



Tradelink Electronic Commerce Limited

貿易通電子貿易有限公司

(Incorporated in Hong Kong under the Companies Ordinance with limited liability)

(“the Company”)

(Stock Code: 536)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Board of Directors (the “Board”) of Tradelink Electronic Commerce Limited (“Tradelink” or 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 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
	Notes	Unaudited (HK\$'000)	Unaudited (HK\$'000)
Turnover	2	116,726	120,730
Interest income		4,742	3,510
Staff costs	4	(37,757)	(38,373)
Depreciation		(5,705)	(7,656)
Other operating expenses		<u>(23,280)</u>	<u>(22,556)</u>
Profit from operations		54,726	55,655
Share of losses of an associate		(11,938)	(1,210)
Gain on disposal of an associate	8(a)	<u>345</u>	<u>-</u>
Profit before taxation	4	43,133	54,445
Taxation	5	<u>(9,332)</u>	<u>(9,230)</u>
Profit attributable to equity shareholders of the Company		<u>33,801</u>	<u>45,215</u>
Interim Dividend	6		
Total		28,091	37,326
Per share		<u>HK cents 3.61</u>	<u>HK cents 4.80</u>
Earnings per share	7		
Basic		HK cents 4.34	HK cents 5.81
Diluted		<u>HK cents 4.32</u>	<u>HK cents 5.75</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2007 Unaudited (HK\$'000)	As at 31 December 2006 Audited (HK\$'000)
	Notes		
Non-current assets			
Fixed assets		46,721	50,568
Interest in leasehold land held for own use under operating lease		5,697	5,769
Interest in associates	8(b)	55,281	67,116
Other financial assets	9	69,490	69,587
		177,189	193,040
Current assets			
Trade receivables	10	26,463	23,969
Other receivables and prepayments		10,461	8,494
Amount due from an associate		1,495	1,415
Deposits with bank		190,000	190,000
Cash and cash equivalents		158,543	145,586
		386,962	369,464
Current liabilities			
Trade creditors, accounts payable and other payables	11	223,917	222,141
Taxation		12,668	7,544
		236,585	229,685
Net current assets		150,377	139,779
Total assets less current liabilities		327,566	332,819
Non-current liabilities			
Provision for long service payments		2,128	2,000
Deferred taxation		1,163	1,596
		3,291	3,596
Net assets		324,275	329,223
Capital and Reserves			
Share capital	12(a)	155,628	155,615
Reserves	12(b)	168,647	173,608
		324,275	329,223

Notes:

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have 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"). The unaudited condensed consolidated interim financial statements also comply with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements are consistent with those used in preparing the Group's annual financial statements for the year ended 31 December 2006. The interim financial statements should be read in conjunction with the annual

financial statements for the year ended 31 December 2006.

The preparation of the unaudited condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The unaudited condensed consolidated financial statements for the six-month period ended 30 June 2007 have 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.

2. Turnover

The principal business of the Company is the provision of front-end Government Electronic Trading Services (“GETS”) for processing certain official trade-related documents. Turnover represents the value of services provided and goods supplied to customers. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	(HK\$'000)	(HK\$'000)
Transaction and handling fees	105,064	109,510
Annual subscription and registration fees	8,705	9,098
Training income	117	60
Sales of software and related installation	55	50
Others	2,785	2,012
	116,726	120,730

3. Segment reporting

No segment information is presented in respect of the Group’s business and geographical segments. Throughout the period, the Group has been operating principally in a single business and geographical segment, i.e. the operation of electronic trading services in Hong Kong.

4. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	(HK\$'000)	(HK\$'000)
Staff costs, including directors’ remuneration:		
Contributions to defined contribution retirement plan	1,104	1,020
Equity settled share-based payment expenses	856	1,150
Salaries, wages and other benefits	35,797	36,203
Other items:		
Auditors’ remuneration	350	340
Depreciation		
- assets held for use under operating lease	72	72
- other assets	5,633	7,584
Operating lease charges in respect of properties	513	478

5. Taxation

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	(HK\$'000)	(HK\$'000)
Provision for Hong Kong Profits Tax for the period	9,765	9,820
Deferred taxation	(433)	(590)
	<u>9,332</u>	<u>9,230</u>

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006:17.5%) of the estimated assessable profits for the period.

6. Dividend

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	(HK\$'000)	(HK\$'000)
Interim dividend declared and paid after the interim period of HK cents 3.61 per share (2006: HK cents 4.80 per share)	<u>28,091</u>	<u>37,326</u>

7. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$33,801,000 (2006: HK\$45,215,000), and the weighted average number of 778,132,000 ordinary shares (2006: 777,633,000 shares) in issue during the period.

