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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

FINANCIAL HIGHLIGHTS

	Note	**Year ended 31 December 2018 *(HK$'000)***	Year ended 31 December 2017 *(HK$'000)*
Revenue	*3*	**271,930**	241,830
Profit from operations		**104,766**	94,169
Profit attributable to equity shareholders of the Company		**89,768**	74,120
Total assets		**552,602**	561,924
Net assets		**350,757**	354,410
Dividend per share (HK cents)	*8*		
Interim		**3.5**	3.2
Proposed final		**6.0**	6.3
Earnings per share (HK cents)	*9*		
Basic		**11.3**	9.3
Diluted		**11.3**	9.3
Issued and fully paid ordinary shares (in '000)			
As at 31 December		**794,634**	794,586
Weighted average number of ordinary shares (basic) outstanding as at 31 December		**794,624**	794,581

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 (HK$'000)	2017 *(Note)* (HK$'000)
Revenue	*3*	**271,930**	241,830
Interest income		**15,152**	16,892
Other net income	*5*	**405**	1,463
Cost of purchases		**(29,283)**	(23,279)
Staff costs		**(114,142)**	(105,607)
Depreciation		**(6,893)**	(6,270)
Other operating expenses		**(32,403)**	(30,860)
Profit from operations		**104,766**	94,169
Impairment loss on other financial assets	*10*	**(156)**	(8,242)
Share of results of associates		**1,540**	2,415
Profit before taxation	*6*	**106,150**	88,342
Taxation	*7*	**(16,382)**	(14,222)
Profit for the year		**89,768**	74,120
Earnings per share (HK cents)	*9*		
Basic		**11.3**	9.3
Diluted		**11.3**	9.3

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 year ended 31 December 2018

	2018	2017
		(Note (i))
	(HK$'000)	*(HK$'000)*
Profit for the year	**89,768**	74,120
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 overseas operations	**(880)**	1,459
Debt securities measured at fair value through other comprehensive income ("FVOCI") — net movement in fair value reserve	**(15,648)**	—
Available-for-sale debt securities: net movement in fair value reserve *(Note (ii))*	**—**	2,840
Total comprehensive income for the year	**73,240**	78,419

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 31 December 2018

	Note	**2018** (HK$'000)	2017 (Note) (HK$'000)
Non-current assets			
Property, plant and equipment		**26,587**	25,996
Goodwill		**9,976**	9,976
Interest in associates		**18,078**	17,278
Other financial assets	*10*	**305,499**	367,181
Deferred taxation	*11*	**3,719**	6,823
		363,859	427,254
Current assets			
Trade receivables and contract assets	*12*	**44,117**	28,933
Other receivables, prepayments and other contract costs	*13*	**15,918**	21,631
Other financial assets	*10*	**42,233**	—
Deposits with bank		**4,222**	4,246
Cash and cash equivalents		**82,253**	79,860
		188,743	134,670
Current liabilities			
Trade creditors, contract liabilities and other payables	*14*	**194,222**	200,101
Taxation		**3,241**	4,097
		197,463	204,198
Net current liabilities		**(8,720)**	(69,528)
Total assets less current liabilities		**355,139**	357,726
Non-current liabilities			
Provision for long service payments		**3,179**	3,093
Deferred taxation	*11*	**1,203**	223
		4,382	3,316
NET ASSETS		**350,757**	354,410
Capital and Reserves			
Share capital	*15*	**296,093**	296,039
Reserves		**54,664**	58,371
TOTAL EQUITY		**350,757**	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 year ended 31 December 2018

	Note	Share capital *(HK$'000)*	Capital reserve *(HK$'000)*	Exchange reserve *(HK$'000)*	Fair value reserve *(HK$'000)*	Other 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 2017								
Dividends approved in respect of the previous year		—	—	—	—	—	(50,059)	(50,059)
Issue of new shares	*15*	169	(27)	—	—	—	—	142
Equity-settled share-based transactions		—	984	—	—	—	—	984
Lapse of share options		—	(98)	—	—	—	98	—
Profit for the year		—	—	—	—	—	74,120	74,120
Other comprehensive income for the year		—	—	1,459	2,840	—	—	4,299
Total comprehensive income for the year		—	—	1,459	2,840	—	74,120	78,419
Dividends declared in respect of the current year	*8*	—	—	—	—	—	(25,427)	(25,427)
As at 31 December 2017 *(Note)*		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 2018								
Dividends approved in respect of the previous year		**—**	**—**	**—**	**—**	**—**	**(50,062)**	**(50,062)**
Issue of new shares	*15*	**54**	**(5)**	**—**	**—**	**—**	**—**	**49**
Equity-settled share-based transactions		**—**	**944**	**—**	**—**	**—**	**—**	**944**
Lapse of share options		**—**	**(16)**	**—**	**—**	**—**	**16**	**—**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**89,768**	**89,768**
Other comprehensive income for the year		**—**	**—**	**(880)**	**(15,648)**	**—**	**—**	**(16,528)**
Total comprehensive income for the year		**—**	**—**	**(880)**	**(15,648)**	**—**	**89,768**	**73,240**
Transfer to other reserve		**—**	**—**	**—**	**—**	**12**	**(12)**	**—**
Dividends declared in respect of the current year	*8*	**—**	**—**	**—**	**—**	**—**	**(27,812)**	**(27,812)**
As at 31 December 2018		**296,093**	**5,951**	**915**	**(17,154)**	**12**	**64,940**	**350,757**

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.*

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2018 and 2017 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 2017 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 2018 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 2018, the Group had net current liabilities of HK$8,720,000 (2017: HK$69,528,000). Notwithstanding the net current liabilities of the Group at 31 December 2018, the Group's consolidated financial statements for the year ended 31 December 2018 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 2017 except for the changes stated as in *Note 2*.

