to HK$19.5 million in 2016. While the costs to deliver/maintain these services were largely the same in 2016 compared to 2015 if excluded general inflation, additional costs however were incurred in 2016 for conducting feasibility and research on new opportunities and projects. The segment profit dropped to HK$10.7 million in 2016, down about 21.9% from 2015 profit at HK$13.7 million.

Looking ahead, while we expect stable revenue from our other GETS-related services, we would incur more substantial costs to invest on further detailed work on at least one of the new initiatives which we have tentatively identified. This would inevitably affect adversely the results of this business segment in the short term in coming years but hopefully bring in a new revenue driver in future.

Investment in PRC Associates Review

Affected by the continuous increased loss of 上海匯通供應鏈技術與運營有限公司 ("U-Link") and additional costs incurred by Guangdong Nanfang Haian Science & Technology Service Company Limited ("Nanfang") for settlement of their historical legal problems, the performance of our PRC associates in 2016 was poor, recording a total share loss of HK$10.6 million versus a share gain of HK$6.6 million in 2015 when we still could share profits from the Guofurui's profit till our disposal of our stake in December 2015.

Though we expect the Nanfang's business would rather certainly return to normal and hopefully improve after their historical legal problems have totally been cleared up, the outlook of U-Link would continue not promising as they are still in the stage of investment to further build up their customer base.

We would sit on the fence insofar as these investments are concerned for the time being until we see any possibilities or breakthrough from any perspective.

FINANCIAL REVIEW

The Group's revenue for the year was HK$231.3 million, an increase of HK$8.6 million or 3.9% compared to HK$222.7 million for 2015. The GETS revenue at HK$166.6 million, was higher than the revenue of 2015 at HK$164.8 million by 1.1% or HK$1.8 million. The increase was due to the overall GETS market growth. The Commercial Services recorded a strong revenue growth in 2016 at HK$15.5 million, higher than 2015 at HK$9.7 million by HK$5.8 million or 59.8%. The increase came from the completion of the e-solution for one of the largest laundry service provider, the WMS with DOMS to a renowned logistics service provider and the DOMS to a global furniture supplier. The revenue of our Security Solutions segment in 2016 was HK$29.7 million, higher than the revenue in 2015 at HK$29.5 million by 0.7%. As mentioned in the 2016 Interim Report, the slowdown of momentum on E-cheque project by the banking industry had significant impact on the revenue of our Security Solutions segment. In the second half of 2016, the adoption of our new OTP solution and our biometric authentication solutions in partnership with the global biometric authentication partner provided new revenue streams. The revenue generated from the former had compensated the drop in revenue from E-cheque projects. The biometric authentication solutions received positive responses from the banking sector. The revenue from the new OTP solutions and the new biometric authentication solutions had filled the gap of drop in revenue from E-cheque projects with an ultimate small revenue growth in 2016. The revenue of Other Services in 2016 at HK$19.5 million had maintained a steady year-on-year growth of 4.3%.

The Group's interest income rose from HK$15.2 million in 2015 to HK$19.4 million in 2016 by 27.6% or HK$4.2 million. The increase was partly due to the investment of the cash proceeds collected in January 2016 in respect of the disposal of our investment in Guofurui last year.

The Group's operating expenses in 2016 before depreciation was HK$158.4 million, a year-on-year increase of 0.8% or HK$1.2 million from HK$157.2 million in 2015. Staff costs increased from HK$102.3 million to HK$103.1 million, up by HK$0.8 million as compared to last year. The amount of cost of purchases grew HK$2.6 million from HK$16.0 million in 2015 to HK$18.6 million in 2016 due to the completion of Commercial Services projects and the biometric authentication solutions and new OTP solutions of Security Solutions segment. The other operating costs at HK$36.8 million incurred this year were lower than the amount at HK$38.8 million last year by HK$2.0 million. The decrease was mainly due to the foreign exchange gain at HK$0.4 million this year versus the foreign exchange loss at HK$3.7 million as a result of the devaluation of RMB in August 2015. Depreciation charges this year amounted to HK$6.7 million, HK$0.5 million lower than last year.

