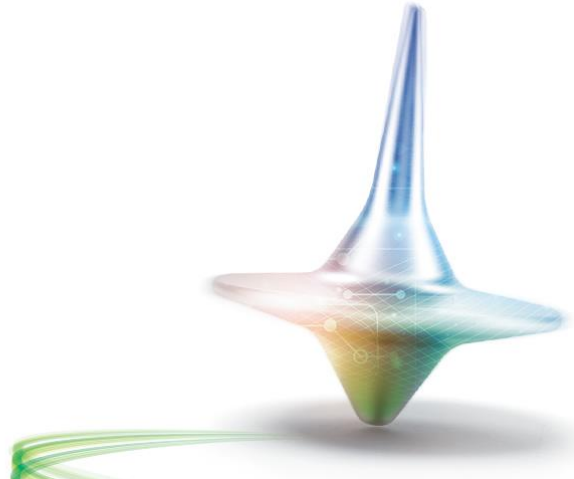
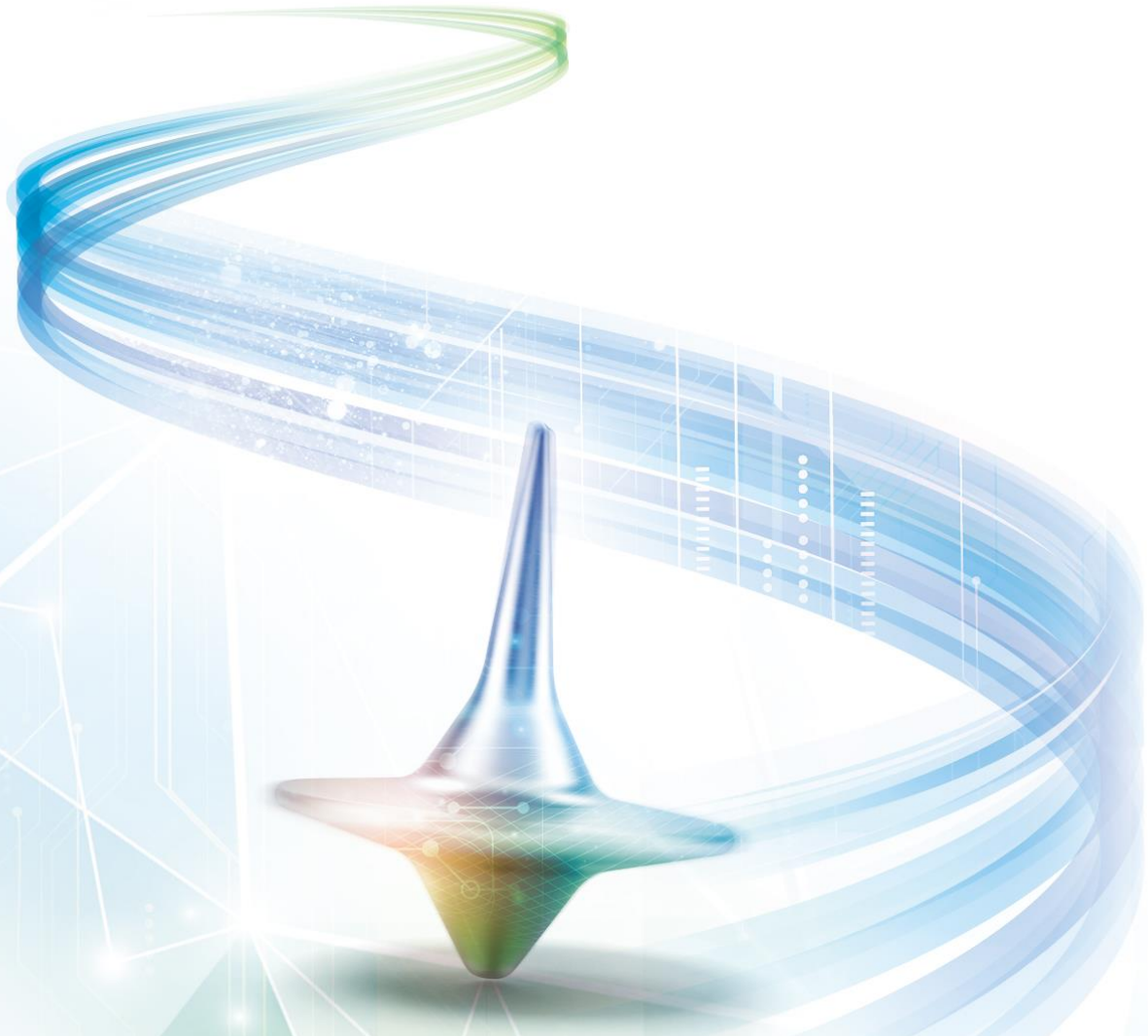
貿易通 TRADELINK 貿易通電子貿易有限公司
Tradelink Electronic Commerce Limited
Stock Code 股份代號：536

