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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 536)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018 (Unaudited)

		Six months ended 30 June	
	Note	**2018 *(HK$'000)***	2017 *(HK$'000)*
Revenue	*3*	**125,073**	113,071
Interest income		**7,463**	9,650
Other net income	*5*	**–**	2,384
Cost of purchases		**(11,706)**	(9,549)
Staff costs	*6*	**(56,717)**	(53,121)
Depreciation		**(3,401)**	(3,057)
Impairment loss on trade receivables		**(511)**	–
Other operating expenses		**(15,342)**	(14,303)
Profit from operations		**44,859**	45,075
Reversal of impairment loss/(impairment loss) on other financial assets	*13*	**209**	(7,992)
Share of results of associates		**398**	2,213
Profit before taxation	*6*	**45,466**	39,296
Taxation	*7*	**(7,145)**	(5,970)
Profit for the period		**38,321**	33,326

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 (Unaudited) (Continued)

		Six months ended 30 June	
		2018	2017
	Note	***(HK$'000)***	*(HK$'000)*
Earnings per share (HK cents)	*9*		
Basic		**4.82**	4.19
Diluted		**4.82**	4.19

Note: *The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 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 six months ended 30 June 2018 (Unaudited)

	Six months ended 30 June	
	2018	2017
	(HK$'000)	*(HK$'000)*
Profit for the period	**38,321**	33,326
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 the People's Republic of China ("PRC") operations	**(136)**	677
Debt securities at fair value through other comprehensive income – net movement in fair value reserve	**(12,220)**	–
Available-for-sale debt securities: net movement in fair value reserve *(Note (ii))*	**–**	3,070
Total comprehensive income for the period	**25,965**	37,073

Notes:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018 (Unaudited)

	Note	**As at 30 June 2018 Unaudited *(HK$'000)***	As at 31 December 2017 Audited *(HK$'000)*
Non-current assets			
Property, plant and equipment		**25,564**	25,996
Goodwill		**9,976**	9,976
Interest in associates		**17,595**	17,278
Other financial assets	*13*	**352,533**	367,181
Deferred tax assets	*10*	**5,911**	6,823
		411,579	427,254
Current assets			
Trade receivables	*11*	**34,369**	28,933
Other receivables and prepayments	*12*	**16,814**	21,631
Deposits with bank		**4,308**	4,246
Cash and cash equivalents		**68,698**	79,860
		124,189	134,670
Current liabilities			
Trade creditors, accounts payable and other payables	*14*	**194,083**	200,101
Taxation		**7,247**	4,097
		201,330	204,198
Net current liabilities		**(77,141)**	(69,528)
Total assets less current liabilities		**334,438**	357,726

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 (Unaudited) (Continued)

	Note	**As at 30 June 2018 Unaudited (HK$'000)**	As at 31 December 2017 Audited (HK$'000)
Non-current liabilities			
Provision for long service payments		**3,197**	3,093
Deferred tax liabilities	*10*	**355**	223
		3,552	3,316
NET ASSETS		**330,886**	354,410
Capital and reserves			
Share capital	*15*	**296,093**	296,039
Reserves		**34,793**	58,371
TOTAL EQUITY		**330,886**	354,410

Note: *The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2018 (Unaudited)

	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 2017	295,870	4,169	336	(6,106)	56,082	350,351
Changes in equity for the six months ended 30 June 2017:						
Dividends approved in respect of the previous year	–	–	–	–	(50,059)	(50,059)
Issue of new shares	169	(27)	–	–	–	142
Equity-settled share-based transactions	–	609	–	–	–	609
Lapse of share options	–	(97)	–	–	97	–
Profit for the period	–	–	–	–	33,326	33,326
Other comprehensive income for the period	–	–	677	3,070	–	3,747
Total comprehensive income for the period	–	–	677	3,070	33,326	37,073
As at 30 June 2017 and 1 July 2017	296,039	4,654	1,013	(3,036)	39,446	338,116
Changes in equity for the six months ended 31 December 2017:						
Dividends declared in respect of the current year	–	–	–	–	(25,427)	(25,427)
Equity-settled share-based transactions	–	375	–	–	–	375
Lapse of share options	–	(1)	–	–	1	–
Profit for the period	–	–	–	–	40,794	40,794
Other comprehensive income for the period	–	–	782	(230)	–	552
Total comprehensive income for the period	–	–	782	(230)	40,794	41,346
As at 31 December 2017	296,039	5,028	1,795	(3,266)	54,814	354,410

Note: *The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2018 (Unaudited) (Continued)

	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 31 December 2017	**296,039**	**5,028**	**1,795**	**(3,266)**	**54,814**	**354,410**
Impact on initial application of HKFRS 9	–	–	–	1,760	(1,772)	(12)
Adjusted balance as at 1 January 2018	**296,039**	**5,028**	**1,795**	**(1,506)**	**53,042**	**354,398**
Changes in equity for the six months ended 30 June 2018:						
Dividends approved in respect of the previous year	–	–	–	–	(50,062)	(50,062)
Issue of new shares	54	(5)	–	–	–	49
Equity-settled share-based transactions	–	536	–	–	–	536
Lapse of share options	–	(16)	–	–	16	–
Profit for the period	–	–	–	–	38,321	38,321
Other comprehensive income for the period	–	–	(136)	(12,220)	–	(12,356)
Total comprehensive income for the period	–	–	(136)	(12,220)	38,321	25,965
As at 30 June 2018	**296,093**	**5,543**	**1,659**	**(13,726)**	**41,317**	**330,886**

Notes:

1. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2018 but are extracted from the interim financial report. 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"). It was authorised for issue on 28 August 2018.

