



貿易通
TRADELINK

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

Stock Code 股份代號 : 0536.HK

2018 Annual Results Presentation





FINANCIAL HIGHLIGHTS

TRADELINK

Overview of 2018 Annual Results

Revenue

HK\$ 271.9M

↑ 12.4% YoY

Profit from operations

HK\$ 104.8M

↑ 11.3% YoY

Profit before tax

HK\$ 106.2M

↑ 20.2% YoY

Profit for the period

HK\$ 89.8M

↑ 21.1% YoY

Net cash flow from operating activities

HK\$ 66.2M

Cash & bank deposits

HK\$ 86.5M

Other financial assets

HK\$ 347.7M

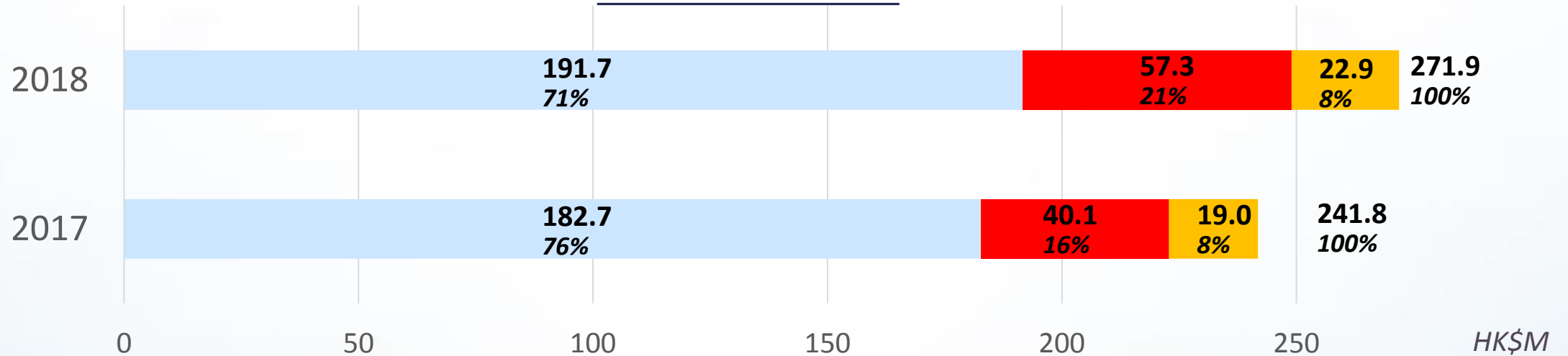
- Maintain strong and healthy financials

Financial Highlight

| (HK\$M) | For the year ended 31 Dec 2018 | For the year ended 31 Dec 2017 | Change |
|--|-----------------------------------|-----------------------------------|---------------|
| Revenue | 271.9 | 241.8 | 12.4% |
| Profit from operations | 104.8 | 94.2 | 11.3% |
| Profit before taxation | 106.2 | 88.3 | 20.2% |
| Taxation | (16.4) | (14.2) | 15.2% |
| Profit for the period | 89.8 | 74.1 | 21.1% |
| Earnings per share (HK cents) | | | |
| Basic | 11.3 | 9.3 | 21.5% |
| Diluted | 11.3 | 9.3 | 21.5% |
| (HK cents) | 2018 | 2017 | Change |
| Total dividend for the year per share | 9.5 | 9.5 | - |
| Interim dividend per share | 3.5 | 3.2 | 9.4% |
| Final dividend per share | 6.0 | 6.3 | (4.8%) |

Segment Revenue

**Segment Revenue (HK\$M) &
% of Total Revenue**



E-Commerce* generates income from processing government trade-related documents and supply chain solutions.

Identity Management generates income from the provision of security products, digital certificates, security solutions and biometric-based authentication solutions for identity management.

Other Services comprises handling fees for the conversion of paper form to electronic messages, income from the provision of technical support and other project services.

**For 2018, the two sub-segments (GETS and Commercial Services) 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.*

Key Financial Ratios

| For the year ended 31 December | 2018 | 2017 |
|--------------------------------|--------------------|--------------------|
| Operating profit margin | 38.5% | 38.9% |
| Net profit margin | 33.0% | 30.6% |
| Effective tax rate | 15.4% | 16.1% |
| Current ratio | 0.96 | 0.66 |
| Debtors' turnover days | 18 | 11 |
| Dividend payout ratio | 84.1% ¹ | 99.0% ² |

¹The dividend payout ratio of 84.1% of the Group's profit for the 2018 does not represent a departure from the Group's usual practice of a 100% pay-out.

