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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the “Board”) of Tradelink Electronic Commerce Limited (the “Company”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 (Unaudited)

	Note	Six months ended 30 June	
		2024 (HK\$'000)	2023 (HK\$'000)
Revenue	3	122,652	124,920
Cost of purchases		(10,202)	(12,371)
Staff costs	5(a)	(55,832)	(58,852)
Depreciation	5(b)	(4,710)	(4,375)
Other operating expenses	5(c)	(17,956)	(15,961)
Profit from operations		33,952	33,361
Other net income	6	11,793	10,823
Share of results of an associate		258	–
Profit before taxation	5	46,003	44,184
Taxation	7	(5,310)	(5,344)
Profit for the period		40,693	38,840
Earnings per share (HK cents)	9		
Basic		5.12	4.89
Diluted		5.12	4.89

Details of dividends payable to ordinary equity shareholders of the Company are set out in *Note 8*.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2024 (Unaudited)

	Six months ended 30 June	
	2024	2023
	(HK\$'000)	(HK\$'000)
Profit for the period	40,693	38,840
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the operations outside Hong Kong	<u>14</u>	<u>95</u>
Total comprehensive income for the period	<u>40,707</u>	<u>38,935</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2024 (Unaudited)*

	Note	As at 30 June 2024 Unaudited (HK\$'000)	As at 31 December 2023 Audited (HK\$'000)
Non-current assets			
Property, plant and equipment		26,913	25,483
Goodwill		9,976	9,976
Interest in an associate		5,403	5,145
Deferred tax assets	10	247	56
		<u>42,539</u>	<u>40,660</u>
Current assets			
Trade receivables and contract assets	11	38,562	42,646
Other receivables, prepayments and other contract costs	12	16,855	17,577
Deposits with banks		269,739	168,363
Cash and cash equivalents		166,796	276,335
		<u>491,952</u>	<u>504,921</u>
Current liabilities			
Trade creditors, contract liabilities and other payables	13	152,503	159,638
Taxation payable		9,880	4,839
		<u>162,383</u>	<u>164,477</u>
Net current assets		<u>329,569</u>	<u>340,444</u>
Total assets less current liabilities		<u>372,108</u>	<u>381,104</u>
Non-current liabilities			
Provision for long service payments		2,017	2,017
Deferred tax liabilities	10	2,276	2,121
Other payables	13	928	762
		<u>5,221</u>	<u>4,900</u>
NET ASSETS		<u>366,887</u>	<u>376,204</u>
Capital and reserves			
Share capital	14	296,093	296,093
Reserves		70,794	80,111
TOTAL EQUITY		<u>366,887</u>	<u>376,204</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (Unaudited)

	Note	Share capital (HK\$'000)	Capital reserve (HK\$'000)	Exchange reserve (HK\$'000)	Other reserve (HK\$'000)	Retained profits (HK\$'000)	Total equity (HK\$'000)
As at 1 January 2023		296,093	7,657	693	12	59,958	364,413
Changes in equity for the six months ended 30 June 2023:							
Dividends approved in respect of the previous year		-	-	-	-	(58,962)	(58,962)
Equity-settled share-based transactions		-	242	-	-	-	242
Lapse of share options		-	(255)	-	-	255	-
Profit for the period		-	-	-	-	38,840	38,840
Other comprehensive income for the period		-	-	95	-	-	95
Total comprehensive income for the period		-	-	95	-	38,840	38,935
As at 30 June 2023 and 1 July 2023		296,093	7,644	788	12	40,091	344,628
Changes in equity for the six months ended 31 December 2023:							
Dividends declared in respect of the current year	8	-	-	-	-	(29,401)	(29,401)
Equity-settled share-based transactions		-	96	-	-	-	96
Lapse of share options		-	(215)	-	-	215	-
Profit for the period		-	-	-	-	61,799	61,799
Other comprehensive income for the period		-	-	(918)	-	-	(918)
Total comprehensive income for the period		-	-	(918)	-	61,799	60,881
As at 31 December 2023		<u>296,093</u>	<u>7,525</u>	<u>(130)</u>	<u>12</u>	<u>72,704</u>	<u>376,204</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (Unaudited) (Continued)