The Group's profit from operations for the year of 2016 was HK$91.9 million, an increase of HK$5.9 million or 6.9% as compared to 2015.

During the year of 2016, the Group's share of results from our investments in the PRC associates was a net loss of HK$10.6 million as compared to a share of profit of HK$6.6 million last year, a swing of HK$17.2 million. The reasons of the swing were that, firstly, the cessation of sharing Guofurui's profit after the disposal of our stake in December 2015. The amount of profit shared from Guofurui in 2015 was HK$9.4 million. Secondly, U-Link, our PRC associate operating 4PL business in Shanghai, was still in its business development mode and incurred losses in 2016. Our share of U-Link's loss during the year at HK$7.4 million, higher than the amount of loss shared in 2015 by HK$4.0 million. Thirdly, the Group made a full provision for Nanfang's loss in a legal case. The amount of loss shared from Nanfang this year was HK$3.9 million.

As at 31 December 2016, our wholly-owned subsidiary, Digital Trade and Transportation Network Limited ("DTTNCo") providing e-solutions to its customers has tax losses of HK$54.1 million. DTTNCo has developed a suite of supply-chain e-solutions to customers in logistics, warehousing, 3PL and retail industries and is expected to grow its revenue as well as its profit. There is evidence of sufficient taxable profit to utilise the tax losses. DTTNCo has recognised the deferred tax assets in accordance with the current accounting standards. The amount of deferred tax credit is calculated to be HK$8.9 million. Together with the other deferred tax credits, the total credit amount was HK$9.0 million and is used to off-set the profits tax provision of HK$11.1 million. The net taxation in the consolidated profit and loss account becomes a tax provision of HK$2.1 million.

The Group's after tax profit for 2016 came to HK$79.3 million, a slight decline of 2.6% year-on-year. Excluding the effect of the deferred tax credit from DTTNCo tax losses of HK$8.9 million, the Group's after tax profit for 2016 would be HK$70.4 million.

Basic earnings per share for 2016 was HK 9.9 cents, lower than that for 2015 at HK 10.2 cents by HK 0.3 cents. Diluted earnings per share for 2016 was also HK 9.9 cents, lower than that for 2015 at HK 10.2 cents by HK 0.3 cents.

Dividend

The Board has recommended a final dividend of HK 6.3 cents per share for 2016 (2015: HK 5.1 cents per share), an increase of 23.5%. The proposed final dividend, together with the interim dividend of HK 2.4 cents per share (2015: HK 3.6 cents per share) paid on 6 October 2016, represents a dividend payout ratio of 98.3% of the Group's profit excluding the deferred tax credit of HK$8.9 million.

The proposed final dividend will be submitted to shareholders for approval at the annual general meeting on 11 May 2017. If approved, the final dividend will be paid to shareholders whose names appear on the Register of Members of the Company on 18 May 2017, on or about 31 May 2017.

The Board reminds shareholders that the Company's dividend policy enunciated at the time of our IPO in 2005 is that it will pay no less than 60% of its distributable profit as dividend. The fact that the Company has paid out all of its attributable profit for the past eleven years and nearly 100% of its profit before charging the deferred tax credit this year does not mean that the policy has changed.

Liquidity and Financial Position

As at 31 December 2016, the Group has total cash and bank deposits of HK$44.3 million (2015: HK$146.2 million). During the year, the available cash reserves were invested in USD-denominated financial assets which were treated as available-for-sale debt securities under Non-current assets in the Consolidated Statement of Financial Position. The total amount increased from HK$229.4 million as at 31 December 2015 to HK$407.1 million as at 31 December 2016 by HK$177.7 million.

