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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of Tradelink Electronic Commerce Limited ("Tradelink" or the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

FINANCIAL HIGHLIGHTS

	Note	**Year ended 31 December 2019 *(HK$'000)***	Year ended 31 December 2018 *(HK$'000)*
Revenue	*3*	**337,175**	271,930
Profit from operations		**101,219**	104,766
Profit attributable to equity shareholders of the Company		**82,201**	89,768
Total assets		**592,293**	552,602
Net assets		**370,927**	350,757
Dividend per share (HK cents)	*8*		
Interim		**3.3**	3.5
Proposed final		**6.5**	6.0
Earnings per share (HK cents)	*9*		
Basic		**10.3**	11.3
Diluted		**10.3**	11.3
Issued and fully paid ordinary shares (in '000)			
As at 31 December		**794,634**	794,634
Weighted average number of ordinary shares (basic) outstanding as at 31 December		**794,634**	794,624

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	**2019** (HK$'000)	2018 (Note) (HK$'000)
Revenue	3	**337,175**	271,930
Interest income		**14,985**	15,152
Other net income	5	**1,611**	405
Cost of purchases		**(87,916)**	(29,283)
Staff costs		**(119,143)**	(114,142)
Depreciation		**(8,022)**	(6,893)
Other operating expenses		**(37,471)**	(32,403)
Profit from operations		**101,219**	104,766
Impairment loss on other financial assets	11	**(1,303)**	(156)
Impairment loss on interest in an associate	10	**(4,500)**	—
Share of results of associates		**798**	1,540
Profit before taxation	6	**96,214**	106,150
Taxation	7	**(14,013)**	(16,382)
Profit for the year		**82,201**	89,768
Earnings per share (HK cents)	9		
Basic		**10.3**	11.3
Diluted		**10.3**	11.3

Note: *The Group has initially applied HKFRS 16 as at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.*

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
		(Note)
	(HK$'000)	*(HK$'000)*
Profit for the year	**82,201**	89,768
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the operations outside Hong Kong	**(477)**	(880)
Debt securities measured at fair value through other comprehensive income ("FVOCI") — net movement in fair value reserve	**11,511**	(15,648)
Total comprehensive income for the year	**93,235**	73,240

Note: The Group has initially applied HKFRS 16 as at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	**2019** (HK$'000)	2018 (Note) (HK$'000)
Non-current assets			
Property, plant and equipment		**23,710**	26,587
Goodwill		**9,976**	9,976
Interest in associates	*10*	**13,977**	18,078
Other financial assets	*11*	**279,118**	305,499
Deferred tax assets	*12*	**1,230**	3,719
		328,011	363,859
Current assets			
Trade receivables and contract assets	*13*	**63,587**	44,117
Other receivables, prepayments and other contract costs	*14*	**18,749**	15,918
Other financial assets	*11*	**38,524**	42,233
Deposits with bank		**12,238**	4,222
Cash and cash equivalents		**131,184**	82,253
		264,282	188,743
Current liabilities			
Trade creditors, contract liabilities and other payables	*15*	**204,893**	194,222
Taxation		**11,859**	3,241
		216,752	197,463
Net current assets/(liabilities)		**47,530**	(8,720)
Total assets less current liabilities		**375,541**	355,139
Non-current liabilities			
Provision for long service payments		**3,120**	3,179
Deferred tax liabilities	*12*	**1,030**	1,203
Other payables	*15*	**464**	—
		4,614	4,382
NET ASSETS		**370,927**	350,757
Capital and Reserves			
Share capital	*16*	**296,093**	296,093
Reserves		**74,834**	54,664
TOTAL EQUITY		**370,927**	350,757