2022 Interim Results

Presentation



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



FINANCIAL HIGHLIGHTS

Overview of 2022 Interim Results

Revenue	Profit from operations	Profit before tax	Profit for the period
HK$ 125.5 M	HK$ 37.3 M	HK$17.6 M	HK$14.6 M
⇩ 2.4 % YoY	⇩ 3.4% YoY	⇩ 51.1% YoY	⇩ 51.5% YoY

Net cash flow from operating activities	Cash & bank deposits	Other financial assets
HK$33.3 M	HK$199.0 M	HK$232.9 M

Maintain strong and healthy financials

Overview of 2022 Interim Results

- Though the fifth wave of COVID-19 began early 2022 battering the economy, the Group's turnover at HK$125.5 million was only down 2.4% or HK$3.0 million whereas operating profit at HK$37.3 million dropped only 3.4% or HK$1.3 million year-on-year

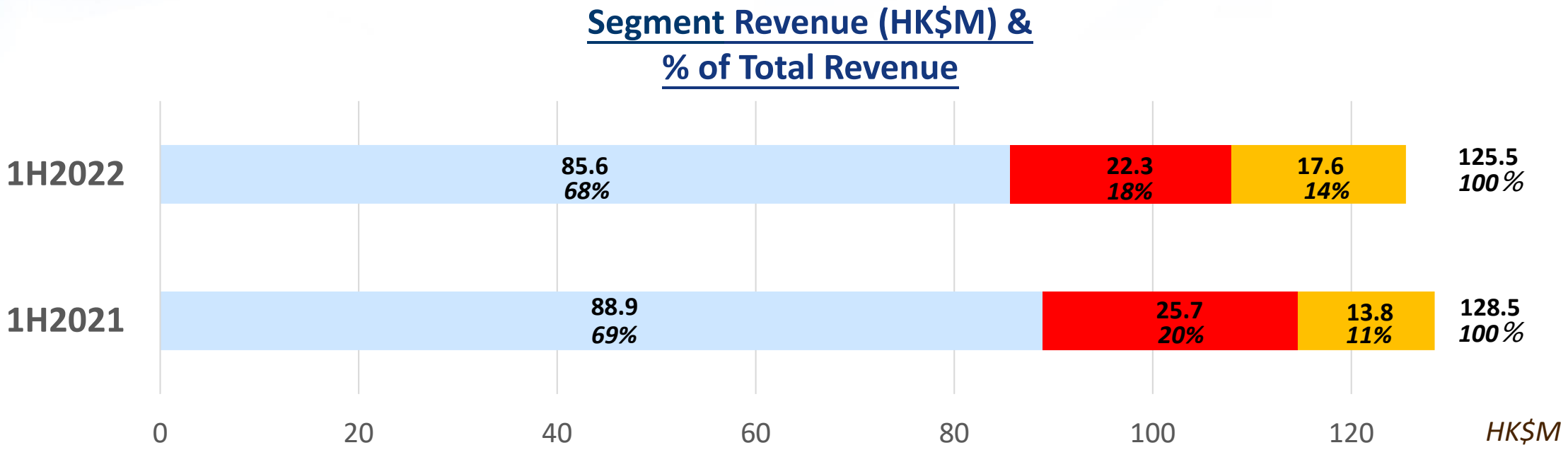
- The severe headwind that had really hit the Group's performance was the intensified market volatility as the Group recorded a significant increase in market devaluation of our investment in funds and a discretionary fixed income portfolio