At 30 June 2018, the Group had net current liabilities of HK$77,141,000. Notwithstanding the net current liabilities of the Group as at 30 June 2018, the Group's consolidated financial statements for the six months ended 30 June 2018 has been prepared on a going concern basis as the directors of the Group are of the opinions 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 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 2017, except for the changes set out in *Note 2*.

The interim financial report 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.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in *Note 2(b)* for HKFRS 9 and *Note 2(c)* for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

	As at 31 December 2017 *(HK$'000)*	Impact on initial application of HKFRS 9 *(HK$'000)*	As at 1 January 2018 *(HK$'000)*
Deferred tax assets	6,823	151	6,974
Total non-current assets	**427,254**	**151**	**427,405**
Trade receivables	28,933	(163)	28,770
Total current assets	**134,670**	**(163)**	**134,507**
Total assets less current liabilities	**357,726**	**(12)**	**357,714**
Net assets	**354,410**	**(12)**	**354,398**
Reserves	58,371	(12)	58,359
Total equity	**354,410**	**(12)**	**354,398**

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (Continued)

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

Retained earnings	*(HK$'000)*
Recognition of additional expected credit losses on:	
– financial assets measured at fair value through other comprehensive income	(1,760)
– trade receivables	(163)
Related tax	151
Net decrease in retained earnings at 1 January 2018	(1,772)

Fair value reserve	*(HK$'000)*
Recognition of additional expected credit losses on financial assets measured at fair value through other comprehensive income	1,760

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified as FVOCI since the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

The following table shows the original measurement categories for the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 *(HK$'000)*	Reclassification *(HK$'000)*	Remeasurement *(HK$'000)*	HKFRS 9 carrying amount at 1 January 2018 *(HK$'000)*
Financial assets measured at amortised cost				
Trade receivables	28,933	–	(163)	28,770
Financial assets measured at FVOCI				
Debt securities *(Note)*	–	367,181	–	367,181
Financial assets classified as available-for-sale under HKAS 39 *(Note)*	367,181	(367,181)	–	–

Note:

Under HKAS 39, debt securities were classified as available-for-sale financial assets. These debt securities are classified as FVOCI under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (Continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

– contract assets as defined in HKFRS 15 (see *Note 2(c)*); and

– debt securities measured at FVOCI.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of fixed-rate financial assets, trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For all financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (Continued)

(ii) Credit losses (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (Continued)

(ii) Credit losses (Continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (Continued)

(ii) Credit losses (Continued)

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs for debt securities measured at FVOCI and trade receivables amounting to HK$1,760,000 and HK$163,000 respectively, which decreased retained earnings by HK$1,772,000 and increased gross deferred tax assets by HK$151,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	(HK$'000)
Loss allowance at 31 December 2017 under HKAS 39	–
Additional credit loss recognised at 1 January 2018 on:	
– financial assets measured at FVOCI	1,760
– trade receivables	163
Loss allowance at 1 January 2018 under HKFRS 9	1,923

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The assessment on the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services.

The adoption of HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

(i) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised when services had been provided to customers and subscription fees are recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to contracts in progress were presented in the statement of financial position under "trade receivables" or "trade creditors, accounts payables and other payables" respectively and the revenue was recognised for the reasons explained in paragraph (i) above.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

(ii) Presentation of contract assets and liabilities (Continued)

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

"Advances received" amounting to HK$14,295,000 which was previously included in trade creditors, accounts payables and other payables are now included as contract liabilities.

(d) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the Group.

3. REVENUE

The principal business of the Group is the provision of 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 period 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 government trade-related documents and supply chain solutions.
Identity Management (previously known as Security Solutions):	This segment generates income from the provision of security products, digital certificates, security solutions and biometric-based authentication solutions for identity management.
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.

4. SEGMENT REPORTING (CONTINUED)

For the period ended 30 June 2017, the sub-segments of E-commerce, being GETS and Commercial Services for the processing of government trade-related documents and the business-related documents respectively, were reported. For the period ended 30 June 2018, the two sub-segments were presented as E-commerce segment in the view of the strategic development of our overall E-commerce business for the trade and logistics industry in the light of the changing operating environment.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments results as provided to the Board of Directors for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2018 and 2017 are set out below.