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$33,801,000 (2006: HK\$45,215,000), and the weighted average number of 782,382,000 ordinary shares (2006: 786,424,000 shares).

8. Interest in associates

During the interim period ended 30 June 2007, there were no changes in the particulars of associates except the issued and paid up capital of Digital Trade and Transportation Network Limited ("DTTNC") increased to 135,240,000 (31 December 2006: 131,160,000) ordinary shares of HK\$1.00 each.

In accordance with the Shareholders' Agreement signed between the Company and the Financial Secretary Incorporated ("FSI") on 29 August 2005, FSI has the ability to exercise control of DTTNC's Board of Directors. Accordingly, the Group has accounted for its investment in DTTNC as an investment in an associate.

- (a) As at 30 June 2007, the Company and FSI held 76,500,000 and 31,500,000 shares of DTTNC, representing a shareholding of 56.57% (31 December 2006: 58.33%) and 23.29% (31 December 2006: 24.02%) respectively. The remaining 20.14% (31 December 2006: 17.65%) is mainly held by the trade associations. The decrease in the Company's shareholding percentage in DTTNC from 58.33% to 56.57% during the period gave rise to a gain on disposal of an associate at the amount of HK\$345,000 (2006: Nil).
- (b) As at 30 June 2007, the Company's investment in DTTNC was HK\$55,281,000 (31 December 2006: HK\$67,116,000) after absorbing the share of loss from DTTNC for the period and a gain on disposal of an associate of HK\$345,000 (Note 8(a)) and eliminating intercompany transactions between the Company and DTTNC at HK\$242,000 (2006: Nil).

9. Other financial assets

As at 30 June 2007, the Company held US Government Treasury Bonds at the amount of HK\$69,490,000 (31 December 2006: HK\$ 69,587,000).

10. Trade receivables

Credit terms granted by the Group to customers generally range from one week to one month. An ageing analysis of trade receivables, based on the invoice date is as follows:

	As at 30 June 2007 Unaudited (HK\$'000)	As at 31 December 2006 Audited (HK\$'000)
Current	25,983	23,642
1 to 3 months overdue	379	310
More than 3 months but less than 12 months overdue	101	17
	26,463	23,969

All the above balances are expected to be received within one year and they are generally covered by customer deposits received from customers.

11. Trade creditors, accounts payable and other payables

	As at 30 June 2007 Unaudited (HK\$'000)	As at 31 December 2006 Audited (HK\$'000)
Trade creditors (due on demand or within one month)	11,186	13,046
Customer deposits received	171,068	170,970
Accrued charges and other payables	41,663	38,125
	223,917	222,141

Customer deposits received are refundable on demand.

12. Capital and reserves

(a) Share capital

	Number of shares (in '000)	Amounts (HK\$'000)
Authorised:		
Ordinary shares of HK\$0.20 (2006: HK\$0.20) each		
As at 31 December 2006 and 30 June 2007	1,250,000	250,000
Issued and fully paid:		
As at 1 January 2006	777,633	155,527
Shares issued	443	88
As at 31 December 2006 / 1 January 2007	778,076	155,615
Shares issued	66	13
As at 30 June 2007	778,142	155,628

12. Capital and reserves (continued)

(b) Reserves

	Share premium (HK\$'000)	Capital reserve (HK\$'000)	Retained profits (HK\$'000)	Total (HK\$'000)
As at 1 January 2006	116,744	780	30,568	148,092
Dividends approved in respect of the previous year	-	-	(23,329)	(23,329)
Listing expenses adjustment*	607	-	-	607
Equity settled share-based transactions	-	1,150	-	1,150
Profit for the period	-	-	45,215	45,215
As at 30 June 2006	117,351	1,930	52,454	171,735
As at 1 July 2006	117,351	1,930	52,454	171,735
Issue of new shares	371	-	-	371
Equity settled share-based transactions	-	827	-	827
Profit for the period	-	-	38,001	38,001
Dividends declared in respect of the current year	-	-	(37,326)	(37,326)
As at 31 December 2006	117,722	2,757	53,129	173,608
As at 1 January 2007	117,722	2,757	53,129	173,608
Dividends approved in respect of the previous year	-	-	(39,685)	(39,685)
Issue of new shares	67	-	-	67
Equity settled share-based transactions	-	856	-	856
Profit for the period	-	-	33,801	33,801
As at 30 June 2007	117,789	3,613	47,245	168,647

* The adjustment to listing expenses was due to a provision recognised in the year ended 31 December 2005 being reversed as the amount settled was less than the amount provided.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Highlights of the Group's business performance during the review period are:

Tradelink

- The Group's core businesses of providing front-end GETS Services in the first half of 2007 remained strong.
- Government has introduced the new fee structure for the Textiles Trader Registration Scheme ("TTRS") with effect from 25 June 2007. As mentioned in the 2006 Annual Report, this new fee structure provides a financial incentive for users to use Tradelink's electronic TTRS service due to a saving of HK\$3.80 for each textiles notification submitted electronically as compared to using paper. Leveraging on this new Government measure, Tradelink has mounted an extensive marketing campaign to promote its TTRS service. Benefitted from the price change, the usage of the service has increased by 27% as compared to the same period in 2006.
- While the GETS licence was due for renewal by the end of 2008, Government and Tradelink have recently entered into an agreement to extend the current licence by one year to the end of 2009. Government has also instigated initial discussion with Tradelink on the renewal of the post-2009 GETS licence.
- With regard to its commercial services, Tradelink has entered into an agreement with a large German-based mail order house to provide Tradelink's Trader Documentation Service ("TDS") for its supply chain management. Making use of Tradelink's TDS customised solution, this company can connect its suppliers in Hong Kong, China and other parts of Asia with its operations in Europe to enhance the efficiency of the whole order processing cycle. To this end, Tradelink is working with the customer for gaining the acceptance by European Customs on the electronic Certificate of Origin which is delivered through the Tradelink system.
- In respect of the China market, Tradelink continues to work closely with Guangdong Nanfang Haian Science and Technology Service Company Limited in developing and promoting the new cross border electronic services to link Hong Kong and China. At the same time, Tradelink is working with partners in China on a number of projects and capitalising the opportunities, including providing information and technology solutions and services to the logistics parks which are under planning in the Pearl River Delta region.

DTTNC

- Digital Trade and Transportation Network ("DTTN") has gained wider market awareness and acceptance over the year. The number of customers registered for DTTNCo services is growing steadily, currently, around 1,000 comprising shippers, freight forwarders, air and sea carriers and banks. For comparison, Tradelink has, following more than 10 years of operations, accumulated more than 54,000 customers, while DTTNCo will also be targeting at broader business sectors such as banks and insurance companies which currently are not Tradelink customers.
- As DTTN's customer base grows, the transaction volume processed by DTTNCo also shows a corresponding increase.
- Several DTTNCo's major customers have asked DTTNCo to help them link up with their customers and partners outside Hong Kong, mostly in China and Asia as well as Europe, for document exchanges and processing through the DTTN platform. These customers appreciate the values and benefits that DTTNCo brings to them in international trade. DTTNCo is working with partners on a number of similar projects to develop, or to interconnect with DTTN-like platforms in China and overseas.

- DTTNCo has entered into agreements with several IT vendors and service providers acting as resellers or partners to recruit DTTN customers, in some cases through their service integration with DTTN.
- To help promote the use of e-business through DTTN in the SME community, Government has provided funding to several organisations in the industry to initiate the development of DTTN-enabled solutions and training programmes for SMEs. It is expected that deliverables of these projects will be available in second half of 2007.

Digi-Sign

- The Group's wholly-owned subsidiary Digi-Sign Certification Services Limited ("Digi-Sign") has further strengthened its business relationship with an increasing number of banks in Hong Kong.
- Digi-Sign has made further progress in expanding its business reach to other Asian markets. It is currently in close discussions with its business partners about offering digital certification related services in Thailand.

FINANCIAL REVIEW

Turnover for the six months ended 30 June 2007 was HK\$116.7 million, a decrease of 3.3% over the same period in 2006. Operating expenses (excluding depreciation) stayed at HK\$61.0 million for the first half of 2007 as compared to HK\$60.9 million for the same period in 2006.

Depreciation charges for the first six months of 2007 amounted to HK\$5.7 million, representing HK\$2.0 million lower than the amount charged at HK\$7.7 million for the same period in 2006.

During the review period, profit from operations was HK\$54.7 million, a slight decrease of 1.7% over the same period in 2006.

For the six months ended 30 June 2007, the amount of loss shared from DTTNCo was HK\$11.9 million, higher than the amount of loss shared for the same period in 2006 at HK\$1.2 million by HK\$10.7 million. The increase, to an extent, was due to the start of the depreciation of its fixed assets in October 2006 when DTTNCo entered its commercial phase.

Profit attributable to the ordinary equity shareholders of the Company for the six months ended 30 June 2007 was HK\$33.8 million, lower than the profit for the same period in 2006 by HK\$11.4 million. The drop was mainly due to the share of loss from DTTNCo at the amount of HK\$11.9 million. Excluding the share of loss from DTTNCo and the gain on disposal of an associate, the profit from the core business for the six months ended 30 June 2007 was HK\$45.4 million, representing a profit decrease of 2.2%.