- As a result, after profit tax for the Group dropped by 51.5% or HK$15.4 million to HK$14.6 million for the first half of 2022

Financial Highlights

(HK$M)	1H 2022 (unaudited)	1H 2021 (unaudited)	Change
Revenue	**125.5**	128.5	(2.4%)
Profit from operations	**37.3**	38.6	(3.4%)
Profit before taxation	**17.6**	35.9	(51.1%)
Taxation	**(3.0)**	(5.9)	(49.4%)
Profit for the period	**14.6**	30.0	(51.5%)
Earnings per share (HK cents)			
Basic	**1.83**	3.78	(51.6%)
Diluted	**1.83**	3.77	(51.5%)
Interim dividend per share (HK cents)	**1.83**	2.8	(34.6%)

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

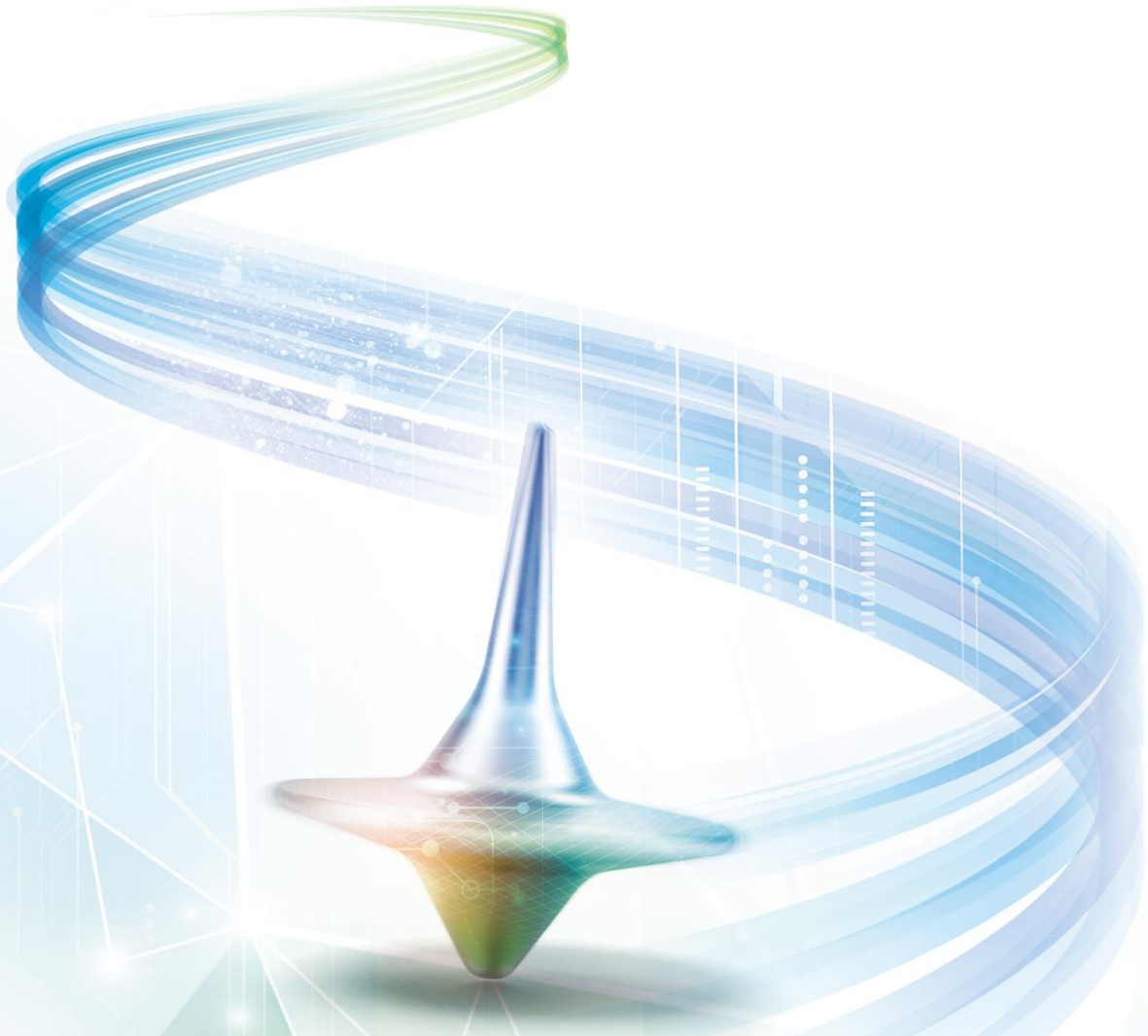
Other Services comprises handling fees for paper-to-electronic conversion services, income from payment technology solutions and other projects