	Six months ended 30 June 2018			
	E-commerce *(HK$'000)*	Identity Management *(HK$'000)*	Other Services *(HK$'000)*	Total *(HK$'000)*
Disaggregated by timing of revenue recognition				
Point in time	**75,227**	**9,266**	**7,601**	**92,094**
Over time	**13,070**	**17,740**	**2,169**	**32,979**
Revenue from external customers	**88,297**	**27,006**	**9,770**	**125,073**
Inter-segment revenue	**–**	**3,910**	**4,764**	**8,674**
Reportable segment revenue	**88,297**	**30,916**	**14,534**	**133,747**
Elimination of inter-segment revenue				**(8,674)**
Consolidated revenue				**125,073**
Reportable segment profit	**27,857**	**4,926**	**6,187**	**38,970**
Interest income				**7,463**
Depreciation				**(3,401)**
Reversal of impairment loss on other financial assets				**209**
Share of results of associates				**398**
Unallocated corporate income				**1,827**
Consolidated profit before taxation				**45,466**

4. SEGMENT REPORTING (CONTINUED)

	Six months ended 30 June 2017			
	E-commerce *(HK$'000)*	Identity Management *(HK$'000)*	Other Services *(HK$'000)*	Total *(HK$'000)*
Disaggregated by timing of revenue recognition				
Point in time	75,243	9,189	7,571	92,003
Over time	13,045	6,466	1,557	21,068
Revenue from external customers	88,288	15,655	9,128	113,071
Inter-segment revenue	–	3,966	4,284	8,250
Reportable segment revenue	88,288	19,621	13,412	121,321
Elimination of inter-segment revenue				(8,250)
Consolidated revenue				113,071
Reportable segment profit	26,041	2,954	4,254	33,249
Interest income				9,650
Other net income				2,384
Depreciation				(3,057)
Impairment loss on other financial assets				(7,992)
Share of results of associates				2,213
Unallocated corporate income				2,849
Consolidated profit before taxation				39,296

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

	Six months ended 30 June	
	2018 ***(HK$'000)***	2017 *(HK$'000)*
Net gain on disposal of available-for-sale debt securities	–	2,384

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	(HK$'000)	*(HK$'000)*
Staff costs:		
Contributions to defined contribution retirement plan	**1,584**	1,494
Equity-settled share-based payment expenses	**536**	609
Salaries, wages and other benefits	**54,597**	51,018
	56,717	53,121
Other items:		
Auditors' remuneration	**597**	576
Depreciation		
– interest in leasehold land held for own use	**71**	71
– other property, plant and equipment	**3,330**	2,986
Impairment loss on trade receivables	**511**	–
Operating lease charges in respect of properties	**723**	702
Net foreign exchange gain	**(1,827)**	(2,849)
Net gain on disposal of property, plant and equipment	**–**	(29)

Note: *The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.*

7. TAXATION

	Six months ended 30 June	
	2018	2017
	(HK$'000)	*(HK$'000)*
Provision for Income Tax for the period		
– Hong Kong Profits Tax	**5,950**	5,124
– PRC tax	**–**	25
Deferred taxation *(Note 10)*	**1,195**	821
Income tax expense	**7,145**	5,970

The provision for Hong Kong Profits Tax for the period is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the period. The provision for PRC tax for the prior period was calculated at 25% under applicable tax rate ruling in the PRC.

8. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	(HK$'000)	*(HK$'000)*
Interim dividend declared after the interim period of HK 3.5 cents per share (2017: HK 3.2 cents per share)	**27,812**	25,427

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$38,321,000 (2017: HK$33,326,000) and the weighted average number of 794,612,000 ordinary shares (2017: 794,576,000 ordinary shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$38,321,000 (2017: HK$33,326,000) and the weighted average number of 794,637,000 ordinary shares (2017: 794,704,000 ordinary shares), after adjusting for the effect of the potential dilution from ordinary shares issuable under the Company's share option schemes.

10. DEFERRED TAXATION

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

Deferred tax arising from:	**Depreciation allowances in excess of related depreciation** ***(HK$'000)***	**Tax losses** ***(HK$'000)***	**Others** ***(HK$'000)***	**Total** ***(HK$'000)***
As at 31 December 2017	(223)	6,823	–	6,600
Impact on initial application of HKFRS 9	–	–	151	151
As at 1 January 2018	**(223)**	**6,823**	**151**	**6,751**
Charged to profit or loss	**(132)**	**(1,063)**	**–**	**(1,195)**
As at 30 June 2018	**(355)**	**5,760**	**151**	**5,556**

Note: *Upon the initial application of HKFRS 9, the Group has recognised deferred tax assets on the additional credit losses recognised under the ECL model.*

10. DEFERRED TAXATION (CONTINUED)

	As at 30 June 2018 (HK$'000)	As at 31 December 2017 (HK$'000)
Representing:		
Deferred tax assets on the consolidated statement of financial position	**5,911**	6,823
Deferred tax liabilities on the consolidated statement of financial position	**(355)**	(223)
	5,556	6,600

11. TRADE RECEIVABLES

Credit terms granted by the Company to customers generally range from one day 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 and net of loss allowance, is as follows:

	As at 30 June 2018 (HK$'000)	As at 31 December 2017 (HK$'000)
Less than 1 month	**16,656**	17,664
1 to 3 months	**5,556**	5,315
3 to 12 months	**8,191**	3,496
Over 12 months	**1,669**	2,458
Trade debtors, net of loss allowance	**32,072**	28,933
Contract assets	**2,297**	–
	34,369	28,933

The amount of Group's trade receivables expected to be recovered after more than one year is HK$268,000. All the other balances are expected to be recovered within one year and they are generally covered by customer deposits from customers (see *Note 14*).