Basic earnings per ordinary share for the six months of 2007 decreased by 25.3 % to HK cents 4.34 as compared to HK cents 5.81 for the same period in 2006.

LIQUIDITY AND FINANCIAL POSITION

As at 30 June 2007, the Group had total cash and bank deposits of HK\$348.5 million (31 December 2006: HK\$335.6 million). Total assets and net assets of the Group amounted to HK\$564.2 million (31 December 2006: HK\$562.5 million) and HK\$324.3 million (31 December 2006: HK\$329.2 million) respectively.

As at 30 June 2007, the Group had no borrowings (31 December 2006: Nil).

CAPITAL AND RESERVES

As at 30 June 2007, the capital and reserves attributable to the ordinary equity shareholders were HK\$324.3 million, which had increased from the amount of HK\$329.2 million at the end of 2006 by HK\$4.9 million.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2007, the Group had obtained two performance bonds from The Hongkong & Shanghai Banking Corporation Limited with an aggregate amount of HK\$2.1 million as the guarantee to the Government for the due performance of the GETS Agreements. The performance bond line facility is secured by a charge over deposit in the amount of HK\$2.1 million. The facility is subject to review on an annual basis.

The Group did not have any other charges on assets.

The Group has provided a bank guarantee amounting to HK\$1.2 million in respect of a revolving credit facility granted to KAZ Computer Services Hongkong Limited, an associate of the Group. The guarantee is a continuing security and shall not be released or discharged until the expiration of six months after payment, discharge or satisfaction in full of the guaranteed liability.

CAPITAL COMMITMENTS

Capital commitments outstanding as at 30 June 2007 not provided for in the financial statements amounted to HK\$2.0 million (31 December 2006: HK\$0.5 million). They are in respect of computer equipment.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2007, the Group employed a work force of 232 (2006: 249). All employees were working in Hong Kong. The related staff costs for the six months ended 30 June 2007 totalled HK\$37.8 million (2006: HK\$38.4 million).

The Group's remuneration policy is that all employees are rewarded on the basis of the market salary 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 all levels of employees to achieve the Group's profit target, the Group has established a discretionary performance bonus scheme. Payment of discretionary performance bonus depends on the actual financial performance of the Group. The Group also operates two employee share option schemes to motivate employees' performance.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2007, the Group had no foreign exchange exposure and related hedges.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting policies adopted by the Group and the interim consolidated financial statements for the six months ended 30 June 2007.

The interim consolidated financial statements for the six months of 2007 have not been audited but have been reviewed by the Company's external auditor, KPMG.

REMUNERATION COMMITTEE

The Remuneration Committee has met to discuss and review the remuneration of the Directors and the senior management.

NOMINATION COMMITTEE

The Nomination Committee has discussed and recommended for subsequent approval by shareholders at the Company's Annual General Meeting on 11 May 2007 the appointment and re-appointment of a total of 8 Directors.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK cents 3.61 per share for the six months ended 30 June 2007 to shareholders whose names appear on the Register of Members of the Company on 27 September 2007. Dividend warrants will be dispatched on or around 9 October 2007. The interim dividend payout ratio is approximately 83% of the Group's distributable profit attributable to shareholders.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 27 September 2007 to 3 October 2007 both days inclusive during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by share certificates and transfer form must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 pm on 25 September 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has committed to maintaining a high standard of corporate governance practices. Every effort has been made to comply with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules on the SEHK. In this regard, the Company has complied with all these provisions throughout the six months ended 30 June 2007.

PUBLICATION OF FINANCIAL INFORMATION

The interim report of the Group for the six months ended 30 June 2007 containing all the detailed information will be dispatched to Shareholders and available at the Company's website www.tradelink.com.hk in September 2007.

By Order of the Board
Tradelink Electronic Commerce Limited
LEE Nai Shee, Harry
Chairman

Hong Kong, 4 September 2007

As at the date of this announcement, the Board of Directors of the Company comprises the following Directors:

Non-executive Directors:

Dr. LEE Nai Shee, Harry, S.B.S., J.P.

(Chairman)

Mr. Hubert CHAK

Dr. CHEUNG Yiu Sing

Mr. LAU Kam Kuen, David

Mr. LO Sze Wai, Albert

Mr. YING Tze Man, Kenneth

Mr. Lawrence WEBB

Executive Directors:

Mr. YUE Kwok Hung, Justin

Ms. CHUNG Shun Kwan, Emily

Independent Non-executive Directors:

Mr. HO Lap Kee, Sunny

Mr. WONG Tin Yau, Kelvin

Mr. YUEN Kam Ho, George

Mr. CHUNG Wai Kwok, Jimmy