The consolidated financial statements for the year ended 31 December 2018 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 debt securities measured at their fair value *(Note 10)*.

1. BASIS OF PREPARATION (CONTINUED)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9, *Financial instruments*

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

(iii) 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.

(i) 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.

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.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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 at 1 January 2018	1,760

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

a. *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at 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.

Debt securities 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.

The following table shows the original measurement categories for each class of 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.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

a. Classification of financial assets and financial liabilities (Continued)

	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 carried 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.

b. 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(ii)*); and

— debt securities measured at FVOCI.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

b. Credit losses (Continued)

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

c. 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.

(ii) 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.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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)

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

a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised when services had been provided to customers and subscription fees were 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.

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The change in accounting policy had no material impact on the financial position and the financial result of the Group.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

c. *Presentation of contract costs, 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 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 and other payables" respectively and the revenue was recognised for the reasons explained in paragraph a. above.

Under HKFRS 15, costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract. Previously, these costs were presented in the statement of financial position under "other receivables and prepayments".

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 and other payables *(Note 14)* are now included under contract liabilities *(Note 14)*.

"Costs incurred to fulfil customer contracts" amounting to HK$6,709,000 which was previously included in other receivables and prepayments *(Note 13)* are now included under other contract costs *(Note 13)*.

(iii) 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 activity 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. All of the Group's revenue is within the scope of HKFRS 15, *Revenue from contracts with 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 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.

For the year ended 31 December 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 year ended 31 December 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 years ended 31 December 2018 and 2017 are set out below.

4. SEGMENT REPORTING (CONTINUED)

	31 December 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	**158,409**	**27,353**	**18,378**	**204,140**
Over time	**33,305**	**29,990**	**4,495**	**67,790**
Revenue from external customers	**191,714**	**57,343**	**22,873**	**271,930**
Inter-segment revenue	**—**	**7,823**	**12,266**	**20,089**
Reportable segment revenue	**191,714**	**65,166**	**35,139**	**292,019**
Elimination of inter-segment revenue				**(20,089)**
Consolidated revenue				**271,930**
Reportable segment profit	**72,730**	**7,593**	**14,756**	**95,079**
Interest income				**15,152**
Other net income				**405**
Depreciation				**(6,893)**
Impairment loss on other financial assets				**(156)**
Share of results of associates				**1,540**
Unallocated corporate income				**1,023**
Consolidated profit before taxation				**106,150**

4. **SEGMENT REPORTING (CONTINUED)**

	31 December 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	154,061	23,946	16,138	194,145
Over time	28,620	16,174	2,891	47,685
Revenue from external customers	182,681	40,120	19,029	241,830
Inter-segment revenue	—	7,819	12,923	20,742
Reportable segment revenue	182,681	47,939	31,952	262,572
Elimination of inter-segment revenue				(20,742)
Consolidated revenue				241,830
Reportable segment profit	61,508	5,845	11,433	78,786
Interest income				16,892
Other net income				1,463
Depreciation				(6,270)
Impairment loss on other financial assets				(8,242)
Share of results of associates				2,415
Unallocated corporate income				3,298
Consolidated profit before taxation				88,342

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

	2018	2017
	(HK$'000)	*(HK$'000)*
Gain on disposal of an associate	**405**	—
Net gain on disposal of available-for-sale debt securities	**—**	1,463
	405	1,463

6. PROFIT BEFORE TAXATION

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

	2018	2017
		(Note)
	(HK$'000)	*(HK$'000)*
Staff costs:		
Contributions to defined contribution retirement plan	**3,116**	2,882
Equity-settled share-based payment expenses	**944**	984
Salaries, wages and other benefits	**110,082**	101,741
	114,142	105,607
Other items:		
Auditors' remuneration	**1,033**	957
Depreciation		
— interest in leasehold land held for own use	**142**	142
— other property, plant and equipment	**6,751**	6,128
Impairment loss on trade receivables	**791**	—
Operating lease charges in respect of properties	**1,415**	1,416
Net foreign exchange gain	**(1,023)**	(3,298)
Net loss/(gain) on disposals of property, plant and equipment	**10**	(30)

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

	2018 (HK$'000)	2017 (HK$'000)
Provision for Hong Kong Profits Tax for the year	**12,117**	12,301
Provision for overseas taxes for the year	**35**	25
Over-provision in respect of prior years	**(5)**	(10)
Deferred taxation	**4,235**	1,906
	16,382	14,222

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

8. DIVIDENDS

	2018 (HK$'000)	2017 (HK$'000)
Interim	**27,812**	25,427
Proposed final	**47,678**	50,059
	75,490	75,486

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$89,768,000 (2017: HK$74,120,000) and the weighted average number of 794,624,000 ordinary shares (2017: 794,581,000 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$89,768,000 (2017: HK$74,120,000) and the weighted average number of ordinary shares of 794,634,000 (2017: 794,647,000) after adjusting for the effect of the potential dilution from ordinary shares issuable under the Company's share option schemes.

10. OTHER FINANCIAL ASSETS

	31 December 2018 *(HK$'000)*	1 January 2018 *(HK$'000)*	31 December 2017 *(HK$'000)*
Debt securities measured at FVOCI			
— listed *(Note)*	**347,732**	367,181	—
Available-for-sale debt securities at fair value			
— listed *(Note)*	**—**	—	367,181
	347,732	367,181	367,181
Representing:			
— Non-current	**305,499**	367,181	367,181
— Current	**42,233**	—	—
	347,732	367,181	367,181

Note: *Available-for-sale financial assets were reclassified to debt securities measured at FVOCI upon the initial application of HKFRS 9 at 1 January 2018 (see Note 2(i)).*

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 (see *Note 2(i)*). The debt securities are issued by corporate entities with credit quality commensurate with the return as considered acceptable to the Group.