12. OTHER RECEIVABLES AND PREPAYMENTS

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

13. OTHER FINANCIAL ASSETS

Available-for-sale financial assets were reclassified to financial assets measured at FVOCI upon the initial application of HKFRS 9 as at 1 January 2018. The debt securities are issued by corporate entities with credit quality commensurate with the return as considered acceptable to the Group.

During the six months ended 30 June 2018, the Group disposed of corporate bonds of HK$3,944,000 (2017: HK$182,988,000) and did not acquire any corporate bonds (2017: HK$59,161,000).

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

At 30 June 2018, the other financial assets of HK$352,533,000 fall into Level 1 of the fair value hierarchy described above.

(i) Corporate bonds categorised in level 1

The fair value of corporate bonds traded in active markets is based on quoted market prices at the end of the reporting period and included in Level 1.

(ii) Corporate bonds categorised in level 3

Valuation technique and inputs used in Level 3 fair value measurements

One corporate bond was categorised in level 3 as at 31 December 2017 due to the issuer's financial difficulties and the fact that the bond had been suspended from trading in 2017. The disappearance of an active market meant that significant unobservable price information and judgement were used in the determination of fair value. The Group relied upon a broker indicative quote to determine the fair value and considered it representative because the value was similar to a price transacted over-the-counter near 31 December 2017.

During the six months ended 30 June 2018, the Group disposed of the corporate bond in Level 3.

13. OTHER FINANCIAL ASSETS (CONTINUED)

(ii) Corporate bonds categorised in level 3 (Continued)

Valuation technique and inputs used in Level 3 fair value measurements (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	As at 30 June 2018 *(HK$'000)*
Opening balance	**3,736**
Reversal of impairment loss recognised in profit or loss	**209**
Proceeds from sales	**(3,981)**
Others	**36**
Closing balance	**–**
Reversal of impairment loss for the period included in profit or loss	**209**

14. TRADE CREDITORS, ACCOUNTS PAYABLE AND OTHER PAYABLES

	As at 30 June 2018 *(HK$'000)*	As at 31 December 2017 *(HK$'000)*
Trade creditors *(Note 14(a))*	**9,163**	15,838
Customer deposits received *(Note 14(b))*	**138,726**	140,772
Accrued charges and other payables	**28,477**	43,491
Contract liabilities	**17,717**	–
	194,083	200,101

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

	As at 30 June 2018 *(HK$'000)*	As at 31 December 2017 *(HK$'000)*
Less than 1 month	**8,590**	15,702
1 to 3 months	**423**	136
Over 3 months	**150**	–
	9,163	15,838

(b) Customer deposits received are refundable on demand.

15. SHARE CAPITAL

	As at 30 June 2018		As at 31 December 2017	
	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	**794,586**	**296,039**	794,486	295,870
Shares issued under share option schemes	**48**	**54**	100	169
As at 30 June/31 December	**794,634**	**296,093**	794,586	296,039

16. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option schemes

The Share Option Scheme 2014 currently in operation was adopted on 9 May 2014. The Share Option Scheme 2005 which was adopted on 14 October 2005 expired on 13 October 2015. All the unexercised share options under Share Option Scheme 2005 lapsed after 13 April 2018. 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 28 April 2017 and 4 May 2018, 6,900,000 and 7,400,000 share options were granted respectively for HK$1.00 consideration to Directors, senior management and employees of the Group under Share Option Scheme 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

E-Commerce Review

To better organize our operations to face the identified challenges and take advantage of the market trends, we have combined the reporting of the two sub-segments, Government Electronic Trading Services ("GETS") and Commercial Services, under E-Commerce into one set of segment numbers in line with the strategic development of our overall E-Commerce business in the light of the changing operating environment with the implementation of the Trade Single Window ("SW") in the coming 7-9 years and the demand for our e-solutions for the trade and logistics industry. For the first half of 2018, our total E-Commerce revenue from GETS and Commercial Services was HK$88.3 million, same as the total for the same period last year. Though benefited from an overall growth of the market for the period, our GETS revenue increased slightly from HK$83.1 million last year to HK$83.6 million this year, a more or less same amount of revenue drop of our Commercial Services cancelled out the GETS revenue increase. Due to tighter cost control during the reporting period, the E-Commerce segment profit at HK$27.9 million was 7.0% higher than the profit last year at HK$26.0 million.

