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

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

2021 Interim Results

Presentation

FINANCIAL HIGHLIGHTS

Overview of 2021 Interim Results

Revenue	Profit from operations	Profit before tax	Profit for the period
HK$128.5 M	HK$35.8 M	HK$35.9 M	HK$30.0 M
⇧ 7.4% YoY	⇧ 13.1% YoY	⇧ 47.0% YoY	⇧ 48.6% YoY

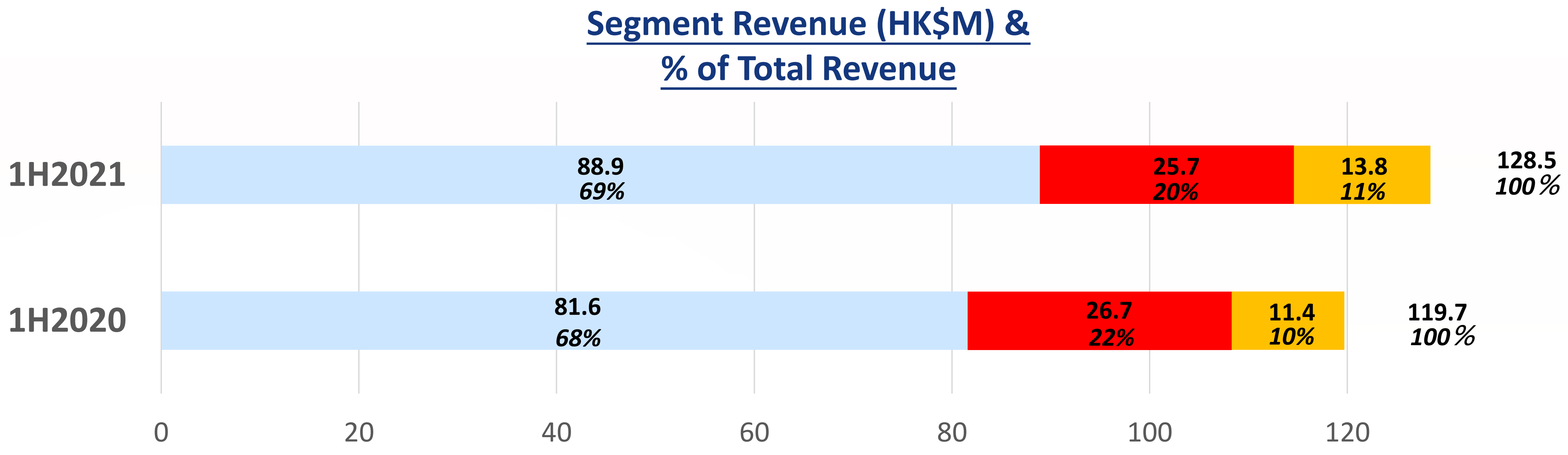
Net cash flow from operating activities	Cash & bank deposits	Other financial assets
HK$44.5 M	HK$170.5 M	HK$275.5 M

- Maintain strong and healthy financials

Financial Highlights

Six months ended 30 June (HK$M)	**1H 2021 (unaudited)**	1H 2020 (unaudited)	Change
Revenue	**128.5**	119.7	7.4%
Profit from operations	**35.8**	31.6	13.1%
Profit before taxation	**35.9**	24.5	47.0%
Taxation	**(5.9)**	(4.3)	39.0%
Profit for the period	**30.0**	20.2	48.6%
Earnings per share (HK cents)			
Basic	**3.78**	2.54	48.8%
Diluted	**3.77**	2.54	48.4%
Interim dividend per share (HK cents)	**2.8**	1.95	43.6%

Segment Revenue



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

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

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

Key Financial Ratios

Six months ended 30 June	**1H 2021 (Unaudited)**	1H 2020 (Unaudited)
Operating profit margin	**27.9%**	26.4%
Net profit margin	**23.3%**	16.9%
Effective tax rate	**16.5%**	17.5%
Current ratio	**2.4**	1.9
Debtors' turnover days	**23**	30
Dividend payout ratio	**~74.2%**	~75.3%[1]

[1]*This represents about 75.3% payout of our distributable profit after excluding the deferred tax charge of DTTNCo at HK$0.4 million.*

Key Balance Sheet Items

(HK$M)	**As at 30 Jun 2021 (Unaudited)**	As at 31 Dec 2020 (Audited)
Property, plant and equipment	**25.8**	24.1
Trade receivables and contract assets	**41.0**	64.7
Other financial assets	**275.5**	292.1
Cash and bank deposits	**170.5**	172.0
Net assets	**358.6**	384.3

BUSINESS REVIEW

E-Commerce Business Review – GETS & Supply Chain Solutions

- Total E-Commerce revenue from GETS and Supply Chain Solutions increased by 9.0% to HK$88.9 million; segment profit increased by 27.6% to HK$32.9 million

- GETS revenue increased by 13.3% to HK$82.0 million
  - With a much improved operating environment, the overall GETS market saw a sharp V-shape recovery in the first half of 2021, up 22% year-on-year
  - Total GETS transaction volume processed increased in tandem with the overall market. Average price for most of our GETS customers increased, yet, with our major courier customers' notably increasing volume and the steep volume discount prices they were given, overall average price dropped year-on-year during the period

- Supply Chain Solutions' sub-segmental revenue down 24.8% to HK$6.9 million. If one-time charge item was excluded, its revenue was at large comparable to the revenue last year
  - One-time charge item: last year's number actually included the 4-way shuttles charges which our major retail client paid for the hardware ordered for the automated warehouse solution project
  - On top of recurrent revenue, the amount included revenue recognised for work-in-progress projects which included Warehouse Management System / Transportation Management System confirmed late last year by a renowned group