As at 31 December 2018, the debt securities does not have significant credit risk.

As at 31 December 2017, a listed available-for-sale debt security was individually determined to be impaired on the basis of the significant financial difficulty of the issuer which indicated that the cost of the Group's investment in them may not be fully recovered. Impairment losses on these investments were recognised in profit or loss in accordance with the accounting policy of the Group.

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 31 December 2018, the debt securities measured at FVOCI held by the Group fall into Level 1 of the fair value hierarchy described above.

10. OTHER FINANCIAL ASSETS (CONTINUED)

(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 categorized in Level 3 as at 31 December 2017 due to the issuer's financial difficulties and the fact that 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 year ended 2018, the Group disposed of the corporate bond in Level 3 and there were no transfers between levels of fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the date of the event or change in circumstances that caused the transfer.

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

	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	**—**

10. OTHER FINANCIAL ASSETS (CONTINUED)

(iii) Loss allowances

The Group measures loss allowances for debt securities at an amount equal to 12-month ECLs.

Movement in the loss allowance account in respect of debt securities during the year is as follows:

	2018 *(HK$'000)*	2017 *(HK$'000)*
Balance at 31 December 2017 under HKAS 39	**4,103**	—
Impact on initial application of HKFRS 9 *(Note 2(i))*	**1,760**	—
Adjusted balance at 1 January	**5,863**	—
Amounts written off during the year	**(3,894)**	(4,139)
Impairment losses recognised during the year	**365**	8,242
Reversal of impairment loss during the year	**(209)**	—
Balance at 31 December	**2,125**	4,103

Comparative information under HKAS 39

During the year ended 31 December 2017, the Group considered impairment indications existed for an available-for-sale debt security and carried out an impairment assessment for that available-for-sale debt security. Based on management's assessment, impairment losses of HK$8,242,000 had been recognised in the profit or loss being the difference between the acquisition cost (net of amortisation) and its fair value.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2018 and 2017.

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)***	**Credit loss allowance** ***(Note)*** ***(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)/credited to profit or loss	**(980)**	**(3,323)**	**68**	**(4,235)**
As at 31 December 2018	**(1,203)**	**3,500**	**219**	**2,516**

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.*

	2018 ***(HK$'000)***	2017 *(HK$'000)*
Representing:		
Deferred tax assets on the consolidated statement of financial position	**3,719**	6,823
Deferred tax liabilities on the consolidated statement of financial position	**(1,203)**	(223)
	2,516	6,600

At the end of the reporting period, the Group has total tax losses of HK$33,977,000 (2017: HK$55,346,000). As at 31 December 2018, deferred tax assets have been recognised in respect of HK$21,211,000 (2017: HK$41,348,000) of such losses. 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 AND CONTRACT ASSETS

	Note	**31 December 2018 (HK$'000)**	1 January 2018 (HK$'000)	31 December 2017 (HK$'000)
Trade receivables, net of loss allowance	*(i)*	**33,554**	28,770	28,933
Contract assets	*(ii)*	**10,563**	—	—
		44,117	28,770	28,933

Notes:

(i) Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade receivables (see Note 2(i)).

(ii) Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were classified as contract assets (see Note 2(ii)).

(a) Trade receivables, net of loss allowance

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:

	2018 (HK$'000)	2017 (HK$'000)
Less than 1 month	**19,313**	17,664
1 to 3 months	**7,097**	5,315
3 to 12 months	**4,952**	3,496
Over 12 months	**2,192**	2,458
	33,554	28,933

All the above balances are expected to be recovered within one year and some of them are covered by deposits from customers (see *Note 14*).

(b) Contract assets

The Group's contracts include payment schedules which require stage payments over the contract period once milestones are reached. These payment schedules prevent the build-up of significant contract assets.

All of the revenue recognised during the year are from performance obligations satisfied (or partially satisfied) in the current year.

All of the contract assets are expected to be recovered within one year.

12. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

(c) Loss allowances

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018:

	Expected loss rate %	Gross carrying amount *(HK$'000)*	Loss allowance *(HK$'000)*
Neither past due nor impaired	**—**	**30,262**	**—**
Less than 1 month past due	**—**	**4,927**	**—**
1 to 3 months past due	**—**	**3,165**	**—**
Over 3 months past due	**5.8%**	**5,763**	**(335)**
		44,117	**(335)**

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, nil trade receivables was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 *(HK$'000)*
Neither past due nor impaired	16,672
Less than 1 month past due	4,123
1 to 3 months past due	3,503
Over 3 months past due	4,635
	12,261
	28,933

12. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

(c) Loss allowances (Continued)

Comparative information under HKAS 39 (Continued)

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.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2018 **(HK$'000)**	2017 (HK$'000)
Balance at 31 December 2017 under HKAS 39	**—**	—
Impact on initial application of HKFRS 9 *(Note 2(i))*	**163**	—
Adjusted balance at 1 January	**163**	—
Amounts written off during the year	**(619)**	—
Impairment losses recognised during the year	**791**	—
Balance at 31 December	**335**	—

13. OTHER RECEIVABLES, PREPAYMENTS AND OTHER CONTRACT COSTS

	Note	**31 December 2018** ***(HK$'000)***	1 January 2018 *(HK$'000)*	31 December 2017 *(HK$'000)*
Other receivables and prepayments	*(i)*	**11,176**	14,922	21,631
Other contract costs	*(i)*	**4,742**	6,709	—
		15,918	21,631	21,631

Note:

(i) Upon the initial adoption of HKFRS 15, "Costs to fulfil customer contracts" previously included as "Other receivables and prepayments" were reclassified to other contract costs (see Note 2(ii)).