	Note	Share capital (HK\$'000)	Capital reserve (HK\$'000)	Exchange reserve (HK\$'000)	Other reserve (HK\$'000)	Retained profits (HK\$'000)	Total equity (HK\$'000)
As at 1 January 2024		296,093	7,525	(130)	12	72,704	376,204
Changes in equity for the six months ended 30 June 2024:							
Dividends approved in respect of the previous year		-	-	-	-	(50,062)	(50,062)
Equity-settled share-based transactions		-	38	-	-	-	38
Lapse of share options		-	(2,270)	-	-	2,270	-
Profit for the period		-	-	-	-	40,693	40,693
Other comprehensive income for the period		-	-	14	-	-	14
Total comprehensive income for the period		-	-	14	-	40,693	40,707
As at 30 June 2024		<u>296,093</u>	<u>5,293</u>	<u>(116)</u>	<u>12</u>	<u>65,605</u>	<u>366,887</u>

Notes:

1. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2024 but are extracted from the interim financial report. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "SEHK"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 28 August 2024.

The accounting policies adopted in preparing the interim financial report are consistent with those used in preparing the Group's annual financial statements for the year ended 31 December 2023, except for the changes set out in *Note 2*.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("2020 amendments")
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("2022 amendments")
- Amendments to HKFRS 16, *Lease: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

The principal business 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 period is disclosed in *Note 4*.

4. SEGMENT REPORTING

The Board 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 the Group's GETS and Supply Chain Solutions.
Identity Management:	This segment generates income from the provision of digital certificate services, security products and biometric-based authentication solutions for identity management.
Other Services:	This segment comprises handling fees for paper-to-electronic conversion services, and income from payment technology solutions and other projects.

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.

4. SEGMENT REPORTING (CONTINUED)

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 for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2024 and 2023 are set out below.

	Six months ended 30 June 2024			Total <i>(HK\$'000)</i>
	E-Commerce <i>(HK\$'000)</i>	Identity Management <i>(HK\$'000)</i>	Other Services <i>(HK\$'000)</i>	
Disaggregated by timing of revenue recognition				
Point in time	67,113	3,157	8,326	78,596
Over time	<u>18,098</u>	<u>19,085</u>	<u>6,873</u>	<u>44,056</u>
Revenue from external customers	85,211	22,242	15,199	122,652
Inter-segment revenue	<u>–</u>	<u>3,915</u>	<u>3,255</u>	<u>7,170</u>
Reportable segment revenue	85,211	26,157	18,454	129,822
Elimination of inter-segment revenue				<u>(7,170)</u>
Consolidated revenue				<u><u>122,652</u></u>
Reportable segment profit	27,140	2,393	9,129	38,662
Depreciation				(4,710)
Other net income				11,793
Share of results of an associate				<u>258</u>
Consolidated profit before taxation				<u><u>46,003</u></u>

4. SEGMENT REPORTING (CONTINUED)

	Six months ended 30 June 2023			Total (HK\$'000)
	E-Commerce (HK\$'000)	Identity Management (HK\$'000)	Other Services (HK\$'000)	
Disaggregated by timing of revenue recognition				
Point in time	61,214	7,347	10,191	78,752
Over time	<u>17,746</u>	<u>22,041</u>	<u>6,381</u>	<u>46,168</u>
Revenue from external customers	78,960	29,388	16,572	124,920
Inter-segment revenue	<u>–</u>	<u>3,917</u>	<u>3,115</u>	<u>7,032</u>
Reportable segment revenue	78,960	33,305	19,687	131,952
Elimination of inter-segment revenue				<u>(7,032)</u>
Consolidated revenue				<u><u>124,920</u></u>
Reportable segment profit	21,063	6,622	10,051	37,736
Depreciation				(4,375)
Other net income				<u>10,823</u>
Consolidated profit before taxation				<u><u>44,184</u></u>
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. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Note	Six months ended 30 June	
		2024 (HK\$'000)	2023 (HK\$'000)
(a) Staff costs:			
Contributions to defined contribution retirement plan		1,527	1,646
Equity-settled share-based payment expenses		38	242
Salaries, wages and other benefits		<u>54,267</u>	<u>56,964</u>
		<u>55,832</u>	<u>58,852</u>
(b) Depreciation:			
Owned property, plant and equipment		3,244	2,894
Right-of-use assets		<u>1,466</u>	<u>1,481</u>
		<u>4,710</u>	<u>4,375</u>
(c) Other operating expenses:			
Auditors' remuneration		657	650
Directors' fees and emoluments		1,067	1,144
Facilities management fees		2,451	2,403
Repair and maintenance fees		2,728	3,018
Office rental and utilities		1,845	1,985
Consultancy fees		1,436	1,603
Telecommunication costs		856	858
Promotion and marketing expenses		260	822
Recruitment fees		324	396
Listing expenses		539	566
Legal and professional fees		1,099	178
Service fees to business partners		993	647
Impairment loss on trade receivables and contract assets		<u>2,129</u>	<u>129</u>
Others	(a)	<u>1,572</u>	<u>1,562</u>
		<u>17,956</u>	<u>15,961</u>

(a) Others include travelling, insurance, and other office and general expenses.