Note: The Group has initially applied HKFRS 16 as at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Note	**Share capital** *(HK$'000)*	**Capital reserve** *(HK$'000)*	**Exchange reserve** *(HK$'000)*	**Fair value reserve** *(HK$'000)*	**Other reserve** *(HK$'000)*	**Retained profits** *(Note)* *(HK$'000)*	**Total equity** *(HK$'000)*
As at 1 January 2018		296,039	5,028	1,795	(1,506)	—	53,042	354,398
Changes in equity for 2018								
Dividends approved in respect of the previous year		—	—	—	—	—	(50,062)	(50,062)
Issue of new shares	*16*	54	(5)	—	—	—	—	49
Equity-settled share-based transactions		—	944	—	—	—	—	944
Lapse of share options		—	(16)	—	—	—	16	—
Profit for the year		—	—	—	—	—	89,768	89,768
Other comprehensive income for the year		—	—	(880)	(15,648)	—	—	(16,528)
Total comprehensive income for the year		—	—	(880)	(15,648)	—	89,768	73,240
Transfer to other reserve		—	—	—	—	12	(12)	—
Dividends declared in respect of the current year	*8*	—	—	—	—	—	(27,812)	(27,812)
As at 31 December 2018		296,093	5,951	915	(17,154)	12	64,940	350,757
Changes in equity for 2019								
Dividends approved in respect of the previous year		**—**	**—**	**—**	**—**	**—**	**(47,678)**	**(47,678)**
Equity-settled share-based transactions		**—**	**836**	**—**	**—**	**—**	**—**	**836**
Lapse of share options		**—**	**(37)**	**—**	**—**	**—**	**37**	**—**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**82,201**	**82,201**
Other comprehensive income for the year		**—**	**—**	**(477)**	**11,511**	**—**	**—**	**11,034**
Total comprehensive income for the year		**—**	**—**	**(477)**	**11,511**	**—**	**82,201**	**93,235**
Dividends declared in respect of the current year	*8*	**—**	**—**	**—**	**—**	**—**	**(26,223)**	**(26,223)**
As at 31 December 2019		**296,093**	**6,750**	**438**	**(5,643)**	**12**	**73,277**	**370,927**

Note: *The Group has initially applied HKFRS 16 as at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.*

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2019 and 2018 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2019 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified and they did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying it's reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018 except for the changes stated as in *Note 2*.

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for debt securities measured at their fair value *(Note 11)*.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there was no impact to the opening balance of equity at 1 January 2019 upon the initial application of HKFRS 16. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, *Leases* (Continued)

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates as at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.56%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *(HK$'000)*
Operating lease commitments at 31 December 2018	1,015
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(178)
	837
Less: total future interest expenses	(23)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	814

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, *Leases* (Continued)

b. Lessee accounting and transitional impact (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

As at 31 December 2018, the Group had no leases previously classified as finance leases.

The following table summarises the impact of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount as at 31 December 2018 *(HK$'000)*	Capitalisation of operating lease contracts *(HK$'000)*	Carrying amount as at 1 January 2019 *(HK$'000)*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	26,587	814	27,401
Total non-current assets	**363,859**	**814**	**364,673**
Trade creditors, contract liabilities and other payables (current)	194,222	494	194,716
Total current liabilities	**197,463**	**494**	**197,957**
Net current liabilities	**(8,720)**	**(494)**	**(9,214)**
Total assets less current liabilities	**355,139**	**320**	**355,459**
Other payables (non-current)	—	320	320
Total non-current liabilities	**4,382**	**320**	**4,702**
Net assets	**350,757**	**—**	**350,757**

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, *Leases* (Continued)

c. Impact on the financial result, segment results and cash flows of the Group (Continued)

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the consolidated cash flow statement.

3. REVENUE

The principal activity 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 year is disclosed in *Note 4*.

4. SEGMENT REPORTING

The Board of the Group 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 processing government trade-related documents and supply chain solutions.
Identity Management:	This segment generates income from the provision of security products, digital certificates, security solutions and biometric-based authentication solutions for identity management.
Other Services:	This segment comprises handling fees for the conversion of paper form to electronic messages, income from the provision of technical support and other project services.

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 years ended 31 December 2019 and 2018 are set out below.

	31 December 2019			
	E-Commerce *(HK$'000)*	**Identity Management** *(HK$'000)*	**Other Services** *(HK$'000)*	**Total** *(HK$'000)*
Disaggregated by timing of revenue recognition				
Point in time	**207,501**	**16,748**	**27,065**	**251,314**
Over time	**38,830**	**39,085**	**7,946**	**85,861**
Revenue from external customers	**246,331**	**55,833**	**35,011**	**337,175**
Inter-segment revenue	**—**	**7,823**	**9,592**	**17,415**
Reportable segment revenue	**246,331**	**63,656**	**44,603**	**354,590**
Elimination of inter-segment revenue				**(17,415)**
Consolidated revenue				**337,175**
Reportable segment profit	**69,241**	**10,630**	**14,845**	**94,716**
Interest income				**14,985**
Other net income				**1,611**
Depreciation				**(8,022)**
Impairment loss on other financial assets				**(1,303)**
Impairment loss on interest in an associate				**(4,500)**
Share of results of associates				**798**
Unallocated corporate expenses				**(2,071)**
Consolidated profit before taxation				**96,214**