(a) Other receivables and prepayments

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

13. OTHER RECEIVABLES, PREPAYMENTS AND OTHER CONTRACT COSTS (CONTINUED)

(b) Other contract costs

Other contract costs capitalised as at 31 December 2018 relate to the costs to fulfil contracts with customers at the reporting date. Other contract costs are recognised as part of "cost of purchases" in the statement of profit or loss in the period in which revenue from the related sales or services is recognised. There was no impairment in relation to the costs capitalised during the year.

All other contract costs are expected to be recovered within one year.

14. TRADE CREDITORS, CONTRACT LIABILITIES AND OTHER PAYABLES

	Note	**31 December 2018 *(HK$'000)***	1 January 2018 *(i)* *(HK$'000)*	31 December 2017 *(HK$'000)*
Trade creditors		**11,447**	15,838	15,838
Customer deposits received		**134,851**	140,772	140,772
Accrued charges and other payables	*(i)*	**38,358**	29,196	43,491
Contract liabilities	*(i),(ii)*	**9,566**	14,295	—
		194,222	200,101	200,101

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of HKFRS 15, "Advances received" previously included as "Accrued charges and other payables" were reclassified to contract liabilities (see Note 2(ii)).

(a) Trade creditors

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

	2018 *(HK$'000)*	2017 *(HK$'000)*
Less than 1 month	**11,079**	15,702
1 to 3 months	**368**	136
	11,447	15,838

(b) Customer deposits received

Customer deposits received are refundable on demand.

14. TRADE CREDITORS, CONTRACT LIABILITIES AND OTHER PAYABLES (CONTINUED)

(c) Contract liabilities

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of the deposit, if any, was negotiated on a case by case basis with customers.

Movements in contract liabilities

	2018 *(HK$'000)*
As at 1 January	**14,295**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(13,152)**
Increase in contract liabilities as a result of billing in advance	**8,423**
As at 31 December	**9,566**

As at 31 December 2018, the amount of billings in advance of performance expected to be recognised as income after more than one year is HK$836,000.

15. SHARE CAPITAL

	2018		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 31 December	**794,634**	**296,093**	794,586	296,039

16. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option scheme

The share option scheme currently in operation 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 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 the Share Option Scheme 2014.

17. REVIEW OF RESULTS

The financial results for the year ended 31 December 2018 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 2018 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

E-Commerce Business Review

For reasons explained in the 2018 Interim Report, we have combined the reporting of the Government Electronic Trading Services ("GETS") and Commercial Services previously separately as two sub-segments under E-Commerce into one set of figures under E-Commerce starting this year. For the trade and logistics industry in Hong Kong, 2018 was full of challenges and more so towards the latter part of the year with the trade conflicts between Hong Kong's two biggest markets — China and the US — escalating. With such headwind affecting the operating environment of our E-Commerce users in the trade and logistics industry, the E-Commerce business in 2018 was still overall able to achieve commendable results, with revenue up by 4.9%, or HK$9.0 million, from HK$182.7 million in 2017 to HK$191.7 million in 2018 and segment profit also increased from HK$61.5 million in 2017 to HK$72.7 million, 18.2% increase year-on-year. The top line increase was attributable mainly to the good performance of Commercial Services business, whereas the segment profit increase was largely due to the effective control of GETS operating costs.

Growth of the GETS market slowed down notably in the second half year against the first half year. Nevertheless the GETS market in 2018 overall grew by about 1.95% year-on-year. Constrained by the price ceiling freeze in the last two GETS licence extension years in 2017/18 as in 2016, our overall Import/Export Declaration ("TDEC") average price in 2018 dropped slightly and correspondingly TDEC revenue had a mild dip in 2018. Yet compensated by other non-TDEC GETS revenue which recorded moderate growth, overall GETS revenue in 2018 was at almost the same level as in 2017. 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. As for our Commercial Services business, it caught up significantly in the second half of 2018, with projects delayed in the first half year completed and a couple of major new projects secured in the second half year completed or partially completed with revenue recognised or partially recognised in 2018. As a result, the 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.

The GETS competitive environment in 2018 was at large stable as foreshadowed in the 2018 Interim Report, given that 2018 was the last year of the previous GETS licence and the same three players will continue to provide GETS under the new GETS licence from 2019 to 2024, with possible extension for up to three years. Before the end of 2018, we have successfully completed enhancement of our GETS platform as scheduled for production in compliance with the new GETS licence requirements starting from 2019.

Regarding Commercial Services, as foreshadowed in the 2018 Interim Report, we have completed projects which we had slippage in first half of the year, as well as new projects signed up and completed or partially completed to enable revenue recognition at least on a work-in-progress basis before the end of 2018. Together with our growing regular recurrent income, the total revenue for Commercial Services business in 2018 recorded a significant surge.

In the second half of 2018, we have completed delivery of the two major orders mentioned in the 2018 Interim Report. The first was a Warehouse Management System ("WMS") project with consultancy service provided to a local subsidiary of a major US-based marketing and distribution services company and the second was provision of WMS embedded with Internet-of-Things ("IoT") technology to a leading organisation in Macau for managing all physical assets in its new integrated entertainment resort. Furthermore, 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.