6. OTHER NET INCOME

	Note	Six months ended 30 June	
		2024 (HK\$'000)	2023 (HK\$'000)
Interest income		11,883	9,285
Net foreign exchange (loss)/gain		(90)	971
Government grants for Research and Development Cash Rebate Scheme	(a)	–	520
Other income		–	47
		<u>11,793</u>	<u>10,823</u>

- (a) In 2023, the Group successfully applied for funding support from the Research and Development Cash Rebate Scheme, set up by the Government. The purpose of the scheme was to reinforce the research culture among business enterprises and encourage them to establish stronger partnership with designated local public research institutions.

7. TAXATION

	Six months ended 30 June	
	2024 (HK\$'000)	2023 (HK\$'000)
Current tax- Hong Kong Profits Tax	5,346	5,264
Deferred taxation (Note 10)	(36)	80
Income tax expense	<u>5,310</u>	<u>5,344</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2023: 16.5%) to the six months ended 30 June 2024, except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For the Company, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated at the same basis in 2023.

8. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	(HK\$'000)	(HK\$'000)
Interim dividend declared after the interim period of HK 3.7 cents per share (2023: HK 3.7 cents per share)	<u>29,401</u>	<u>29,401</u>

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\$40,693,000 (2023: HK\$38,840,000) and the weighted average number of 794,634,000 ordinary shares (2023: 794,634,000 ordinary shares) in issue during the period.

Basic earnings per share is the same as diluted earnings per share as the Company has no dilutive potential shares.

10. DEFERRED TAXATION

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Credit loss allowance	Total
	(HK\$'000)	(HK\$'000)	(HK\$'000)
As at 1 January 2024	(2,121)	56	(2,065)
(Charged)/credited to profit or loss	<u>(155)</u>	<u>191</u>	<u>36</u>
As at 30 June 2024	<u>(2,276)</u>	<u>247</u>	<u>(2,029)</u>
		As at 30 June 2024	As at 31 December 2023
		(HK\$'000)	(HK\$'000)

Representing:

Deferred tax assets on the consolidated statement of financial position	247	56
Deferred tax liabilities on the consolidated statement of financial position	<u>(2,276)</u>	<u>(2,121)</u>
	<u>(2,029)</u>	<u>(2,065)</u>

11. TRADE RECEIVABLES AND CONTRACT ASSETS

		As at 30 June 2024 (HK\$'000)	As at 31 December 2023 (HK\$'000)
	Note		
Trade receivables, net of loss allowance	(a)	27,446	31,750
Contract assets, net of loss allowance	(b)	<u>11,116</u>	<u>10,896</u>
		<u>38,562</u>	<u>42,646</u>

(a) Trade receivables, net of loss allowance

Credit terms offered by the Group to customers are based on individual commercial terms negotiated with customers. Credit periods generally range from one day to one month.

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:

	As at 30 June 2024 (HK\$'000)	As at 31 December 2023 (HK\$'000)
Less than 1 month	15,325	21,389
1 to 3 months	4,238	6,981
3 to 12 months	7,883	3,306
Over 12 months	<u>–</u>	<u>74</u>
	<u>27,446</u>	<u>31,750</u>

As at 30 June 2024, all of the trade receivables are expected to be recovered within one year. As at 31 December 2023, the amount of trade receivables expected to be recovered after more than one year was HK\$260,000 and all of the other trade receivables were expected to be recovered within one year. Some of trade receivables are covered by deposits from customers (see *Note 13(b)*).

(b) Contract assets, net of loss allowance

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 period are from performance obligations satisfied (or partially satisfied) in the current period.

As at 30 June 2024, the amount of contract assets expected to be recovered after more than one year is HK\$15,000 (31 December 2023: HK\$229,000). All of the other contract assets are expected to be recovered within one year.