The GETS competitive landscape was, as expected, stable given that the three existing service providers were awarded the new licenses by the Government to continue to offer GETS. During the reporting period, same as the other two service providers, we have been focusing on the development of the system enhancements required by the Government under the new license commencing 2019. Meanwhile we are closely monitoring Government's development of SW which is progressing largely according to their plan. We will continue to keep a close watch on its progress and get ourselves involved as and when appropriate in their consultation with potential value-added service providers ("VASPs") on business issues affecting the operating environment of VASPs under the future SW.

Regarding the outlook of our GETS business in the second half of the year, we believe it would very much depend on how the trade war between US and China would go in the coming months and how it would affect the Hong Kong trading activities towards the later part of the year as most analysts and Government officials have foreshadowed. Barring this wider issue which is beyond our control, we are reasonably confident of a stable GETS competitive market situation and hence our GETS business for the remainder of the year.

For the first half of 2018, our Commercial Services' revenue, which comprised only regular recurrent revenue as there was no completed project, was at HK$4.7 million, representing an almost 10% drop from revenue at HK$5.2 million recorded for the same period last year. The delay in the Commercial Services projects during the reporting period was the key contributing factor causing the revenue drop. While this is only a timing issue in recognizing those projects income, with revenue from new orders that have been or can be confirmed and completed before the year end, we expect a significant catch up of the revenue in the second half of the year.

The team is particularly excited about one recent order confirmed by a local subsidiary of a major non-commodity marketing and distribution services company based in the United States. We will provide to them not only our Warehouse Management System ("WMS") but also consultancy services to plan and design their new warehouse operations to support their business networks and portfolios in both consumer goods and industrial products markets. This is of strategic importance to us as we are building up our expertise as well as credentials in offering a comprehensive solution for warehouse setups and operations including all equipment, system and ancillary devices implementation for guiding and managing human and/or Automated Guided Vehicles operations on warehouse floors. Leveraging our experience from this case, the team is actively pursuing opportunities to offer our comprehensive warehousing solution to potential customers. Another major case which the team confirmed during the period is a solution that uses our WMS as the building block and together with IoT ("Internet-of-Things") helps a major organization in Macau to manage all fixed and valuable assets used and stored in their premises in compliance with the relevant licensing requirements. We are incorporating IoT as a trendy innovation and technology in our suite of Supply Chain solutions to meet market demands.

As for the outlook of our Commercial Services business, we believe that it would unlikely be hit as quickly and directly as GETS by the US/China trade war. As such it is doubtful that any effect it has on our Commercial Services will surface within the second half of this year. Given the team has already on hand several major cases confirmed or with high chance of winning, we expect an improvement of our Commercial Services business for the remainder of the year.

With GETS and Commercial Services now forming even closer and tighter ties between them, we are working with customers offering our Business-to-Government services (GETS) as well as Business-to-Business/Supply Chain e-solutions (Commercial Services) to facilitate their trade and logistics activities.

Identity Management ("IDM") Review

For the first half of 2018, the Group's IDM business recorded remarkable results with revenue increased from HK$15.7 million last year to HK$27.0 million this year, a handsome growth of 72.5% year-on-year. The segment profit also increased to HK$4.9 million, up 66.8% compared to the profit at HK$3.0 million last year.

As foreshadowed in the 2017 Annual Report, 2018 is a year of harvest for the IDM business given the solid and healthy sales pipelines the team has built up since last year. The team indeed reaped some of the yields in the first half of the year as several projects were completed and delivered to customers, contributing to a large extent the revenue increase of the business segment during the period. Projects successfully delivered in the first half of the year included an eKYC ("Know-Your-Customer") project for a major international bank, a two-factor biometric solution for a local bank as well as a Public Key Infrastructure solution using digital certificates for a private hospital. During the period, we also recorded revenue from our first soft token order from our major bank customer. As a general trend in the market to use soft token instead of hard token for identity authentication, this major bank customer to whom we have been providing security token delivery service for some years has since last year engaged us in a pilot on our soft token solution. With success of the pilot, since the beginning of the year, we have started gradually issuing soft tokens for this major bank to their customers replacing their hard tokens.

To enable securities companies to comply with the guidelines issued by the regulatory authority, we have developed and launched a two-factor biometric cloud-based solution in April this year as an outsourced service on subscription basis to securities companies for the authentication of their end-users in accessing their online services. With securities companies signing up to use this service, we hope to generate stable ongoing recurrent income from this to form a better mix of revenue streams in the future. While customers currently signed up for the service are all securities companies, the team is extending the target customers to insurance companies who should have a similar demand for such a solution.

For the remainder of the year, we are reasonably confident in continuing the growth momentum given several major confirmed projects already under development and expected to be completed before the end of the year. On the other hand, as mentioned earlier about the soft token trend, we expect a gradual decline of our hard token delivery service and replacement by our soft token solution. We will monitor the net impact on the revenue and profit in this regard. It is also interesting to note that several potential virtual banks have enquired with us about our eKYC solutions. We are seizing the opportunities and actively pursuing with interested parties in building our sales pipeline.

Other Services Review

With the re-grouping of our business segments, our Other Services which previously referred primarily to our GETS-related services only, now include also our Smart Point-of-Sales ("PoS") business and the new community-wide business initiative started off in the second half of last year by our Commerce Services team; both still under incubation generating negligible or nil revenue at the moment.