The work-in-progress project with software licence delivered to the customer in 2018 is a mega project, which we successfully won through a highly competitive tendering process in the latter part of 2018. The project involves providing an advanced warehouse solution with automated material handling equipment to support the daily high warehouse traffic throughput requirement of a leading retail chain in Hong Kong. The project aims at improving the warehouse operation efficiency and addressing various warehouse labour issues that our retail chain customer has been facing. Our sophisticated WMS will play a vital role in the overall project, serving as the mastermind in planning, guiding and controlling operation of the different automated material handling equipment provided by our partners and in conjunction with manual operations on the warehouse floor to meet the high service level requirement of the customer. We are exceedingly pleased to be awarded the mega project which signifies our customer's recognition of our capability in providing advanced supply chain solution for modern warehouse operations supported by automated material handling equipment. The project will add to the list of success stories in deploying our supply chain solutions for renowned customers. Another interesting WMS project secured in 2018 which was also worth mentioning was for one of our GETS customers involving in the cigar and tobacco business serving the China and global markets. Using our Dutiable Commodities Permit ("DCP") solution to submit DCP applications to the Customs & Excise Department ("C&ED") for the movement of its dutiable goods, this customer has engaged us to provide a total solution for management of their dutiable goods movement and inventory control of the duty paid goods in their warehouse after their receipt of the relevant DCPs from the C&ED. Through the integration of our DCP solution to their back end system, our WMS allows our customer to manage movement of their goods in and out the warehouse legitimately. This is our first customer case of this nature and given our leading position in the DCP market, we would explore opportunities to offer similar solution to our other DCP customers.

Looking ahead in 2019, the key challenge to the GETS business will no doubt still be the US and China trade tensions creating an uncertain trade environment and affecting Hong Kong's external trading activities. Barring this global economic issue causing the overall market to shrink, we believes 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. Yet the most crucial factor that could adversely affect the GETS business in 2019 is the extent of the hit of the global economy on Hong Kong's external trade.

Regarding the Government's Trade Single Window ("SW"), according to the latest policy direction published, the Government will press ahead with development of the SW for rolling out in phases as soon as practicable without further specifying a definitive timeframe. Phase 1 of the SW originally planned to rollout in mid-2018 to cover voluntary submission of some 13 documents was launched just before the end of 2018 covering initially 5 documents out of the 13 originally planned. We will keep a close watch on the progress of the Phase 1 implementation as a free pilot service and the subsequent development of Phases 2 and 3 which will involve not only work on the technical system but also complex issues relating to legislative changes and SW pricing. Until the Government comes up with a concrete plan on the future operating environment under SW for Value-Adding Service Providers, which we would potentially become upon expiry of the current GETS licence by 2024 or up to 2027, we would remain vigilant. And, as always, we would 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.

As for Commercial Services business, its outlook in 2019 is more optimistic given the solid sales pipeline we have on hand for our matured products, in particular WMS. With our flexible and versatile design philosophy, our WMS can be used as building blocks in developing solutions for diverse applications from managing warehouse for supporting Business-to-Business/Business-to-Consumer operations, various degree of warehouse automation and equipment handling tools to inventory control and physical assets management. In addition, we also have in-progress projects from 2018, for which development and implementation will continue in 2019. One of them is the mega automated warehousing project. Also apart from new customer cases which we are working on, we are glad to 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. Regarding the impact of the continuing trade conflict between China and the US on Commercial Services business, we have yet to notice any sign of slowing down of our business at least so far in early 2019. An unfavourable operating environment would negatively impact the business of supply chain customers, however, they would still want to look for ways and means to enhance their business operation, reduce costs and/or open other markets including investing in solutions which we could offer to them.

To keep up with the technological trend, we will continue our research and development work, in particular in relation to applying Artificial Intelligence and IoT on our solutions to enhance their functions and features to meet changing market/customer demand. To do that, apart from using our own resources, we will also try to seek relevant IT support funding from the Government. One such project for which Government funding is being sought involves research and development of a solution that can give flexibility to warehouse operators in implementing automated warehouse solutions for addressing warehouse labour issues including labour shortage and cost. The deliverable of this R&D project is expected to help promote the adoption of warehouse automation and potentially present more business opportunities for us.

All factors considered, unless the global economy clashes and the GETS market is catastrophically hit, we are cautiously optimistic about our combined E-Commerce business in 2019, given the strong business momentum Commercial Services has gathered.

Last but not least, we have decided to rename Commercial Services business as Supply Chain Solutions business starting in 2019. The new name reflects more clearly that the supply chain community is the target market of the business.

Identity Management ("IDM") Business Review

Continuing the favorable performance in the first half of the year, our IDM business for 2018 recorded a strong growth of 42.9% in terms of revenue year-on-year, from HK$40.1 million in 2017 to HK$57.3 million in 2018. The top line increase of the business segment is extremely encouraging, priding a compound annual growth of about 39.0% for two years since 2016 when the revenue recorded then was a little less than HK$30.0 million. Indeed, 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%. Profit made by the business segment also surged from HK$5.8 million in 2017 to HK$7.6 million in 2018, up almost 29.9%.

As foreshadowed in the 2018 Interim Report, development of several major projects with work commenced in the first half year was completed in the second half year. Those major undertakings included a biometric project for a banking subsidiary of a major Taiwanese financial institution, two biometric/two-factor authentication ("2FA") solutions for two local banks, an electronic Know-Your-Customer ("eKYC") project similar to the one delivered in first half of 2018 for another major international bank. During the reporting period, we have also delivered further enhancement of the eKYC/biometric solution in phases required by our major bank customer to support extended scope of applications of the solution we deployed for the customer a year ago. Benefiting from the growing demand for online transactions and paperless solutions, our secure 2FA biometric solutions used prevalently in the banking industry have started penetrating into a variety of industries. Apart from a Public Key Infrastructure solution for digital signing implemented for a private hospital in the first half of 2018, 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. Also, as mentioned in our 2018 Interim Report, the 2FA biometric cloud-based service was launched in April 2018 for securities companies to authenticate the identity of end-users of their online services. Several securities companies have subscribed for the service since, generating steady recurring revenues for our business.

As for the security token delivery business, it was on a decline as expected and explained in the 2018 Interim Report. The major bank customer, who has been using our security token delivery service for some years, has since beginning of 2018 asked us to start gradually issuing soft tokens to their end clients to replace hard tokens. As such, while the revenue from token delivery dropped alongside the smaller quantity delivered, revenue from soft tokens was on the rise. Nevertheless, such shift has a slight net effect on the segment's revenue and profit, given the different margins of the two businesses.