12. OTHER RECEIVABLES, PREPAYMENTS AND OTHER CONTRACT COSTS

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

13. TRADE CREDITORS, CONTRACT LIABILITIES AND OTHER PAYABLES

	<i>Note</i>	As at 30 June 2024 (HK\$'000)	As at 31 December 2023 (HK\$'000)
Trade creditors	(a)	7,022	8,403
Customer deposits received	(b)	102,608	106,016
Accrued charges and other payables	(c)	22,295	35,494
Contract liabilities		19,439	9,017
Lease liabilities		2,067	1,470
		<u>153,431</u>	<u>160,400</u>
Representing:			
– Non-current		928	762
– Current		<u>152,503</u>	<u>159,638</u>
		<u>153,431</u>	<u>160,400</u>

(a) Trade creditors

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

	As at 30 June 2024 (HK\$'000)	As at 31 December 2023 (HK\$'000)
Less than 1 month	7,022	8,242
1 to 3 months	–	108
Over 3 months	–	53
	<u>7,022</u>	<u>8,403</u>

(b) Customer deposits received

Customer deposits received are refundable on demand.

(c) Accrued charges and other payables

The amount mainly includes accruals and payables of staff costs and other operating expenses.

14. SHARE CAPITAL

	As at 30 June 2024		As at 31 December 2023	
	Number of	Amount	Number of	Amount
	shares (in '000)	(HK\$'000)	shares (in '000)	(HK\$'000)
Ordinary shares, issued and fully paid:				
As at 1 January, 30 June and 31 December	<u>794,634</u>	<u>296,093</u>	<u>794,634</u>	<u>296,093</u>

15. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option scheme

The share option scheme of the Company (the “Share Option Scheme 2014”) was adopted on 9 May 2014 and expired on 8 May 2024. Under the Share Option Scheme 2014, options were granted to eligible persons, including Directors, employees, consultants, business associates or advisers as the Board may identify from time to time (the “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. During the six months ended 30 June 2024, no new share options was granted. On 21 April 2023, 6,800,000 share options were granted for HK\$1.00 consideration to Directors, senior management and employees of the Group under the Share Option Scheme 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

E-Commerce Business Review

For the first half of 2024, total revenue of our E-Commerce business was up 7.9% year-on-year to HK\$85.2 million (2023: HK\$79.0 million). Revenue from the GETS sub-segment rose 6.6% to HK\$74.6 million (2023: HK\$70.0 million) and that from the Supply Chain Solutions (“SCS”) sub-segment was up 17.9% to HK\$10.6 million (2023: HK\$9.0 million). Without the one-off additional corporate expenses related to the staff and customer expenses incurred in celebration of the Group’s 35th anniversary last year as well as with effective cost control, the reportable segment profit for the first half of 2024 grew by an impressive 28.9% year-on-year, reaching HK\$27.1 million (2023: HK\$21.1 million).

During the reporting period, the external environment remained complicated and volatile as a result of various geopolitical tensions and economic challenges. However, despite these challenges, global economic growth held up relatively well. Against such macro-economic backdrop, Hong Kong’s external trade activities performed better in the first half of 2024 when compared to the same period last year. This was mainly attributable to the improvement in external demand, and certainly a low base for comparison last year was also a contributing factor. The GETS’ operating environment which closely ties to Hong Kong’s external trade performance turned favourable with the overall market grew 7.4% year-on-year. Benefitted from this expanded market and hence increase in business volume, our GETS sub-segment revenue grew 6.6%.

As previously explained in our reports, the GETS sub-segment revenue is largely dependent on volume and pricing per transaction. The lower revenue growth rate than that of the market was attributed to the exceptional surge in business volume from our key courier customers to whom we offered steep volume discount prices. Therefore, the correlation between market transaction and our revenue is there but not a straight-line relationship.

Regarding our SCS business, its performance was indeed quite pleasing with a year-on-year growth of 17.9% in turnover while we were in the middle of carrying out the strategic review. Not only the revenue generated from our ongoing maintenance and support (“M&S”) and other services remained stable, but also there was an increase in revenue from developing project income, including enhancements of previously developed and deployed solutions for our customers. Additionally, we successfully secured a new project during the reporting period, with work-in-progress revenue recognised. The new order came from a renowned tobacco trader, who required our flagship product, the Warehouse Management System to be integrated with our Dutiable Commodity Permit services under GETS to manage its tobacco warehouse inventory and operations. The solution was similar to the one we previously deployed for another customer in dutiable commodities trading.

