貿易通電子貿易有限公司
Tradelink Electronic Commerce Limited
Stock Code 股份代號：536

2021 Annual Results

Presentation

People Building Successful e-Commerce
電子商貿 以人成就

FINANCIAL HIGHLIGHTS

Overview of 2021 Annual Results

Revenue	Profit from operations	Profit before tax	Profit for the year
HK$273.8 M	HK$87.1 M	HK$86.2 M	HK$73.7 M
⇧ 4.8% YoY	⇧ 9.2% YoY*	⇧ 4.6% YoY	⇧ 1.2% YoY

Net cash flow from operating activities	Cash & bank deposits	Other financial assets
HK$100.8 M	HK$209.2 M	HK$266.6 M

- Maintain strong and healthy financials

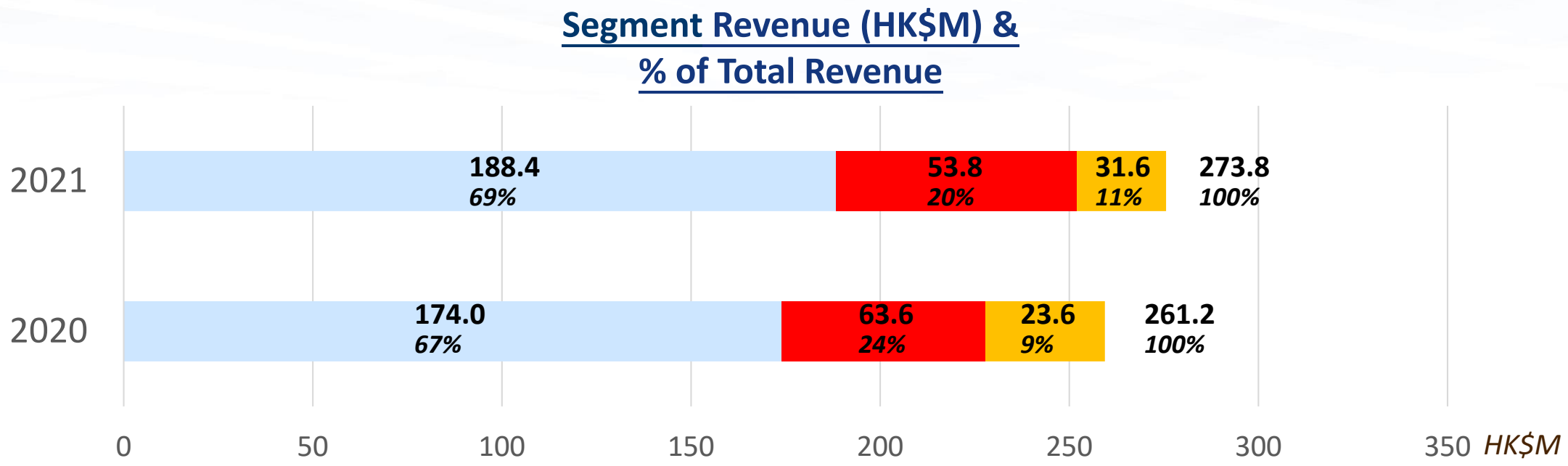
*Note: * Excluding the subsidy of Employment Support Scheme in 2020 from the Government*

Financial Highlights

(HK$M)	For the year ended 31 Dec 2021	For the year ended 31 Dec 2020	Change
Revenue	**273.8**	261.2	4.8%
Profit from operations	**87.1**	92.7	(6.1%)*
Profit before taxation	**86.2**	82.4	4.6%
Taxation	**(12.6)**	(9.6)	31.0%
Profit for the year	**73.7**	72.8	1.2%
Earnings per share (HK cents)			
Basic	**9.3**	9.2	1.1%
Diluted	**9.3**	9.2	1.1%
(HK cents)	**2021**	2020	**Change**
Total dividend for the year per share	**9.25**	9.20	0.5%
Interim dividend per share	**2.80**	1.95	43.6%
Final dividend per share	**6.45**	7.25	(11.0)%

*Note: * Excluding the subsidy of Employment Support Scheme in 2020 from the Government, profit from operations increased 9.2% YoY*

Segment Revenue



E-Commerce generates income from the Group's Government Electronic Trading Services and Supply Chain Solutions