With online security a growing concern, demand for online security solutions to plug potential loopholes for cyber-attacks in an ever developing and advancing technological environment has also been rising, and as such the market of IDM business is also growing. With our sound domain knowledge, knowhow in meeting regulatory requirements and through relentless research and development effort, we have enhanced our 2FA biometric authentication solution to cover a wider scope of banking applications from user identification for login and online transaction authorization to Know-Your-Customer for account opening and digital onboarding. The solutions available now are more versatile that, 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. As such, it is clear that there are lots of opportunities to explore, cultivate and grasp by the secure authentication solutions business. Furthermore, driven by market demand and with potential customers expressing interest, we are working on adding to the suite of IDM solutions a new product applicable in a totally different space. We are excited about the progress made so far.

Turning back to the banking and financial industry, the authority plans to issue licences for virtual banks in early 2019, which is going to translate into demand for our secure authentication solutions. Thus, we are seizing this opportunity to offer our eKYC/digital onboarding solutions to virtual bank operators. In fact, since the latter half of 2018, a number of potential virtual bank operators have expressed interest in our solutions. These opportunities are actively being pursued and indeed we already have on hand several hot leads which we hope we could confirm their deals as soon as they could secure their licence from the Government.

To continuously enhance our services and products, research and development work is being carried out on incorporating Artificial Intelligence in the biometric authentication solutions to further enhance their accuracy and effectiveness. Also, with the second generation Smart Hong Kong Identity ("HKID") Cards being rolled out in the market, we are actively working to enhance our IDM solutions to support the new Smart HKID Cards embedded with more advanced and sophisticated security features.

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. The only question for it is whether it is able to continue to build on and add to the strong growth momentum it has gathered in the last two years. And, its answer is it is up for the challenge and will strive to achieve this goal.

Other Services Business Review

Since re-grouping of our business segments in 2018, Other Services now comprises GETS-related services plus two incubation-stage initiatives, namely the Smart Point-of-Sales ("PoS") business and the new community logistics platform soft-launched in the first half year. The GETS-related services previously referred to as Other Services included primarily our Road Cargo Services ("ROCARS"), the call centre services offered to Customs and Excise Department's ROCARS, and the paper-to-electronic conversion services for our GETS paper users. Revenue from GETS-related services in 2018 was HK$18.9 million, slightly down by about 0.9% compared to HK$19.0 million in 2017. Nevertheless, with revenue amounting to HK$3.5 million from Smart PoS business, Other Services business recorded a 20.2% growth in revenue from HK$19.0 million in 2017 to HK$22.9 million in 2018. Profit of the segment in 2018 was HK$14.8 million, up 29.1% compared to the HK$11.4 million profit in 2017. The improvement in the margin of Other Services business was primarily owed to our control on operating costs for GETS-related services.

With GETS affected by the deteriorating market sentiment in the second half of 2018, GETS-related business also dropped slightly in the latter part of the year. This explained the small drop in total revenue of the sub-segment which would otherwise be rather stable in 2018. Looking ahead at 2019, due to the loss of one of our partners providing paper collection services to our competitor starting January 2019, we expect revenue from our paper-to-electronic conversion services for our GETS paper users would drop. Before ending the contract with the said partner, we had made all relevant preparation and actions to minimise the impact, including setting up new outlets through other partners.

As for Smart PoS business, after some years of cultivation and incubation, the business started to slowly and gradually kick off in 2018 bringing in a modest revenue in the reporting period. As mentioned in the 2018 Interim Report, 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. With the repeated orders from the bank during the year, more than

1,000 Smart PoS terminals had been installed in outlets of different merchants in the retail sector, including food and beverages, fashion, electrical appliances, watches & jewellery, telecommunications, petrol stations and taxi service. Given this bank customer's plan to expand the deployment of such all-in-one payment collection solution to more merchants in 2019, we are working on our proposal to discuss with them when appropriate to fulfil their upcoming requirement.

Apart from this major local bank customer, another order for the Android-based Smart PoS was secured before end of 2018 from a bank in Hong Kong whose parent is major commercial bank in China. The bank would like to first conduct a pilot with its merchants using the solution, hence its first order was small. We are confident that, when the pilot is completed confirming smooth operation of the solution, more orders will come from this new bank customer. We will build on the success stories from these two major banks to promote our solution to other banks. At the same time, we have been working with channel partners, who are mainly in payment gateway business, to sell the solution. Also worth mentioning is that through one of the partners, 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. Pilot use of the solution by the merchant under this new business model had started just before the end of 2018. The plan is, after the pilot is completed, full production of the solution will begin in 2019 for other outlets of this merchant. We are excited about this new business model that allows us to generate ongoing revenue tied to the business of our merchant customers. We will look for opportunities to replicate this business model with other merchants through working with our partners.

Regarding the community logistics platform VSHIP, which had its soft-launch in the second quarter of 2018, we have been working on two related fronts. The first one was on promoting the bid-and-offer service currently available on the platform to secure user registration from shippers and forwarders/carriers as service providers. At the same time we have been working on the enhancement of the features and improvement of the user interface of the platform from feedback received from our pilot users. With the initial hiccups all ironed out, the platform has been operating smoothly with user registration ramping up and activities on the platform in terms of Request for Quote ("RFQ") and Offers submitted by shippers/service providers seeing a healthy climb. As mentioned in the 2018 Interim Report, the service is currently offered free of charge to all users and that will continue for some time like most platform businesses. However, being extremely careful with the burn rate of its services, we will focus on developing more value-added services on the platform for customers to create/enhance their stickiness to the platform. By doing so we believe it will enable users to appreciate the value of the platform and be encouraged to pay for usage. A development roadmap has already been drawn up for new services/features to continue to be added on the VSHIP platform.