Identity Management Business Review

- IDM business revenue marginally dropped by 3.5% to HK$25.7 million; segment profit increased by 32.3% to HK$2.9 million
  - Though slight drop in revenue due to the shift of business to more profitable products reducing the overall costs, segment profit for this business actually increased for the same period

- Project revenue from electronic Know-Your-Customer (“eKYC”) projects carried forward and two news projects signed
  - A repeat customer who has deployed our biometric authentication solution for use by their clients on their mobile betting application
  - Provide local support service to monitor their betting application in conjunction with one of their overseas partners

Others Services Business Review

- Other Services business segment recorded remarkable results as its turnover and segment profit both grew considerably. The revenue increased by 20.9% to HK$13.8 million while segment profit surged 44.1% to HK$7.0 million

- Improvement in Smart PoS business with revenue increased by 43.8% to HK$3.0 million
  - Ongoing maintenance service income from existing Smart PoS deployment
  - A new Smart PoS order as well as a small development project from our major bank customer

- The GETS-related business recorded a strong performance with revenue increased by 15.7% to HK$10.8 million
  - Increase in prices for our GETS-related services and from our collaboration with Ping An OneConnect Bank (Hong Kong) Limited ("PAOB")
  - Received revenue from PAOB for assisting them to promote their SME loan services to our GETS customers

Investment in PRC Associate Review

- Guangdong Nanfang Haian Science & Technology Service Company Limited ("Nanfang") recorded slightly improved performance, with our share of loss reduced to HK$1.5 million this year
- After cessation of its most profitable river manifest declaration services since the second half of 2019, Nanfang had been focusing on Customs-related projects and pursuing opportunities thereof
- Successfully won a couple of such government projects, leveraging its strong domain knowledge, experience and relationship with relevant government agencies / authorities
- Implemented stringent cost control measures including drastically downsizing its workforce and closing its branch offices

PROSPECTS

Prospects – E-Commerce Business
GETS and Supply Chain Solutions

Outlook for GETS Business

- Positive about the outlook of GETS business in 2021 given the positive market development
- We expect the overall GETS market to continue to grow in the latter half of 2021, although the rate would unlikely be able to sustain at the same high level as the first six months at 22%
- Expect an overall double digit growth for the GETS market for the entire 2021

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

- Tender result for the development of Phase 2 of TSW has just been released. Rollout of the Phase 2 documents by batches will commence in the first quarter of 2023
- TSW Phase 3, which essentially covers all current GETS documents, has yet to release a high level plan

Outlook for Supply Chain Solutions

- Have a couple of hot leads on hand which could be concluded before the end of the year and with other projects already on hand
- Thorough review of the strategy of the business is currently underway to identify growth drivers would pave the way for the development of our Supply Chain Solutions business in 2022 and beyond

Prospects – Identity Management Business

Outlook for Identity Management Business

- Have a couple of new orders confirmed early in the second half of the year with development work to commence shortly
  - An eKYC solution ordered by a local bank with a Mainland Chinese background
- Conducting vigorous research and study on further enhancement of our suite of IDM solutions
  - Enhancing our eKYC solutions to support identity documents beyond the Hong Kong Identity Card as well as support of multi-platforms
  - Extending the use of our digital onboarding solutions currently by individual only to corporate use. Also looking into possible collaboration with partners to capture the corporate digital onboarding opportunity
- New ID-Cert Class 12 : working on a target pilot launch date towards the end of this year
  - Attracted a number of stock brokers interested to join and at least two of them have confirmed their participation
  - Working with them on development of a total solution supporting application for use by their clients on their platform

Prospects – Other Services Business

Smart PoS

- Cautiously optimistic about our Smart PoS business as the near-term outlook for the retail market would still be challenging
- The growing concern about the new COVID-19 variants also poses further uncertainty to the pace of recovery of the retail market
- Confident to keep a moderate growth of our Smart PoS business for the whole of 2021

GETS-related Services

- Reasonably confident of maintaining a strong performance based on its close ties with the GETS market for which we believe could sustain at least a double-digit growth year-on-year
- Expect increase of income from our collaboration with PAOB

Prospects – Investment in PRC Associate Review

Outlook for PRC Associate Review

- Nanfang's business performance hopefully would improve
  - Confident of winning a few sizeable government projects upcoming
  - Further step up cost control measures
- Strive to break even for the year, or at least to minimise its loss

Summary

- **We would stay confident about our performance for the remainder of the year**

A Couple of Caveats

- In 2021, we no longer would receive any subsidy from the Employment Support Scheme under the Government Anti-epidemic Fund which we did in 2020 amounting to HK$13.0 million
- We expect our interest income in 2021 would reduce year-on-year
  - Ongoing low interest rate environment
  - The switching of a large chunk of our investments in debt securities to a diversified bond portfolio and bond funds since the second half of 2020
- The price volatility of these investments in financial instruments causing fair value changes would pose uncertainty on our net profit or loss recorded

CORPORATE PROFILE

Corporate Profile

Share Information

Listing Date
28/10/2005

Share Price (@24/8/2021)
HK$1.19

Issued Shares (@24/8/2021)
794,633,719 Shares

Market Cap
HK$946 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 online/mobile security services and solutions for identity management (IDM). Our portfolio of IDM solutions includes digital certificates, security tokens and biometric-based authentication solutions

Other Services

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

New incubating business includes Smart PoS