²The final dividend, together with the interim dividend for 2017 represents a dividend payout ratio of 99.0% of the Group's profit excluding the deferred tax charge.

Key Balance Sheet Items

| (HK\$M) | As at 31 Dec 2018 | As at 31 Dec 2017 |
|--|--------------------------|--------------------------|
| Property, plant and equipment | 26.6 | 26.0 |
| Trade receivables and contract assets | 44.1 | 28.9 |
| Other financial assets | 347.7 | 367.2 |
| Cash and bank deposits | 86.5 | 84.1 |
| Net assets | 350.8 | 354.4 |



BUSINESS REVIEW

TRADELINK

E-Commerce Review - GETS & Commercial Services

- Combined GETS and Commercial Services, under E-Commerce
 - To better organize our operations to face the challenges and take advantage of the market trends
 - In line with the strategic development due to the implementation of the Single Window and the demand for our e-solutions for the trade and logistics industry
- Our total E-Commerce revenue from GETS and Commercial Services grew by 4.9% to HK\$191.7 million and segment profit at HK\$72.7 million was 18.2% higher than the profit last year
 - The top line increase was attributable mainly to the good performance of Commercial Services business
 - Profit increase was largely due to the effective control of GETS operating costs

E-Commerce Review - GETS & Commercial Services (Cont.)

- Growth of the GETS market slowed down notably in the second half year against the first half year
 - Total GETS revenue amounted to HK\$168.6 million in 2018, only down by a slight 0.3% compared to the HK\$169.1 million made in 2017
- Commercial Services business caught up significantly in the second half of 2018
 - Revenue from Commercial Services recorded a handsome growth of 70.6%, from HK\$13.6 million in 2017 to HK\$23.1 million in 2018 as projects delayed in first half completed and new projects signed up / completed or partially completed before end of the year
 - Completed delivery of the two major orders started in first half in 2018
 1. A Warehouse Management System (“WMS”) project with consultancy service provided to a local subsidiary of a major US-based marketing and distribution services company ;
 2. Provision of WMS embedded with Internet-of-Things technology to a leading organisation in Macau for managing all physical assets in its new integrated entertainment resort
 - A couple of exciting orders were confirmed, with one of them completely delivered and one with software licence delivered before the end of the year to be followed by further development and implementation work in 2019

Identity Management Review

- Continuing the favorable performance in 1H2018, IDM business for 2018 recorded a strong growth of 42.9% in terms of revenue YoY, from HK\$40.1 million in 2017 to HK\$57.3 million in 2018
 - The top line priding a compound annual growth of about 39.0% for two years since 2016 while the segment profit also surged to HK\$7.6 million in 2018, up almost 29.9%
 - The business has seen a faster year-on-year revenue growth, 42.9% in 2018 relative to 2017 and that in 2017 relative to 2016 was 35.0%
- Completed several major orders and two factor biometric authentication solution has become one of the Group's most sought after IDM solutions in recent years
 - A biometric project for a banking subsidiary of a major Taiwanese financial institution and two biometric / two-factor authentication solutions for two local banks
 - An eKYC project for another major international bank
 - A Public Key Infrastructure solution for digital signing implemented for a private hospital
 - A biometric solution was delivered to a non-profit making organisation with entertainment as one of its core businesses and a biometric authentication solution was deployed for a regulatory body
 - 2FA biometric cloud-based service was launched for securities companies to authenticate the identity of end-users of their online services

Others Services Review

- Other Services business recorded revenue and segmental profit increased by 20.2% and 29.1% respectively to HK\$22.9 million and HK\$14.8 million
 - The improvement in the margin was primarily owed to our control on operating costs for GETS-related services
- Through our first bank customer who is a major local bank, we have been deploying our Android-based Smart PoS payment terminals which they market as an all-in-one payment collection solution to their merchants
 - More than 1,000 Smart PoS terminals had been installed in outlets of different merchants in the retail sector
 - Actively discussing with this bank to expand the deployment of such solution to more merchants in 2019
 - Another order was secured before end of 2018 from a bank in Hong Kong whose parent is major commercial bank in China
- Soft-launched the community logistics platform VSHIP in the second quarter of 2018
 - User registration ramping up and activities on the platform in terms of Request for Quote and Offers submitted by shippers / service providers seeing a healthy climb



PROSPECTS

TRADELINK

Prospects – E-Commerce GETS

Outlook of GETS Business

- 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
- Barring this global economic issue causing the overall market to shrink, we believe the GETS business would otherwise be rather steady or might even improve given a stable competitive environment and new price ceilings chargeable under the new GETS licence starting 2019.