In terms of the outlook of our GETS business sub-segment for the remainder of the year, it is contingent upon various factors, particularly the global economy and the performance of Hong Kong's major trading partners. The conflicting economic data in the first half of the year made it hard to determine for sure where the global economy be headed. While some forecast a continued and steady growth, others are adopting a more cautious view. Despite the persistent challenges posed by high interest rates and ongoing geopolitical risks, the global economy has demonstrated remarkable resilience thus far. Taking these into consideration, we have a reasonable level of confidence regarding the positive trajectory of our GETS market for the second half of 2024. As explained above, if the growth would come more from our other customers rather than the key courier customers, our absolute benefit would be higher, but we would leave it to the market to play out the dynamics as it is beyond our control. In any case given an expanded market and an increase in our overall business volume, we feel optimistic about our GETS business for the whole of 2024.

Regarding the development of the Government's Trade Single Window ("TSW") which might pose a threat as well as an opportunity to us, we are awaiting a clearer policy direction from the Government regarding the future Value Added Service Provider market under TSW. Certainly, with our extensive track record of providing high-quality services that cater to our customers' diverse business and operational needs, we are confident that the majority, if not all, of our customers will continue to rely on us for their services and regulatory requirements under the TSW. Our established expertise, reliability, and commitment to meeting customer expectations have positioned us well to continue serving their needs effectively within the TSW environment. Meanwhile, the current GETS contract which has been extended by the Government till the end of 2027 provides us with the room to further strengthen our relationship with customers, and thus enhancing customer loyalty with us.

Following the completion of the strategic review of our SCS business in June this year, we are confident that with the actions we have taken to refresh and revitalise the business, along with the acquisition of new orders, this sub-segment will achieve a more favourable outlook for the remainder of the year. Indeed, with the implementation of refreshed strategic and operational measures led by our new management team, we have effectively repositioned ourselves in the competitive supply chain market. This has resulted in the successful acquisition of new orders during the reporting period. Building on this positive momentum, we anticipate further growth and improvement of its performance in the second half of 2024.

Overall speaking, barring any significant catastrophe that could adversely affect the global economy, we maintain a reasonable level of confidence regarding the outlook of our combined E-Commerce segment for the whole of 2024.

Identity Management (“IDM”) Business Review

For the first six months of 2024, the Group’s IDM business recorded a revenue of HK\$22.2 million (2023: HK\$29.4 million) and segment profit of HK\$2.4 million (2023: HK\$6.6 million), denoting a drop of 24.3% and 63.9% year-on-year respectively. Though the performance appeared a bit disappointing, it should be noted that both the revenue and segment profit recorded in the same period of 2023 were historic high. As such, we faced the challenge of comparing the current performance to a very high level achieved last year. To explain further about the significant decline in profit, we would need to point out that our biggest cost in the business is our staff costs, which is largely fixed when we normally spend a good amount of staff resources to carry out research and development (“R&D”) work on new solutions and products, particularly when new client projects are yet to be committed. But if history is a good guide for performance, our R&D work in IDM will pay off in due course when our clients start onboarding these new solutions.

Taking a closer look at the revenue breakdown, it is noted that both the recurrent revenue from maintenance services and projects revenue dropped 13.1% and 27.7% respectively. Regarding projects revenue, as most of the orders received in previous years had largely been completed within 2023, we mainly worked on a few remaining carry-forward projects together with new orders received during the reporting period. In the first half of 2024, a couple of major orders received included two electronic Know-Your-Customer (“eKYC”) projects ordered separately by an e-wallet operator and a repeat customer which is a multinational bank, for digital onboarding of their clients. Specifically, for the one ordered by the multinational bank, it is an extension of the current eKYC solution supporting Hong Kong Identity Card to include Exit-Entry Permit for Travelling to and from Hong Kong and Macao. During the reporting period, we secured another major order from a repeat customer, a major non-profit institution with entertainment as its core business. This order involved the implementation of a biometric 2-factor authentication solution, and similar to the one we previously deployed for use by their clients, the solution this time will be utilised on their staff platform. With development work on these new projects started, together with work on those carry-forward projects and enhancement orders, project revenue was recognised on a work-in-progress basis. Regarding our digital signing solution, we experienced a sharp decline in revenue, with a drop of almost 90%. This decline can be attributed to the slower-than-expected adoption of the solution, which was influenced by the overall sluggish development of the market and its impact on customer decision-making. As the bulk of the development work on the major order received from a private hospital had largely been completed by the end of last year, revenue generated from this stream during the reporting period was mainly from a few minor orders received.