The other financial assets as at 31 December 2016 were fixed income USD-denominated corporate bonds with no more than US$3 million nominal value each invested in any single issuer with maturity dates less than five years. To balance the risk and returns, all investments in corporate bonds were made in accordance with the investment guidelines which are approved by the Investment Committee. The weighted average of the portfolio coupon and yield were about 4.9% and 4.4% respectively. As at 31 December 2016, 68% of the total amount was invested in investment grade corporate bonds. The remaining 32% was invested in non-investment grade or non-rated corporate bonds. All corporate bonds held as at 31 December 2016 were tradable in open market. Before any opportunities were identified to acquire new businesses, the cash surplus were parked in corporate bonds as part of our treasury operations to improve the yield of the Group's cash surpluses.

Total assets and net assets of the Group as at 31 December 2016 amounted to HK$564.6 million (2015: HK$576.7 million) and HK$350.4 million (2015: HK$360.6 million) respectively.

As at 31 December 2016, the Group had no borrowings. (2015: Nil).

Capital and Reserves

As at 31 December 2016, the capital and reserves attributable to shareholders was HK$350.4 million (2015: HK$360.6 million), a reduction of HK$10.2 million from the end of 2015. The reduction was mainly due to the distribution of special dividend of HK$23.0 million in May 2016.

Charges on Assets and Contingent Liabilities

As at 31 December 2016, the Group has obtained two bank guarantees totaling HK$2.2 million (2015: three bank guarantees of HK$2.3 million) issued to the Government for the due performance by the Group pursuant to the terms of the contracts with the Government. The bank guarantees are secured by a charge over deposits totaling HK$2.2 million (2015: HK$3.8 million).

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

Capital Commitments

Capital commitments outstanding as at 31 December 2016 not provided for in the financial statements amounted to HK$0.5 million (2015: HK$0.2 million), mainly in respect of the purchase of hardware and software for the Group.

Employees and Remuneration Policy

As at 31 December 2016, the Group employed 258 staff (2015: 259), of which 221 are in Hong Kong and 37 in Guangzhou. The related staff costs for the year came to HK$103.1 million (2015: HK$102.3 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 operates two share option schemes to reward the performance of staff: one for assistant manager grade and above and the other one for staff at senior vice president grade and above.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As at 31 December 2016, other than its investments in the PRC incorporated entities and debt securities denominated in US dollars, the Group had no foreign exchange exposure and related hedges.

Audit Committee

The Audit Committee has reviewed the Group's accounting policies and the financial statements for the year ended 31 December 2016. It also had independent discussions with the internal auditor and the external auditor, KPMG, without the presence of the management team.

OTHER INFORMATION

Closure of Register of Members

The register of members will be closed from Tuesday, 9 May 2017 to Thursday, 11 May 2017, both days inclusive, during which period no transfer of shares will be registered to determine the shareholders' entitlement to attend and vote at the annual general meeting of the Company ("AGM") to be held on Thursday, 11 May 2017. In order to qualify to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration, no later than 4:30 p.m. on Monday, 8 May 2017.

The register of members will also be closed from Thursday, 18 May 2017 to Monday, 22 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration, no later than 4:30 p.m. on Wednesday, 17 May 2017.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

Compliance with the Corporate Governance Code

The Company is committed to a high standard of corporate governance and the Board believes that good corporate governance is fundamental to effective and proper management of the Company in the interests of its stakeholders. It has made every effort to apply the principles in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year ended 31 December 2016, the Company has complied with code provisions in the CG Code.

Publication of Final Results and 2016 Annual Report

This announcement is published on the respective websites of the Company (www.tradelink.com.hk) and HKEXnews of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

The annual report of the Group for the year ended 31 December 2016 will be dispatched to shareholders and published on the respective websites of the Company (www.tradelink.com.hk) and HKEXnews of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) in April 2017.

Annual General Meeting

It is proposed that the AGM of the Company be held on Thursday, 11 May 2017. Notice of the AGM will be published and dispatched to shareholders within the prescribed time and in such manner as required under the Listing Rules.

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

Hong Kong, 28 March 2017

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