4. SEGMENT REPORTING (CONTINUED)

	31 December 2018 *(Note)*			
	E-Commerce *(HK$'000)*	Identity Management *(HK$'000)*	Other Services *(HK$'000)*	Total *(HK$'000)*
Disaggregated by timing of revenue recognition				
Point in time	158,409	27,353	18,378	204,140
Over time	33,305	29,990	4,495	67,790
Revenue from external customers	191,714	57,343	22,873	271,930
Inter-segment revenue	—	7,823	12,266	20,089
Reportable segment revenue	191,714	65,166	35,139	292,019
Elimination of inter-segment revenue				(20,089)
Consolidated revenue				271,930
Reportable segment profit	72,730	7,593	14,756	95,079
Interest income				15,152
Other net income				405
Depreciation				(6,893)
Impairment loss on other financial assets				(156)
Share of results of associates				1,540
Unallocated corporate income				1,023
Consolidated profit before taxation				106,150

Note: The Group has initially applied HKFRS 16 as at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

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. OTHER NET INCOME

	2019	2018
	(HK$'000)	*(HK$'000)*
Government grants	**967**	—
Net gain on disposal of debt securities measured at FVOCI	**218**	—
Other income	**426**	—
Gain on disposal of an associate	**—**	405
	1,611	405

In 2019, the Group successfully applied for funding support from the Enterprise Support Scheme and the Research and Development Cash Rebate Scheme under Innovation and Technology Fund ("the Fund"), set up by the Hong Kong Government. The purpose of the Fund is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2019	2018
	(HK$'000)	*(HK$'000)*
Staff costs:		
Contributions to defined contribution retirement plan	**3,258**	3,116
Equity-settled share-based payment expenses	**836**	944
Salaries, wages and other benefits	**115,049**	110,082
	119,143	114,142
Other items:		
Auditors' remuneration	**1,026**	1,033
Depreciation		
— interest in leasehold land held for own use	**142**	142
— other property, plant and equipment	**7,260**	6,751
— right-of-use assets*	**620**	—
Impairment loss on trade receivables and contract assets	**1,751**	791
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*	**—**	1,415
Net foreign exchange loss/(gain)	**2,071**	(1,023)
Net loss on disposals of property, plant and equipment	**6**	10

* *The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances as at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets as at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2.*

7. TAXATION

	2019 *(HK$'000)*	2018 *(HK$'000)*
Current tax — Hong Kong Profits Tax		
Provision for the year	**11,760**	12,117
Over-provision in respect of prior year	**(40)**	(5)
	11,720	12,112
Current tax — outside Hong Kong		
Provision for the year	**1**	35
Over-provision in respect of prior year	**(24)**	—
	(23)	35
Deferred taxation	**2,316**	4,235
	14,013	16,382

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

The provision for Hong Kong Profits Tax for 2019 takes into account the enhanced Research and Development tax deductions claimed on staff costs incurred during the year, pursuant to Schedule 45 of the Inland Revenue Ordinance. The qualifying expenditure is entitled to enhanced two-tiered tax deductions, i.e. 300% for the first HK$2 million and 200% for the remaining amount.

8. DIVIDENDS

	2019 *(HK$'000)*	2018 *(HK$'000)*
Interim	**26,223**	27,812
Proposed final	**51,651**	47,678
	77,874	75,490

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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$82,201,000 (2018: HK$89,768,000) and the weighted average number of 794,634,000 ordinary shares (2018: 794,624,000 ordinary shares) in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$82,201,000 (2018: HK$89,768,000) and the weighted average number of ordinary shares of 794,634,000 (2018: 794,634,000) after adjusting for the effect of the potential dilution from ordinary shares issuable under the Company's share option scheme.

10. INTEREST IN ASSOCIATES

At 31 December 2019, the Group carried out an impairment assessment for the recoverable amount of Guangdong Nanfang Haian Science & Technology Service Company Limited ("Nanfang"). As the recoverable amount of Nanfang was less than the carrying amount, additional provision for impairment loss of HK$4,500,000 was made for the year ended 31 December 2019. In prior years, provision for impairment loss of HK$3,000,000 was made. The estimates of the recoverable amount of Nanfang were based on the present values of the budgeted future cash flows, discounted at the market risk-adjusted discount rate of 14% (2018: 14%), by reference to the projected volume, activity level and future growth rates of the underlying business of Nanfang. The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement.

11. OTHER FINANCIAL ASSETS

	2019 *(HK$'000)*	2018 *(HK$'000)*
Debt securities measured at FVOCI		
— listed	**317,642**	347,732
Representing:		
— Non-current	**279,118**	305,499
— Current	**38,524**	42,233
	317,642	347,732

As at 31 December 2019, the loss allowance of one of the non-investment grade debt securities, which has a gross carrying amount of HK$12,938,000, was measured at an amount equal to lifetime ECLs as there was an unfavourable change in its external market price during 2019 which indicated that its credit risk had been increased significantly. Other than that, all other debt securities did not have significant credit risk at 31 December 2019.