For the remainder of 2024, we are confident that our IDM business performance would considerably improve. As new cybersecurity threats and vulnerabilities keep emerging and evolving, there is ongoing demand for our IDM products and solutions to meet compliance requirements from regulatory bodies and customer expectations. As mentioned above, with the resources we allocated to R&D earlier this year, we are hopeful that we will be able to introduce new products in the latter part of the year. One worth some mentioning is a new offering specifically designed and developed to tackle the escalating risks associated with deepfake technology in the cyber world. Another new product which we are actively working on is tailored to address mobile security issues. We will work closely with the relevant regulatory bodies with regard to our new initiatives in coming months and at the same time step up our marketing efforts to raise awareness and promote our new offerings to the market. With our existing leads, ongoing projects, and our new initiatives, we hold an optimistic outlook for the performance of our IDM business for the whole of 2024.

Other Services Business Review

The Other Services business comprises two sub-segments – (1) Smart Point-of-Sales (“PoS”) and related business; and (2) GETS-related services. For the first half of 2024, this segment recorded a revenue of HK\$15.2 million (2023: HK\$16.6 million) and segment profit of HK\$9.1 million (2023: HK\$10.1 million). We may further breakdown the revenue into the two sub-segments with HK\$4.8 million (2023: HK\$5.1 million) from our Smart PoS and related business, and HK\$10.4 million (2023: HK\$11.5 million) from our GETS-related services.

During the reporting period, the performance of our Smart PoS and related business was adversely affected by the lacklustre spending patterns of both local residents and visitors in Hong Kong’s retail market. The dampened consumer sentiment had a direct impact on our business, given its close association with the local retail sector. As our major bank customer had already ordered Smart PoS devices from us to replenish their stock at the end of last year, we received no new order from them in the first half of 2024. Indeed, due to the return of Smart PoS devices from closed retail shops, we had a net drop in the total number of Smart PoS devices which we deployed for retail clients of our bank customers. Consequently, our M&S services revenue from Smart PoS dropped 3% year-on-year. Other revenue coming from this business sub-segment included a few minor value-added applications and enhancement projects.

Our GETS-related services business comprises primarily our Road Cargo System (“ROCARS”), the paper-to-electronic conversion services for our GETS paper users, and outsourced call centre services from Customs & Excise Department (“C&ED”) for its ROCARS and TSW (Phases 1 & 2). During the reporting period, benefitted from the strong GETS market, all services that directly linked to GETS generated an increase in total revenue of about 5.4% year-on-year. Furthermore, due to a slightly improved loan market, the referral income from our partnership with PAO Bank Limited (formerly known as “Ping An OneConnect Bank (Hong Kong) Limited”) (“PAObank”) also recorded an increase of about 20% compared to the same period last year. The shrinkage of our total GETS-related services business for the first half of 2024 was attributed to the absence of the one-off revenue received from C&ED in the first half of last year for the development and set up of the outsourced TSW (Phases 1 & 2) call centre services.

For the remainder of 2024, the local retail market is expected to continue facing challenges, which will have a negative impact on our Smart PoS and related business. However, there is hope that the recently announced measures by the Government, such as the further enhanced Individual Visit Scheme and the increased duty-free allowance for Mainland resident visitors, might help stimulate the retail market. While these external factors are beyond our control, we are actively exploring various opportunities and innovative strategies to regain control of our business. One example is our recent completion of the enhancement of our Smart PoS to support digital renminbi (e-CNY) for cross-boundary payments. This new feature should help enhance the usability and perceived benefits of our Smart PoS. Also, we currently have a promising lead for our Smart PoS devices. We are engaged in close discussions with a local bank that has expressed interest in ordering Smart PoS devices for deployment among their retail clients. Overall speaking, we are cautiously optimistic that the performance of our Smart PoS and related business would improve slightly in the second half of 2024.

Regarding our GETS-related services, we anticipate that those services directly linked to the GETS market will continue to deliver strong results in the second half of 2024, reflecting the positive trend of GETS. We also have a certain level of confidence that the referral revenue from PAObank will remain stable, slightly surpassing last year’s level. However, without the lump sum revenue from the TSW call centre setup, the overall revenue from our GETS-related services for the entirety of 2024 may experience a small decline when compared to last year. Our best hope is that the decline will be narrowed to a marginal level when compared to the first half of 2024.

In summary, we anticipate that our Other Services business will exhibit improved performance for the remainder of 2024.

FINANCIAL REVIEW

The Group's revenue for the six months ended 30 June 2024 was HK\$122.7 million, down 1.8% as compared to HK\$124.9 million in 2023. The discussion and analysis of the Group's business performance during the period are set out in the section headed "Management Discussion and Analysis – Business Review".