For the first half of the year, the revenue of Other Services which came almost all from our GETS-related services was HK$9.8 million, 7.0% more than the revenue last year at HK$9.1 million. The increase was due to our general price increase of our stable GETS-related services. Segment profit for the period at HK$6.2 million was up 45.4% from profit at HK$4.3 million last year.

Regarding our Smart PoS business, following the deployment of our Android-based Smart PoS payment solution to the market through our first bank customer before the end of last year, we have been ramping up the installations in working with this bank customer. With the fulfillment of the first Smart PoS order placed by this bank customer almost completed towards the end of the first half of this year, discussion with the bank customer on potential subsequent orders is currently underway. On the development side, during the reporting period, the team has completed enablement of more payment methods including American Express card, Alipay and WeChat Pay on top of Visa/Mastercard and UnionPay on our Smart PoS solution. The extended payment methods supported by our Smart PoS will certainly enhance its values and hence marketability. Also, the development work on the second payment path supporting Visa/Mastercard through our other bank customer was completed with customer's sign off of the user acceptance testing before the end of the reporting period. With our second payment path solution on our Smart PoS technically ready, we can also commence work with the bank customer concerned on the deployment of our solution to their merchant clients starting the second half of the year. We will closely monitor the progress of our Smart PoS business and keep a close watch of the market and related technological development to assess the need for any changes of our business direction or strategy. As a new business venture, while we take pride in the technical capability of our Smart PoS solution, we believe that it will take some time to see the commercial benefits of this venture given the nascent market demand in Hong Kong for this type of product.

As for our new business initiative which is a logistics community platform developed with the aim to facilitate the interaction among shippers, freight forwarders and carriers and to streamline the logistics process, we have soft launched the platform by the end of the first quarter this year. As mentioned in our 2017 Annual Report, we will closely monitor the market reaction and acceptance through actual user patronage and transactions on the platform. Like most platform businesses, we have so far been offering the service free of charge to users and expect to continue to do so until the value propositions widely appreciated and accepted by users. Since soft launch of the service, we have been able to successfully and gradually ramp up our customer base and activities on the platform. While continuing to further enhance the existing function, we are formulating a roadmap for the development of more value-added functions and features on the platform so as to provide a more complete e-logistics solution for our customers in this respect.

For the remainder of the year, we will continue to invest into our Smart PoS business and the above-mentioned logistics community platform. We expect a steady business environment for our GETS-related services and hence a continuing stable business trend for our Other Services.

China Associate Review

The performance of our major associate in China, Guangdong Nanfang Haian Science & Technology Services Company Limited ("Nanfang") was disappointing during the period with a share gain of HK$0.4 million only compared to HK$2.2 million for the same period last year, a sharp dip of 82%. Though the handsome amount of share gain in the first half of last year was partly contributed by some exceptional projects revenue, Nanfang's business this year has indeed gone through some difficulties due to a somewhat discouraging operating environment. Due to the likely advancement of the implementation of their nation-wide single window posing significant uncertainty on the future prospect of Nanfang's core business under the new single window operating environment, the Nanfang management unfortunately had to divert their focus and attention to address such crucial strategic issues directly affecting their core business. The outlook of the remainder of the year is not that optimistic though we understand their major shareholder (which is a wholly-owned subsidiary of a hi-tech enterprise with strong company background) will strive to provide them with as much support as it could to help Nanfang's business.

Financial Review

During the review period, the Group's revenue was HK$125.1 million, an increase of 10.6% over the same period last year. GETS and Commercial Services which were previously reported as sub-segments of E-Commerce in 2017 have been combined and shown as E-Commerce starting 2018 to align with the strategic development of the Group. The E-Commerce revenue at HK$88.3 million in the first half of 2018 was about the same as that of last year. Our IDM recorded a strong revenue growth during the review period by an increase of 72.5% year-on-year to HK$27.0 million. The growth mainly came from the delivery of eKYC project, biometric authentication solution and soft token solution to certain banking clients. We also deployed security solutions to a renowned hospital in Hong Kong during the review period. The revenue of Other Services recorded a slight increase from HK$9.1 million in the first half of 2017 to HK$9.8 million during the period.

The Group's operating expenses before depreciation for the first half of 2018 was HK$84.3 million, up by HK$7.3 million or 9.5% over the last review period. Staff costs increased from HK$53.1 million to HK$56.7 million, up by HK$3.6 million or 6.8% as compared to the first half of 2017. The increase in staff costs was in line with the market inflation so as to retain experienced IT staff in particular. Additional headcounts were recruited in managing the delivery of our IDM projects. The amount of cost of purchases grew HK$2.2 million from HK$9.5 million to HK$11.7 million mainly due to the third parties costs incurred for the projects delivered. The other operating costs were at HK$15.3 million, up by HK$1.0 million or 7.3% over the same period last year. This was mainly caused by the foreign currency exchange difference recorded for the two review periods. If excluding exchange gain recorded at HK$1.8 million and HK$2.8 million for the first half of 2018 and that of the last review period, the other operating costs were up by 0.1%. Depreciation charges for the period amounted to HK$3.4 million, were HK$0.3 million higher than last year.