Key Financial Ratios

Six months ended 30 June	1H 2022 (Unaudited)	1H 2021 (Unaudited)
Operating profit margin	29.7%	30.1%
Net profit margin	11.6%	23.3%
Effective tax rate	17.1%	16.5%
Current ratio	2.7	2.4
Debtors' turnover days	25	23
Dividend payout ratio	~100%	~74.2%

Key Balance Sheet Items

(HK$M)	As at 30 Jun 2022 (Unaudited)	As at 31 Dec 2021 (Audited)
Property, plant and equipment	**21.3**	23.5
Trade receivables and contract assets	**41.0**	40.2
Other financial assets	**232.9**	266.6
Cash and bank deposits	**199.0**	209.2
Net assets	**340.9**	378.6



BUSINESS REVIEW

E-Commerce Business Review
GETS & Supply Chain Solutions

- E-Commerce's revenue down by 3.7% to HK$85.6 million; segment profit dropped by 9.3% to HK$29.9 million

- GETS revenue declined by 10.1% to HK$73.7 million
  - The weak external trade performance causing a 1% drop YoY of the overall market and the business growth of major courier customers dragging down our average price
  - The change of Government requirement on Dutiable Commodities Permit ("DCP") reporting starting 2022 resulting in a plunge of transaction volume and revenue for our DCP business of about 59% YoY

- Supply Chain Solutions revenue surged 71.8% to HK$11.9 million
  - Driven by new projects confirmed, work-in-progress ("WIP") projects, sizable enhancement projects
    - WIP projects: WMS and TMS was ordered by a renowned Hong Kong-based logistics company
    - Sizable enhancement projects: a longtime large German mail order house client and a major retail chain customer
- Supply Chain Solutions New Projects
  - New projects: Warehouse Management System ("WMS") and Transportation Management System ("TMS") was ordered by a customer in the fresh food market in Hong Kong for their cold storage logistics operations

Identity Management Business Review

- IDM business revenue declined by 13.5% to HK$22.3 million; segment profit fell 14.8% to HK$2.4 million
  - Revenue from maintenance services was slightly increased by HK$1.3 million
  - The more significant decline in revenue was from IDM projects (digital onboarding / electronic Know-Your-Customer ("eKYC") / biometric projects) for which revenue dropped of HK$1.7 million to HK$8.9 million
  - A number of new projects / potential new business being stalled by customers due to the pandemic, particularly those in the banking and financial services sector

- The formal contract for a major eKYC project has been signed
  - In order to meet the customer's timeline, we commenced development work in 2021 with the consent of the customer. The revenue in respect of the development work done thus far on this project was recognized and included in 1H2022

- Successfully expanded customer base with orders secured
  - Statutory body for a project involving a proof-of-concept as part of a new initiative on identity authentication
  - Partnership with a prime contractor on a project for a public service