The Group's operating expenses before depreciation for the first half of 2024 were HK\$84.0 million, a decrease of 3.7% as compared to the corresponding period last year. Staff costs dropped by 5.1% to HK\$55.8 million in the first half of 2024. Cost of purchases at HK\$10.2 million was down by HK\$2.2 million as compared to the same period in 2023. The other operating costs rose by HK\$2.0 million to HK\$18.0 million in the first half of 2024. Depreciation charges for the review period amounted HK\$4.7 million, HK\$0.3 million higher than the corresponding period last year.

The Group's unaudited profit from operations for the six months ended 30 June 2024 was HK\$34.0 million, an increase of 1.8% over the same period in 2023.

During the first six months of 2024, the other net income was up by HK\$1.0 million to HK\$11.8 million. The Group shared a profit of HK\$0.3 million from OnePort Holdings (BVI) Limited in the first half of 2024.

The Group's unaudited after tax profit for the first six months of 2024 was HK\$40.7 million, which was 4.8% higher compared to HK\$38.8 million recorded in the same period last year.

Given no dilution of shares during the period, our basic and diluted earnings per share for the first six months of 2024 were the same at HK 5.12 cents, higher than that for 2023 at HK 4.89 cents by HK 0.23 cents.

Dividend

The Board has resolved to declare an interim dividend of HK 3.7 cents per share for the six months ended 30 June 2024 to shareholders, the same as the 2023 interim dividend. The interim dividend payout ratio is 72.3% of the profit attributable to ordinary equity shareholders of the Company for the period, close to the ratios for the previous years.

Liquidity and Financial Position

As at 30 June 2024, the Group had total cash and bank deposits of HK\$436.5 million (31 December 2023: HK\$444.7 million). During the six months ended 30 June 2024, the Group did not invest in any financial instruments. Before any investment or business opportunities were identified, the cash surplus reserves were parked in bank deposits as a 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 30 June 2024 amounted to HK\$534.5 million (31 December 2023: HK\$545.6 million) and HK\$366.9 million (31 December 2023: HK\$376.2 million) respectively. The decrease in net assets was mainly due to the distribution of the 2023 final dividend at the amount of HK\$50.1 million.

As at 30 June 2024, the Group had no borrowings (31 December 2023: Nil).

Save as disclosed above, the Group did not hold any significant financial investment as at 30 June 2024.

Material Acquisitions or Disposals

Save as disclosed elsewhere in this announcement, the Group did not have any material acquisitions or disposals in relations to subsidiaries and associates during the six months ended 30 June 2024.

Capital and Reserves

As at 30 June 2024, the capital and reserves attributable to shareholders was HK\$366.9 million (31 December 2023: HK\$376.2 million), a decrease of about HK\$9.3 million from the end of 2023 after the distribution of the 2023 final dividend.

Charges on Assets and Contingent Liabilities

As at 30 June 2024, the Group has obtained two bank guarantees totalling HK\$2.2 million (31 December 2023: two bank guarantees totalling 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 totalling HK\$2.2 million (31 December 2023: 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 30 June 2024 not provided for in the financial statements amounted to HK\$2.2 million (31 December 2023: HK\$3.2 million), mainly in respect of the purchase of platform software and computer equipment for the Group.

Employees and Remuneration Policy

As at 30 June 2024, the Group employed 233 staff (30 June 2023: 244), of which 196 were in Hong Kong and 37 in Guangzhou. The related staff costs for the period came to HK\$55.8 million (30 June 2023: HK\$58.9 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.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As at 30 June 2024, other than its investments in the PRC and Macau incorporated entities, and cash and bank deposits denominated in US dollars, the Group had no foreign exchange exposure and related hedges.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code (the "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 our stakeholders. The Company has applied the principles of good corporate governance and made every effort to ensure full compliance with the code provisions (the "Code Provisions") in Part 2 of the CG Code contained in Appendix C1 to the Listing Rules. The Company confirms that it has complied with all applicable Code Provisions during the six months ended 30 June 2024.

The Board

As at the date of this announcement, the Company is led by and controlled through its Board which comprises two Executive Directors ("EDs"), three Non-executive Directors ("NEDs"), including the Chairman of the Board, and four Independent Non-executive Directors ("INEDs"). The Board oversees the overall management and operations of the Company with the objective of enhancing value of ordinary equity shareholders of the Company ("Shareholders").