The Group's profit from operations for the review period was HK$44.9 million, slightly lower than that of the same period in 2017.

During the review period, the Group disposed of the remaining half of an impaired corporate bond in our bond portfolio and recorded a reversal of impairment loss of HK$0.2 million.

A new accounting standard relating to financial instruments has been effective for the first time this year. The new standard requires an ongoing measurement of credit risk associated with financial assets. Accordingly, the Group recorded impairment losses on bond portfolio holdings and trade receivables to the opening balance of retained profits at 1 January 2018 and the net of tax impact was HK$1.8 million. There was an impairment loss on trade receivables amounting to HK$0.5 million recorded for the first half of 2018 based on the new standard.

During the review period, the Group's share of results from our investments in the PRC associates recorded a share of profit of HK$0.4 million as compared to a share of profit of HK$2.2 million for the same period last year.

Our wholly-owned subsidiary, Digital Trade and Transportation Network Limited ("DTTNCo") providing e-solutions to its customers recorded a deferred tax asset of HK$6.8 million as at the end of 2017. As DTTNCo continued to generate profit this year, the deferred tax asset was utilized and gave rise to a deferred tax charge of HK$1.1 million for the first half of 2018, which was the same as that of last review period.

The Group's unaudited after tax profit for the six months ended 30 June 2018 came to HK$38.3 million, an increase of 15.0% over the same period last year.

Basic earnings per share for the first six months of 2018 was HK 4.82 cents, as compared to HK 4.19 cents per share, an increase of HK 0.63 cents over the same period last year. Diluted earnings per share for the six months of 2018 was also HK 4.82 cents, higher than that for 2017 at HK 4.19 cents by HK 0.63 cents.

Dividend

The Board has resolved to declare an interim dividend of HK 3.5 cents per share (2017: HK 3.2 cents per share) for the six months ended 30 June 2018 to shareholders, an increase of 9.4%. The interim dividend payout ratio is about 73.9% of the Group's profit for the period excluding the deferred tax charge of DTTNCo at HK$1.1 million and had the adjustment to the opening distributable reserve of HK$1.8 million upon the initial application of the new accounting standards been charged to this period. The interim dividend payout ratio is close to the ratios for the pervious years at about 75%.

Liquidity and Financial Position

As at 30 June 2018, the Group had total cash and bank deposits of HK$73.0 million (31 December 2017: HK$84.1 million).

The other financial assets as at 30 June 2018 at the amount of HK$352.5 million (31 December 2017: HK$367.2 million) were fixed income USD-denominated corporate bonds with maturity dates less than five years. The weighted average of the portfolio coupon and yield were about 3.9% (31 December 2017: 4.0%) and 3.7% (31 December 2017: 3.8%) respectively. As at 30 June 2018, 76% (31 December 2017: 74%) of the total amount was invested in investment grade corporate bonds. The remaining 24% (31 December 2017: 26%) was invested in non-investment grade or non-rated corporate bonds. All corporate bonds held as at 30 June 2018 were tradable in open market.

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 which is composed of 3 Independent Non-Executive Directors and 1 Non-Executive Director. The cash surpluses were parked in corporate bonds as part of our treasury operations to improve the yield of the Group's cash surpluses. Amid the expected rising interest rate, the decrease in fair value of the bond portfolio was as expected.

Total assets and net assets of the Group as at 30 June 2018 amounted to HK$535.8 million (31 December 2017: HK$561.9 million) and HK$330.9 million (31 December 2017: HK$354.4 million) respectively.

As at 30 June 2018, the Group had no borrowings (31 December 2017: Nil).

Capital and Reserves

As at 30 June 2018, the capital and reserves attributable to shareholders were HK$330.9 million (31 December 2017: HK$354.4 million), a reduction of HK$23.5 million from the end of 2017.

Charges on Assets and Contingent Liabilities

As at 30 June 2018, the Group obtained four bank guarantees totaling HK$4.3 million (31 December 2017: two bank guarantees totaling HK$2.2 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$4.3 million (31 December 2017: HK$2.2 million).

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

Capital Commitments

Capital commitments outstanding as at 30 June 2018 not provided for in the financial statements amounted to HK$3.4 million (31 December 2017: Nil), mainly in respect of the purchase of computer equipment for the Group.

Employees and Remuneration Policy

As at 30 June 2018, the Group employed 265 staff (30 June 2017: 258), of which 226 were in Hong Kong and 39 in Guangzhou. The related staff costs for the review period were HK$56.7 million (30 June 2017: HK$53.1 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 one share option scheme currently to reward the performance of staff at senior vice president grade and above.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As at 30 June 2018, 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.

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

The Company is committed to a high standard of corporate governance practices and every effort is made to ensure full compliance with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules. Save as disclosed herein, the Company confirms that it has complied with all code provisions during the six months ended 30 June 2018.