Others Services Business Review

- Other Services business, comprising Smart PoS, GETS-related services and partnerships, achieved remarkable results. The revenue increased by 26.9% to HK$17.6 million while segment profit grew 32.3% to HK$9.3 million

Smart PoS Business

- Revenue of Smart PoS business recorded a remarkable increase of almost 89.8% to HK$5.8 million
  - Revenue recorded for a major project ordered by a renowned enterprise in the service sector involving development and integration of a payment system supporting over 200 Smart PoS deployed across more than 40 outlets
  - Secured a three-year maintenance and support services ("M&S") contract for Smart PoS with our biggest bank customer purchasing the Smart PoS for use by their retail clients

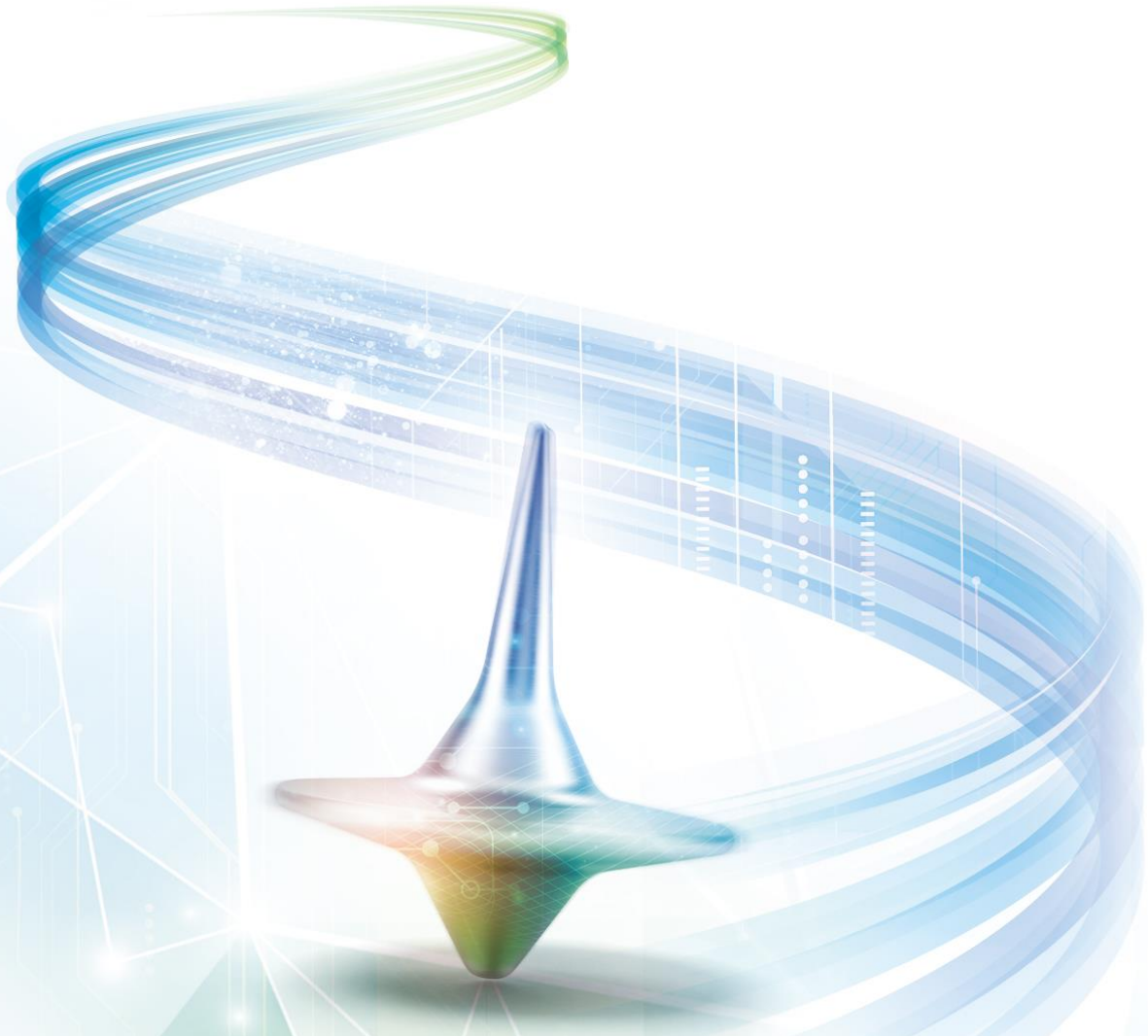
GETS-related Services and Partnerships

- Revenue of GETS-related services achieved a moderate increase of 9.2% to HK$11.8 million
  - Partnership with Ping An OneConnect Bank (Hong Kong) Limited ("PAOB") generating a handsome revenue which was more than able to offset the Road Cargo System ("ROCARS") business shortfall

Investment in PRC Associate Review

- The share of loss of Guangdong Nanfang Haian Science & Technology Service Company Limited ("Nanfang") reduced to HK$0.04 million
  - Further rigorous cost cutting measures which slashed their costs by more than 62%
  - Received a rather sizeable government project subsidy, much-needed for them to nearly achieve a breakeven

- The adverse operating environment since the loss of their de-facto monopoly on the river manifest declaration service was further worsened by the COVID-19 pandemic, coupled with the legal dispute with one of the shareholders that has seriously affected their goodwill



PROSPECTS

Prospects – E-Commerce Business

GETS

Outlook for GETS Business

- We remain reasonably confident about our GETS business despite the uncertain external trading environment