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

Other Services comprises handling fees for paper-to-electronic conversion services, income from payment technology solutions and other projects

Key Financial Ratios

For the year ended 31 December	2021	2020
Operating profit margin	31.8%	35.5%
Net profit margin	26.9%	27.9%
Effective tax rate	14.6%	11.6%
Current ratio	2.72	2.43
Debtors' turnover days	21	39
Dividend payout ratio	99.8%	99.5%[1]

[1]*The Group's profit after excluding the deferred tax charge relating to tax loss*

Key Balance Sheet Items

(HK$M)	As at 31 Dec 2021	As at 31 Dec 2020
Property, plant and equipment	**23.5**	24.1
Trade receivables and contract assets	**40.2**	64.7
Other financial assets	**266.6**	292.1
Cash and bank deposits	**209.2**	172.0
Net assets	**378.6**	384.3

BUSINESS REVIEW

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E-Commerce Business Review
GETS & Supply Chain Solutions

- E-Commerce recorded outstanding results with impressive segment profit. Its revenue increased by 8.3% to HK$188.4 million; segment profit increased by 26.0% to HK$74.4 million

- GETS revenue recorded a remarkable increase by 11.1% to HK$167.5 million
  - The GETS market which is tied to Hong Kong's external trade performance recorded a phenomenal growth of 21.0% year-on-year, the highest ever along with the highest transaction volume in the last two decades
  - The transaction growth from the major courier customers for the entire 2021 was more than three times the market increase and their share of volume in our GETS business in 2021 was up more than 30% year-on-year
  - Due to the sheer volume of business from these major courier customers to whom lower pricing is offered, the overall average price still dropped even price increase from customers is achieved. Fortunately the expanded volume more than offset the effect of the price drop

- Supply Chain Solutions revenue dropped 10.3% to HK$20.9 million
  - Business improved slightly in the second half of 2021, narrowing the shrinkage recorded in the first half of the year
  - New projects: Warehouse Management System ("WMS") and Transportation Management System ("TMS") was ordered by a renowned Hong Kong-based logistics company to support their cold chain logistics operations
  - A couple of new projects were received confirmation just before the end of the year with development work commencing in early 2022

Identity Management Business Review

- IDM business revenue was down by 15.4% to HK$53.8 million; segment profit dropped by 45.2% to HK$9.7 million
  - Delay in signing the formal contract with a customer on a major electronic Know-Your-Customer ("eKYC") project in 2021
  - Many of the customers in the financial services and banking industry had their budgets constrained in 2021 due to the COVID-19 pandemic

- Project revenue from work-in-progress ("WIP") basis on carry-forward and new projects as well as from completed projects
  - New order for an eKYC solution to support digital onboarding of the bank's customers from a local bank with Chinese background
  - Major WIP eKYC solution projects: 1) a major insurance company; 2) a customer-cum-strategic partner whose business is to provide data intelligence services to financial institutions to enhance risk management; 3) a repeat customer in early 2021 to use the eKYC solution for digital onboarding for online gaming account

Others Services Business Review

- Other Services business, comprising Smart PoS, GETS-related services and partnerships, recorded outstanding results for the whole year of 2021. The revenue achieved a handsome growth of 34.2% to HK$31.6 million while segment profit soared 54.0% to HK$15.4 million

Smart PoS Business

- Smart PoS business grew significantly in 2H21, total revenue increased by 64.7% to HK$7.6 million
  - The whole year's growth was higher than the 43.8% growth in 1H21, due to more Smart PoS orders placed by the bank customers 2H21
  - Ongoing maintenance and support services income and project income also increased by about 20% over 2020

GETS-related Services and Partnerships

- The total turnover of GETS-related services and partnerships increased by 26.8% to about HK$24.1 million
  - Benefitting from the favorable GETS operating environment, our GETS related services performed reasonably well
  - The revenue for assisting the promotion of Ping An OneConnect Bank (Hong Kong) Limited's ("PAOB") SME loan services to our GETS customers received for the entire year of 2021 was rather significant