As at 31 December 2018, the debt securities did not have significant credit risk.

HKFRS 13, *Fair Value Measurement* categorises fair value measurements into a three-level hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

11. OTHER FINANCIAL ASSETS (CONTINUED)

At 31 December 2019, the debt securities measured at FVOCI held by the Group fall into Level 1 of the fair value hierarchy described above.

The fair value of corporate bonds traded in active markets is based on quoted market prices at the end of the reporting period and included in Level 1.

During the years ended 2019 and 2018, there were no transfers between levels of fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the date of the event or change in circumstances that caused the transfer.

Loss allowances

The Group measures loss allowances for debt securities at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Movement in the loss allowance account in respect of debt securities during the year is as follows:

	2019			2018		
	12-month ECL *(HK$'000)*	**Lifetime ECL *(HK$'000)***	**Total *(HK$'000)***	12-month ECL *(HK$'000)*	Lifetime ECL *(HK$'000)*	Total *(HK$'000)*
Balance as at 1 January	**2,125**	**—**	**2,125**	5,863	—	5,863
Amounts written off during the year	**—**	**—**	**—**	(3,894)	—	(3,894)
Transfer to lifetime ECL not credit impaired	**(308)**	**308**	**—**	—	—	—
Impairment losses recognised during the year	**141**	**1,220**	**1,361**	365	—	365
Reversal of impairment loss during the year	**(58)**	**—**	**(58)**	(209)	—	(209)
Balance as at 31 December	**1,900**	**1,528**	**3,428**	2,125	—	2,125

12. DEFERRED TAXATION

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation *(HK$'000)*	Tax losses *(HK$'000)*	Credit loss allowance *(HK$'000)*	Total *(HK$'000)*
As at 1 January 2019	**(1,203)**	**3,500**	**219**	**2,516**
Credited/(charged) to profit or loss	**173**	**(2,798)**	**309**	**(2,316)**
As at 31 December 2019	**(1,030)**	**702**	**528**	**200**

	2019 *(HK$'000)*	2018 *(HK$'000)*
Representing:		
Deferred tax assets on the consolidated statement of financial position	**1,230**	3,719
Deferred tax liabilities on the consolidated statement of financial position	**(1,030)**	(1,203)
	200	2,516

At the end of the reporting period, the Group has total tax losses of HK$16,849,000 (2018: HK$33,977,000). As at 31 December 2019, deferred tax assets have been recognised in respect of HK$4,254,000 (2018: HK$21,211,000) of such losses. Based on a forecast prepared by management, future taxable profits against which the losses can be utilised will be available in foreseeable future. The tax losses do not expire under current tax legislation.

13. TRADE RECEIVABLES AND CONTRACT ASSETS

	2019	2018
	(HK$'000)	*(HK$'000)*
Trade receivables, net of loss allowance	**35,610**	33,554
Contract assets, net of loss allowance	**27,977**	10,563
	63,587	44,117

(a) Trade receivables, net of loss allowance

Credit terms granted by the Company to customers generally range from one day to one month. Credit terms offered by other companies of the Group based on individual commercial terms negotiated with customers.

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:

	2019	2018
	(HK$'000)	*(HK$'000)*
Less than 1 month	**22,734**	19,313
1 to 3 months	**5,486**	7,097
3 to 12 months	**6,990**	4,952
Over 12 months	**400**	2,192
	35,610	33,554

All the above balances are expected to be recovered within one year and some of them are covered by deposits from customers (see *Note 15*).

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

All of the contract assets are expected to be recovered within one year.

13. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

(c) Loss allowances

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates different loss patterns for different customer segments, the loss allowance based on past due status is distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	2019				
	Gross carrying amount *(HK$'000)*	**Provision on individual basis** *(HK$'000)*	**ECL rates** *%*	**ECLs** *(HK$'000)*	**Loss allowance** *(HK$'000)*
Neither past due nor impaired	**46,410**	**(367)**	**—**	**—**	**(367)**
Less than 1 month past due	**8,111**	**—**	**—**	**—**	**—**
1 to 3 months past due	**3,997**	**—**	**—**	**—**	**—**
Over 3 months past due	**6,589**	**(695)**	**7.8%**	**(458)**	**(1,153)**
	65,107	**(1,062)**		**(458)**	**(1,520)**