Government Single Window Implementation

- Closely monitor Government's development of SW
- Until the Government comes up with a concrete plan on the future operating environment under SW for Value-Adding Service Providers, we would remain vigilant
- Continue to strive to strengthen our leadership in the GETS market and enhance the stickiness with our GETS clients by offering them more non-GETS related solutions that improve their business operations / efficiency

Prospects – E-Commerce Commercial Services

Outlook of Commercial Services Business

- We are more optimistic on Commercial Services business given the solid sales pipeline we have on hand for our matured products, in particular WMS.

Advanced Warehouse Management System (WMS)

- We have in-progress projects from 2018, for which development and implementation will continue in 2019. One of them is the mega automated warehousing project
- Receive new orders from existing customers for extending scope of solutions deployed, replicating similar solutions for their overseas operations and / or new solutions
- Deployment of WMS for customers is often the starting point as once WMS, which serves as the control centre of operations along the entire supply chain, is deployed, customers often will have demand for other applications for managing associated operations

Rename Commercial Services business as Supply Chain Solutions business in 2019

- The new name reflects more clearly that the supply chain community is the target market of the business

Prospects – Identity Management

Outlook of Identity Management Business

- Given the solid foundation and healthy sales pipeline of the IDM business, and the growing demand in the market, the business has a promising outlook in 2019
- Expect IDM business to continue to be a key growth driver of the Group's business in 2019

Seizing the Opportunity of Online Security Solutions

- The 2FA biometric authentication solutions available now are more versatile than, on top of being used by our traditional customers in the banking and financial industry, they can serve a wide range of industries and different background customers
- The authority plans to issue licences for virtual banks in early 2019, which is going to translate into demand for our secure authentication solutions
- Incorporating Artificial Intelligence in the biometric authentication solutions to further enhance their accuracy and effectiveness
- Actively working to enhance our IDM solutions to support the new Smart HKID Cards embedded with more advanced and sophisticated security features

Prospects – Others Services

GETS-related Services

- Expect revenue from our paper-to-electronic conversion services for our GETS paper users would drop due to the loss of one of our partners
- Made all relevant preparation and actions to minimise the impact, including setting up new outlets through other partners

Smart PoS

- Build on the success stories from the two major banks to promote our solution to other banks
- Working with channel partners, who are mainly in payment gateway business, to sell the solution
- A new business model was confirmed with a merchant, whereby we will receive a small share of the Smart PoS terminal transaction revenue collected by the merchant

Logistic Community Platform - VSHIP

- Continue to offer free of charge service to all users
- Focus on developing more value-added services on the platform for customers to create / enhance their stickiness to the platform
- A development roadmap has already been drawn up for new services / features to continue to be added on the VSHIP platform



CORPORATE PROFILE

TRADELINK

Corporate Profile

Share Information

Listing Date

28/10/2005

Share Price (@26/3/2019)

HK\$1.27

Issued Shares (@26/3/2019)

794,633,719 Shares

Market Cap

HK\$1,009 Million

Key Business Segment

E-Commerce

GETS

Government Electronic Trading services (Import & Export Declaration, Dutiable Commodities Permit, Electronic Cargo Manifest and Certificate of Origin)

Commercial Services

Provide electronic supply-chain solutions for the trade, logistics, warehousing and retail industries (Digital Warehousing Solutions, Distributed Order Management System, Transport and Distribution Solutions and eDoc etc.)

Identity Management

Provides online/mobile security services and solutions for identity management (IDM). Our portfolio of IDM solutions includes digital certificates, security tokens and biometric-based authentication solutions

Other Services

GETS-related services including paper-to-electronic conversion services for paper users of GETS services, Road Cargo Service (ROCARS) and ROCARS call center service on behalf of Customs & Excise Department

New incubating businesses including smart PoS and VSHIP, a logistics community platform

TRADELINK