There are employment contracts between the Company and the EDs and service contracts between the Company and the NEDs and INEDs. Each service contract is for a period of three years and can be terminated by the Company or the relevant Director by giving one month's notice in writing or payment in lieu of notice.

During the six months ended 30 June 2024, the Company convened four Board meetings. The attendance of Directors in the Board meetings during the six months ended 30 June 2024 is as follows:

	Board meetings attended/Eligible to attend
Chairman and Non-executive Director	
Dr. LEE Harry Nai Shee, S.B.S., J.P.	4/4
Non-executive Directors	
Dr. LEE Delman	4/4
Mr. YING Tze Man ⁽¹⁾⁽²⁾	2/3
Mr. YUEN Wing Sang Vincent ⁽³⁾	2/4
Independent Non-executive Directors	
Mr. CHAK Hubert	4/4
Ms. CHAN Chi Yan ⁽¹⁾	3/3
Mr. CHAU Tak Hay ⁽⁴⁾	3/4
Ms. CHEUNG Ho Ling Honnus ⁽⁵⁾	1/1
Mr. CHUNG Wai Kwok Jimmy ⁽¹⁾	3/3
Mr. LIN Sun Mo Willy, G.B.S., J.P., FCILT	4/4
Executive Directors	
Mr. TSE Kam Keung (<i>Chief Executive Officer</i>)	4/4
Mr. CHENG Chun Chung Andrew (<i>Chief Technology Officer</i>)	4/4
Ms. CHUNG Shun Kwan (<i>Chief Operations Officer</i>) ⁽⁶⁾	4/4

Notes:

- (1) Mr. YING Tze Man, Ms. CHAN Chi Yan and Mr. CHUNG Wai Kwok Jimmy retired as a NED, an INED and an INED respectively after the conclusion of the Company's annual general meeting held on 24 May 2024 ("2024 AGM").
- (2) Mr. YING Tze Man was unable to attend the Board meeting on 6 February 2024 due to business engagements.
- (3) Mr. YUEN Wing Sang Vincent was unable to attend the Board meetings on 6 February 2024 and 17 April 2024 due to business engagements.
- (4) Mr. CHAU Tak Hay was unable to attend the Board meeting on 22 March 2024 due to overseas engagements.
- (5) Ms. CHEUNG Ho Ling Honnus has been appointed as an INED with effect from the conclusion of the 2024 AGM.
- (6) Ms. CHUNG Shun Kwan retired as an ED and the Chief Operations Officer with effect from 1 August 2024.

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

The Company has adopted the Model Code set out in Appendix C3 to 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 set out in the Model Code and its code of conduct regarding Directors’ securities transactions throughout the six months ended 30 June 2024.

Audit and Governance Committee

The interim results and the interim financial report for the six months ended 30 June 2024 have not been audited but have been reviewed by the Company’s external auditors, KPMG, and the Audit and Governance Committee of the Board.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK 3.7 cents per share (2023: HK 3.7 cents per share) for the six months ended 30 June 2024 to the Shareholders whose names appear on the register of members of the Company on Monday, 23 September 2024. The interim dividend is expected to be paid to Shareholders on Monday, 7 October 2024. The amount of interim dividend is 72.3% of the profit attributable to Shareholders for the period.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the six months ended 30 June 2024, 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 of the Company will be closed from Monday, 23 September 2024 to Wednesday, 25 September 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim 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 Friday, 20 September 2024.

Publication of Interim Results and 2024 Interim Report

This interim results announcement is published on the respective websites of the Company (www.tradelink.com.hk) and HKEXnews (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2024 will be dispatched to Shareholders and published on the aforesaid websites within the prescribed timeline under the Listing Rules.

By Order of the Board
Tradelink Electronic Commerce Limited
Dr. LEE Harry Nai Shee, S.B.S., J.P.
Chairman

Hong Kong, 28 August 2024

As at the date of this announcement, the Board of the Company comprises

Non-executive Directors: Dr. LEE Harry Nai Shee, S.B.S., J.P. (Chairman), Dr. LEE Delman and Mr. YUEN Wing Sang Vincent;

Independent Non-executive Directors: Mr. CHAK Hubert, Mr. CHAU Tak Hay, Ms. CHEUNG Ho Ling Honnus and Mr. LIN Sun Mo Willy, G.B.S., J.P., FCILT; and

Executive Directors: Mr. TSE Kam Keung and Mr. CHENG Chun Chung Andrew.