Investment in PRC Associate Review

- Guangdong Nanfang Haian Science & Technology Service Company Limited ("Nanfang") had incurred further losses, with our share of loss increased to HK$1.9 million
  - Due to the slashing of government pandemic relief grants and rationalization of the government budget in 2021, Nanfang's business continued to run in the red in the 2H21
  - Several sizeable government projects which Nanfang was once confidently pursuing had subsequently been called off or held in abeyance in 2021 due to government budget constraints
- Nanfang lost their de-facto monopoly on the river manifest declaration service and be saddled by a drawn-out legal dispute with one of their shareholders
- Decided to further write down our investments in Nanfang by HK$0.8 million in the second half of 2021

PROSPECTS

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Prospects – E-Commerce Business

GETS

Outlook for GETS Business

- The uncertainty over Hong Kong's trade performance and the spreading of the new wave of the Omicron variant in 2022 no doubt will most greatly affect our GETS business sub-segment under E-commerce
- The continued skyrocketing transaction volume from our major courier customers is expected to further drag down our overall price, we are looking at the possibility of leveraging our collaboration with partners to enhance the value to direct customers as a way to re-shift GETS transactions back to shippers
- Cautiously optimistic about our GETS business outlook and its actual performance hinges on the external trading environment affecting the GETS market

Government's Trade Single Window ("TSW") Implementation

- Based on the current progress of Phase 3 (cover the current documents under GETS) preparation work and Government's anticipated three-year development cycle, it is highly likely that Government would need to invoke their right to extend the current GETS contract up to three years till 2027

Prospects – E-Commerce Business
Supply Chain Solutions

Outlook for Supply Chain Solutions

- We are confidence in our Supply Chain Solutions, in particular, our flagship product, WMS, which has been gaining market traction in recent years
- Pending the completion of our solutions to support cold chain logistics for our major logistics company client, we have another customer in the same industry already showing interest in such solutions
- Continuous enhancement from existing customers on solutions previously installed in order to cope with customers' ever-changing business operations. Some of these requests for changes could be rather sizeable
- Revamp and enhance our technical infrastructure to meet the evolving customer requirements in a more flexible and cost-effective manner
- Reasonably positive about its prospect in 2022 and we expect a moderate growth of our Supply Chain Solutions business

Prospects – Identity Management Business

Outlook for Identity Management Business

- More positive about the prospects of our IDM business, expecting a slight improvement in its performance, as the market is expected to strengthen in 2022 as after two years into the pandemic, businesses have adapted to the new normal
- The revenue for WIP work for a major eKYC project in 2021 will be recognized in 2022 upon finalizing formalities for the contract
- Some of those hot prospects which we could not conclude due to customers' budget constraints in 2021, could revive
- Pursuing several new potential projects, some of which we believe we have a high chance of closing in 2022
- Working with potential partners and evaluating new technology to develop comprehensive solutions of preventing cyber risks for our customers

Prospects – Other Services Business

Smart PoS

- Inevitably face uncertainty associated with the spreading of the new wave of the Omicron variant in 2022
- Close to finalizing a major deal with a prominent player in the service industry for a sizeable Smart PoS development and deployment project. We expect official confirmation during early 2022 with development work continuing in the year and completion in early 2023
- Hoping that our Smart PoS business in 2022 would improve slightly, or at least remain at a steady level

GETS-related Services

- Cautiously optimistic about our GETS-related business
- Reasonably confident about generating a higher revenue in 2022 from our partnership with PAOB based on the strong growth momentum of their SME loan business accumulating over the years and expected to continue into 2022

Prospects – Investment in PRC Associate Review

Outlook for PRC Associate Review

- The external operating environment would unlikely have significant improvement
- Several government projects secured, albeit of smaller scale
- Substantial slash of their costs by a considerable downsizing of their used-to-be large research and development team
- Reasonably confident about having some slight improvement of their performance
- Though it is unlikely that they could achieve a break even in 2022, we hope that their loss would reduce somewhat

CORPORATE PROFILE

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Corporate Profile

Share Information

Listing Date
28/10/2005

Share Price (@22/3/2022)
HK$1.18

Issued Shares (@22/3/2022)
794,633,719 Shares

Market Cap
HK$938 Million

Key Business Segment

E-Commerce

GETS

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

Supply Chain Solutions

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

Identity Management

Provides digital certificate services, security products and biometric-based authentication solutions for identity management

Other Services

GETS-related services including paper-to-electronic conversion services for paper users of GETS services, Road Cargo System (ROCARS) and ROCARS call center service on behalf of Customs & Excise Department, payment technology solutions and other projects.