- As a GETS market leader with strong support from our extensive and loyal customer base, we are able to charge customers a premium price for our quality service offerings
- 2021 was a record year for the GETS market, so we need to remain cautious as the 2H2021 was exceptionally strong and sets an extremely high base for YoY comparison with 2H2022

Prospects – E-Commerce Business
Supply Chain Solutions

Outlook for Supply Chain Solutions

- We are reasonably optimistic about its prospects for 2H2022 with carry-forward project works and new projects on hand
- Several hot prospects with a high chance of securing confirmation in the coming months
- Promising sales prospects : an existing customer who is a major telecommunication service provider. It is an extension of our installed solution using handheld equipment to facilitate the end-to-end management and operations of their 5G network and facilities maintenance work
- With all of these projects, we feel rather optimistic about having a better year in 2022 than in 2021

Prospects – Identity Management Business

Outlook for Identity Management Business

- We are reasonably confident that its performance would improve in 2H2022
- Project revenue from WIP basis on carry-forward and new orders
  - Some of the delayed projects' revenue should be able to be booked upon resumption of project work
  - Development work on the major eKYC project would continue in the 2H2022
  - Orders secured from new customers in the government and public sectors
- In view of the ever-increasing cybersecurity threat, we are seizing the opportunity to work closely with related stakeholders in developing and enhancing our offerings to the community

Prospects – Other Services Business

Smart PoS

- We are reasonably confident about the prospects of our Smart PoS business
- Step up our resources to work full force on the major project with a view to substantially completing it for pilot before the end of 2022
- Stable recurring revenue generated by M&S services from our largest bank customer as well as the major projects on hand