Code provision A.6.7 of the Code stipulates that the Independent Non-executive Directors ("INED") and other Non-executive Directors ("NED") should attend the annual general meeting ("AGM") of the Company. Dr. LEE Delman, an NED of the Company, and Mr. CHAK Hubert, an INED of the Company, did not attend the AGM held on 11 May 2018 ("2018 AGM"), both due to other prior business commitments.

The Board

Currently, the Company is led by and controlled through its Board which comprises three Executive Directors ("ED"), four NED, including the Chairman of the Board, and five INED. The Board oversees the overall management and operations of the Company with the objective of enhancing shareholder value.

There are employment contracts between the Company and its ED and service contracts between the Company and its NED and INED.

During the reporting period, the Company entered into service contracts after the conclusion of the 2018 AGM with Mr. CHUNG Wai Kwok, Jimmy, Mr. CHAK Hubert, Mr. HO Lap Kee, Sunny, J.P. (the "Re-appointed INED") as INED and Mr. YUEN Wing Sang, Vincent ("Mr. YUEN") as NED, each for a period of three years. The service contract can be terminated by the Company or the Re-appointed INED/Mr. YUEN by giving one month's notice in writing or payment in lieu of notice. The Re-appointed INED and Mr. YUEN shall all retire by rotation in accordance with the Articles of Association of the Company and the Listing Rules or at such time as may be required by resolution of the Board of the Company.

During the six months ended 30 June 2018, the Company convened two Board meetings. Ten Directors attended the meeting held on 23 March 2018 and in the meeting, the Directors reviewed and approved, among other things, the 2017 annual results, the 2017 annual report, the effectiveness of Group's risk management and internal control systems, service contracts for the Re-appointed INED and Mr. YUEN and share option allocations for eligible staff for 2017. Eleven Directors attended the meeting held on 19 June 2018 and in the meeting, the Directors noted, among other things, the annual update on the cyber security implementation in the Group and the timetable for the 2018 interim results announcement and reviewed the Shareholders Communication Policy of the Company.

The attendance of Directors in Board meetings of the Company during the six months ended 30 June 2018 is as follows:

	Board meetings attended/eligible to attend
Chairman and Non-executive Director	
Dr. LEE Nai Shee, Harry, S.B.S., J.P.	2/2
Executive Directors	
Mr. TSE Kam Keung *(Chief Executive Officer)*	2/2
Mr. CHENG Chun Chung, Andrew *(Chief Technology Officer)*	2/2
Ms. CHUNG Shun Kwan, Emily *(Chief Operations Officer)*	2/2
Non-executive Directors	
Dr. LEE Delman(1)	1/2
Mr. YING Tze Man, Kenneth	2/2
Mr. YUEN Wing Sang, Vincent(2)	1/1
Independent Non-executive Directors	
Mr. CHAK Hubert	2/2
Ms. CHAN Chi Yan(3)	1/2
Mr. CHAU Tak Hay	2/2
Mr. CHUNG Wai Kwok, Jimmy	2/2
Mr. HO Lap Kee, Sunny, J.P.	2/2

Notes:

(1) Dr. LEE Delman was unable to attend the Board meeting on 19 June 2018 due to overseas engagement.

(2) Mr. YUEN Wing Sang, Vincent became a member of the Board after the conclusion of the 2018 AGM held on 11 May 2018.

(3) Ms. CHAN Chi Yan was unable to attend the Board meeting on 23 March 2018 due to sickness.

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

The Company has adopted the Model Code and, having made specific enquiry of all Directors, confirms that all Directors have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2018.

Audit Committee

The interim results and the interim financial report for the six months ended 30 June 2018 have not been audited but have been reviewed by the Company's external auditor, KPMG, and the Audit Committee of the Company.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK 3.5 cents per share (2017: HK 3.2 cents per share) for the six months ended 30 June 2018 to shareholders whose names appear on the register of members of the Company on 26 September 2018. Dividend will be paid to shareholders on or around 9 October 2018. The interim dividend payout ratio is about 73.9% of the Group's profit for the period after excluding the deferred tax charge and had the adjustment to the opening distributable reserve of HK$1.8 million upon the initial application of the new accounting standards been charged to this period.

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

During the six months ended 30 June 2018, 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 Wednesday, 26 September 2018 to Friday, 28 September 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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, 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, 24 September 2018.

Publication of Interim Results and Interim Report

This interim results announcement is published on the respective websites of the Company (www.tradelink.com.hk) and HKEXnews (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2018 will be dispatched to shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 28 August 2018

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, Mr. YING Tze Man, Kenneth and Mr. YUEN Wing Sang, Vincent;
***Executive Directors*: ** Mr. TSE Kam Keung, Mr. CHENG Chun Chung, Andrew and Ms. CHUNG Shun Kwan, Emily; and
***Independent Non-executive Directors*: ** Mr. CHAK Hubert, Ms. CHAN Chi Yan, Mr. CHAU Tak Hay, Mr. CHUNG Wai Kwok, Jimmy and Mr. HO Lap Kee, Sunny, J.P.