Taking into account the risks and opportunities of the GETS-related services, the Smart PoS business and VSHIP as explained, the outlook of Other Services business in 2019 is expected to at best maintain stable. We hope any drop of the GETS-related business, which is not expected to be significant, would be compensated by the moderate growth of the Smart PoS business in 2019.

Investment in PRC Associate Review

Since fully written off of our investment in 上海匯通供應鏈技術與運營有限公司 ("U-Link") in 2016, the performance of our PRC associate now refers only to Guangdong Nanfang Haian Science & Technology Service Company Limited ("Nanfang") as our major associate in China. The performance of Nanfang in 2018 was unfavorable, hence our share of gain from it at HK$1.5 million was down 36.2% compared to HK$2.4 million in 2017. That said, relative to the results for the first half of 2018 with the share of gain amounting to HK$0.4 million only, the business of Nanfang had caught up markedly in the second half of 2018. As explained in the 2018 Interim Report, Nanfang's business has been facing some difficulties due to the implementation of the nationwide single window in China earlier than expected. In fact, since the mandate was issued by the authority in September 2018, Nanfang could no longer collect revenue from users of its core river manifest declaration service. However, aware of the impending new single window arrangement, Nanfang started a year or so prior to cultivate relations with the PRC Customs and ports authority at the state and provincial level in Guangdong to build ahead a good foundation for it to bid for government system integration and software/platform development projects. Its efforts have so far proven successful, winning for it several major government contracts. With income from these government projects, it managed to maintain a satisfactory turnover in 2018, yet since the margins of these projects were lower than that of its river manifest declaration service, its profit for 2018 still dropped a bit.

With solid groundwork done and relations built with relevant government authorities and given that its largest shareholder is a state-owned enterprise with a strong background and state-level connections, Nanfang is expected to have a good chance to turnaround its business without relying on its core river manifest declaration business. On that basis, barring any adverse change of the operating environment due to new/change of government policies, we are cautiously optimistic about the future outlook of Nanfang's business.

FINANCIAL REVIEW

The Group's revenue for the year ended 31 December 2018 grew by 12.4% or HK$30.1 million to HK$271.9 million compared to the previous financial year. The increase was as a result of the higher revenue generated across the business segments. Revenue of E-Commerce, came from GETS and the Commercial Services, was HK$191.7 million in 2018, up by HK$9.0 million year-on-year. Revenue from the core GETS business was relatively steady as compared to year 2017. Revenue from Commercial Services increased with more supply chain solutions delivered to customers during 2018, such as, the completion of WMS projects for a local subsidiary of a major non-commodity marketing and distribution services company based in the United States and a major organization in Macau, as well as the delivery of the WMS license to a major client for a mega project. Revenue of IDM segment in 2018 rose by 42.9% or HK$17.2 million to HK$57.3 million. With the strong demand for secured onboarding solutions and applications from the banking and non-banking sectors, our security solutions were well received in the market. Revenue generated from biometric authentication solutions and eKYC solutions in 2018 increased by about two folds year-on-year. Revenue was also recorded from the delivery of a Public Key Infrastructure solution using digital certificates for a private hospital, and the ongoing support for the Hong Kong Police Smart Warrant Card System project during 2018. On the other hand, revenue from the delivery of security tokens for a major banking client dropped in 2018 with the units of tokens reduced from 299,000 in 2017 to 166,000 in 2018, which was expected given the trend in replacing hard tokens by soft tokens. The revenue of Other Services in 2018 increased by HK$3.8 million to HK$22.9 million, mainly due to the steady revenue from the GETS-related services and the revenue generated from Smart PoS business in 2018.

The Group's operating expenses before depreciation in 2018 were HK$175.8 million, an increase of 10.1% or HK$16.1 million from HK$159.7 million in 2017. Staff costs increased from HK$105.6 million to HK$114.1 million, up by 8.1% or HK$8.5 million as compared to the last financial year. 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 during 2018 with more resources required for project delivery. The amount of cost of purchases rose by HK$6.0 million to HK$29.3 million in 2018. This was mainly due to the increase in the project costs relating to the IDM and the Other Services businesses. The other operating costs at HK$32.4 million incurred in 2018 were 5.0% or HK$1.5 million higher than that of the last financial year. Depreciation charges in 2018 amounted to HK$6.9 million, were HK$0.6 million higher than last year.

The Group's profit from operations for the year of 2018 was HK$104.8 million, an increase of HK$10.6 million or 11.3% as compared to 2017.

The impairment loss of other financial assets in 2018 was HK$0.2 million, represented the net increase in the estimation of the expected credit losses on the Group's other financial assets held during the year. During the first half of 2018, the Group disposed of the remaining half of an impaired corporate bond in our bond portfolio with the relevant impairment loss had already been reflected in 2017.

The share of results in 2018 from PRC associates was a profit of HK$1.5 million, as compared to the share of profit amounted to HK$2.4 million in 2017. Nanfang's results were affected by the implementation of the national single window in the Guangdong area, which stopped it from generating revenue from the traditional river manifest declaration service during the latter part of 2018.

The Group's pre-tax profit for 2018 came to HK$106.2 million, higher than 2017 by HK$17.8 million. Net profit for the year was HK$89.8 million, increased by 21.1% as compared to 2017.

Basic earnings per share for 2018 were HK 11.3 cents, higher than that for 2017 at HK 9.3 cents by HK 2.0 cents. Diluted earnings per share for 2018 were also HK 11.3 cents, higher than that for 2017 at HK 9.3 cents by HK 2.0 cents.