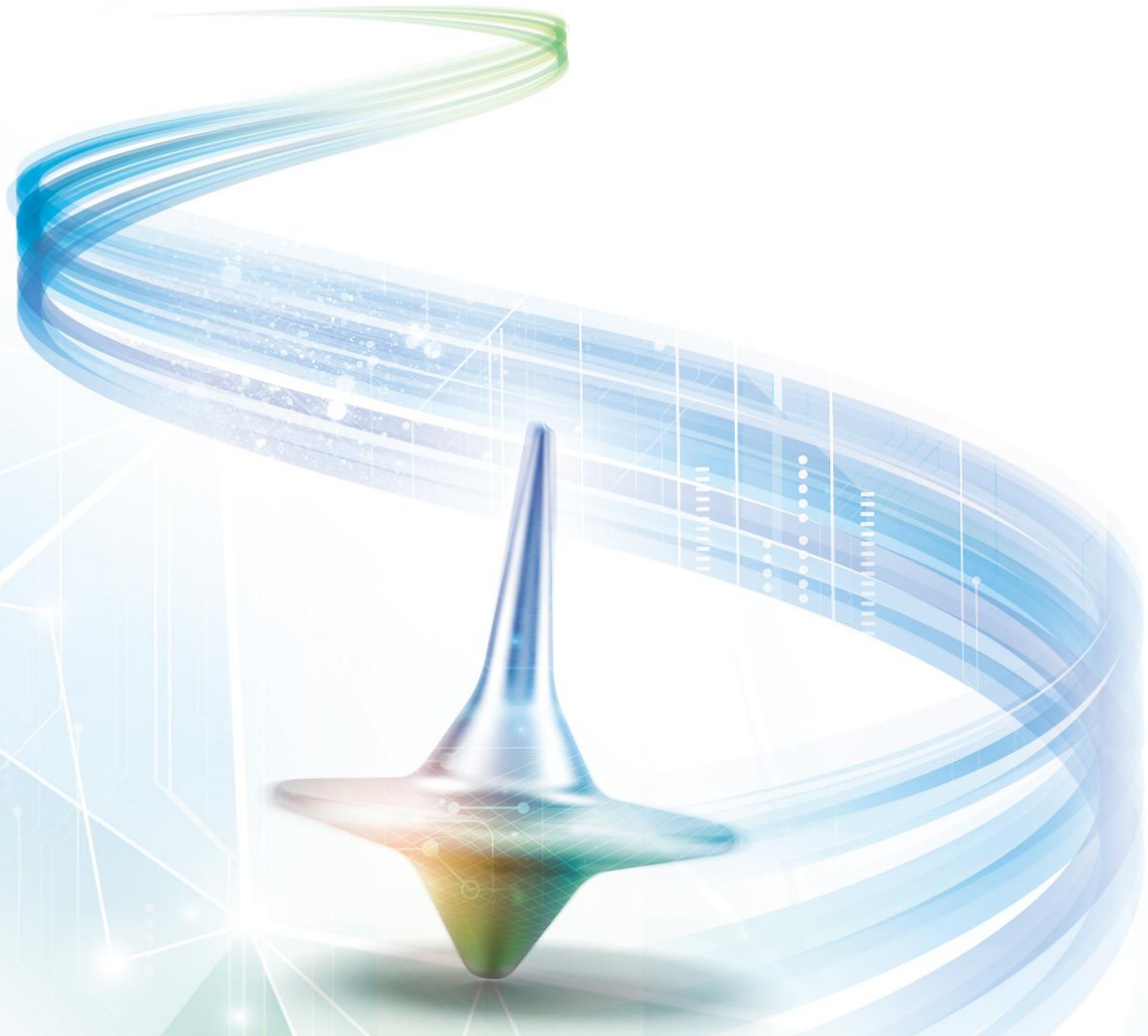
GETS-related Services

- We hold a positive view about its prospects for the remainder of 2022
- The fifth wave of the pandemic gradually comes under control leading to the easing of some cross border transport restrictions, logistics disruption is seen to be improving and so should our ROCARS business
- With an expected moderate shrinkage of our other GETS related services, we believe additional revenue from our PAOB partnership should be more than able to make up any shortfall

Prospects – Investment in PRC Associate Review

Outlook for PRC Associate Review

- The outlook of Nanfang's business for the remainder of the year continues to be bleak
- The best hope we have for them is for realizing some breakthrough from the major shareholder upon the ultimate settlement of the legal issues with the other shareholder



CORPORATE PROFILE

Corporate Profile

Share Information

Listing Date
28/10/2005

Share Price (@23/8/2022)
HK$0.95

Issued Shares (@23/8/2022)
794,633,719 Shares

Market Cap
HK$755 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.