Dividend

The Board has recommended a final dividend of HK 6.0 cents per share for 2018 (2017: HK 6.3 cents per share). The proposed final dividend, which together with the interim dividend of HK 3.5 cents per share (2017: HK 3.2 cents per share) paid on 9 October 2018, will result in a total dividend of HK 9.5 cents per share for 2018, same as the total dividend for 2017. The total amount of interim and proposed final dividend for 2018 represents a payment of 84.1% of the Group's profit attributable to shareholders for 2018.

The 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. The HK 6.0 cents per share final dividend in fact represents nearly 100% of the Company's distributable profit in 2018. The difference reflects the gap between profit attributable to shareholders and profit distributable to shareholders. The gap arises because the negative fair value reserve balance as at 31 December 2018 is regarded as a realized loss and has to be deducted from profit attributable to shareholders in the context of the Hong Kong's Companies Ordinance for profit distribution. Therefore, the HK 6.0 cents per share final dividend in fact represents nearly 100% of the Company's distributable profit in 2018.

The proposed final dividend will be submitted to shareholders for approval at the annual general meeting on 10 May 2019. If approved, the final dividend will be paid to shareholders whose names appear on the register of members of the Company on 16 May 2019, on or about 29 May 2019.

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 in the past and over 84% of its profit this year does not mean that the policy has changed.

Liquidity and Financial Position

As at 31 December 2018, the Group had total cash and bank deposits of HK$86.5 million (2017: HK$84.1 million).

The other financial assets as at 31 December 2018 in the non-current and current assets amounted to HK$305.5 million (2017: HK$367.2 million) and HK$42.2 million (2017: Nil) respectively, represented the fair value of the 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. As at 31 December 2018, the weighted average of the portfolio coupon and yield were about 3.9% (2017: 4.0%) and 3.7% (2017: 3.8%) respectively. As at 31 December 2018, 71% (2017: 74%) of the total amount was invested in investment grade corporate bonds. The remaining 29% (2017: 26%) was invested in non-investment grade or non-rated corporate bonds. All corporate bonds held as at 31 December 2018 were tradable in open market.

To balance risk and returns, all investments in corporate bonds were made in accordance with the investment guidelines which had been approved by the Investment Committee comprising three Independent Non-executive Directors and one Non-executive Director of the Company. 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 2018 amounted to HK$552.6 million (2017: HK$561.9 million) and HK$350.8 million (2017: HK$354.4 million) respectively.

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

Capital and Reserves

As at 31 December 2018, the capital and reserves attributable to shareholders was HK$350.8 million (2017: HK$354.4 million), a decrease of HK$3.6 million from the end of 2017.

Charges on Assets and Contingent Liabilities

As at 31 December 2018, the Group has obtained three bank guarantees totaling HK$4.2 million (2017: two bank guarantees of 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$4.2 million (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 31 December 2018 not provided for in the financial statements amounted to HK$1.5 million (2017: Nil), mainly in respect of the purchase of hardware and software for the Group.

Employees and Remuneration Policy

As at 31 December 2018, the Group employed 268 staff (2017: 261), of which 230 are in Hong Kong and 38 in Guangzhou. The related staff costs for the year came to HK$114.1 million (2017: HK$105.6 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 various commission, incentive and bonus schemes to drive performance and growth.

The Company operates a share option scheme to reward the performance of staff at senior vice president grade and above.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As at 31 December 2018, other than its investments in the PRC and Macau incorporated entities and debt securities denominated in US dollars, the Group had no foreign exchange exposure and related hedges.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code ("CG 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 ensure full compliance with the code provisions in 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"). The Company confirms that it has complied with all code provisions during the year ended 31 December 2018.

The Board

Currently, the Company is led by and controlled through its Board which comprises three Executive Directors ("EDs"), four Non-executive Directors ("NEDs"), including the Chairman of the Board, and five Independent Non-executive Directors ("INEDs"). 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 EDs and service contracts between the Company and its NEDs and INEDs. Each service contract is for a period of three years. It can be terminated by the Company or NED/INED by giving one month's notice in writing or payment in lieu of notice.

All Directors shall 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.

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules to govern its Directors' dealings in the Company's securities. Having made specific enquiry, all Directors have confirmed compliance with the required standards during 2018.

Audit Committee

The Audit Committee has reviewed the Group's accounting policies and the consolidated financial statements for the year ended 31 December 2018. It also had independent discussions with the internal auditor and the external auditor, KPMG, without the presence of the management team.

OTHER INFORMATION

Final Dividend

The Board has recommended a final dividend of HK 6.0 cents per share for 2018 (2017: HK 6.3 cents per share), which is on a par with the total dividend for 2017. The proposed final dividend, together with the interim dividend of HK 3.5 cents per share (2017: HK 3.2 cents per share) paid on 9 October 2018, represents a dividend payout ratio of nearly 100% of the Group's distributable profits.

The proposed final dividend will be submitted to shareholders for approval at the annual general meeting ("AGM") on Friday, 10 May 2019. If approved, the final dividend will be paid to shareholders whose names appear on the register of members of the Company on Thursday, 16 May 2019, on or about Wednesday, 29 May 2019.

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.

Closure of Register of Members

The register of members will be closed from Tuesday, 7 May 2019 to Friday, 10 May 2019, both days inclusive, during which period no transfer of shares will be registered to determine the shareholders' entitlement to attend and vote at the AGM to be held on Friday, 10 May 2019. 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, 6 May 2019.

The register of members will also be closed from Thursday, 16 May 2019 to Monday, 20 May 2019, 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, 15 May 2019.

Publication of Final Results and 2018 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 2018 will be dispatched to shareholders and published on the aforesaid websites in April 2019.

AGM

It is proposed that the AGM of the Company be held on Friday, 10 May 2019. 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, 26 March 2019

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.