	2018				
	Gross carrying amount *(HK$'000)*	Provision on individual basis *(HK$'000)*	ECL rates *%*	ECLs *(HK$'000)*	Loss allowance *(HK$'000)*
Neither past due nor impaired	30,262	—	—	—	—
Less than 1 month past due	4,927	—	—	—	—
1 to 3 months past due	3,165	—	—	—	—
Over 3 months past due	6,098	—	5.5%	(335)	(335)
	44,452	—		(335)	(335)

13. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

(c) Loss allowances (Continued)

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Receivables that were neither past due nor impaired relate to a wide range of customers for which allowance is made on an individual basis based on expected loss rate determined on the basis described above.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management considers that (i) no impairment allowance is necessary in respect of those balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable, and (ii) allowance is made in respect of balances over 3 months past due on both individual and collective basis based on expected loss rate determined on the basis as described above.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2019 *(HK$'000)*	2018 *(HK$'000)*
As at 1 January	**335**	163
Amounts written off during the year	**(566)**	(619)
Impairment losses recognised during the year	**1,751**	791
As at 31 December	**1,520**	335

14. OTHER RECEIVABLES, PREPAYMENTS AND OTHER CONTRACT COSTS

	2019 *(HK$'000)*	2018 *(HK$'000)*
Other receivables and prepayments	**13,717**	11,176
Other contract costs	**5,032**	4,742
	18,749	15,918

(a) Other receivables and prepayments

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

14. OTHER RECEIVABLES, PREPAYMENTS AND OTHER CONTRACT COSTS (CONTINUED)

(b) Other contract costs

Other contract costs capitalised as at 31 December 2019 relate to the costs to fulfil contracts with customers at the reporting date. Other contract costs are recognised as part of "cost of purchases" in the statement of profit or loss in the period in which revenue from the related sales or services is recognised. There was no impairment in relation to the costs capitalised during the year (2018: nil).

All other contract costs are expected to be recovered within one year.

15. TRADE CREDITORS, CONTRACT LIABILITIES AND OTHER PAYABLES

	31 December 2019	1 January 2019 *(Note)*	31 December 2018
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Trade creditors	**29,810**	11,447	11,447
Customer deposits received	**128,511**	134,851	134,851
Accrued charges and other payables	**33,423**	38,358	38,358
Contract liabilities	**12,662**	9,566	9,566
Lease liabilities	**951**	814	—
	205,357	195,036	194,222
Representing			
— Non-current	**464**	320	—
— Current	**204,893**	194,716	194,222
	205,357	195,036	194,222

Note: *The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in Note 2.*

15. TRADE CREDITORS, CONTRACT LIABILITIES AND OTHER PAYABLES (CONTINUED)

(a) Trade creditors

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

	2019 **(*HK$'000*)**	2018 (*HK$'000*)
Less than 1 month	**29,658**	11,079
1 to 3 months	**152**	368
	29,810	11,447

(b) Customer deposits received

Customer deposits received are refundable on demand.

(c) Contract liabilities

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of the deposit, if any, was negotiated on a case by case basis with customers.

Movements in contract liabilities

	2019 **(*HK$'000*)**	2018 (*HK$'000*)
As at 1 January	**9,566**	14,295
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(8,732)**	(13,152)
Increase in contract liabilities as a result of billing in advance	**11,828**	8,423
As at 31 December	**12,662**	9,566

As at 31 December 2019, the amount of billings in advance of performance expected to be recognised as income after more than one year is HK$800,000 (2018: HK$836,000).

15. TRADE CREDITORS, CONTRACT LIABILITIES AND OTHER PAYABLES (CONTINUED)

(d) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	As at 31 December 2019		As at 1 January 2019 *(Note)*	
	Present value of the minimum lease payments *(HK$'000)*	**Total minimum lease payments *(HK$'000)***	Present value of the minimum lease payments *(HK$'000)*	Total minimum lease payments *(HK$'000)*
Within one year	**487**	**510**	494	513
More than one year but within five years	**464**	**488**	320	324
	951	**998**	814	837
Less: total future interest expenses		**(47)**		(23)
Present value of lease liabilities		**951**		814

Note: *The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances as at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. None of the leases was previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in Note 2.*

16. SHARE CAPITAL

	2019		2018	
	Number of shares *(in '000)*	**Amounts** *(HK$'000)*	Number of shares *(in '000)*	Amounts *(HK$'000)*
Ordinary shares, issued and fully paid:				
As at 1 January	**794,634**	**296,093**	794,586	296,039
Shares issued under share option schemes	**—**	**—**	48	54
As at 31 December	**794,634**	**296,093**	794,634	296,093

17. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option scheme

The share option scheme currently in operation was adopted on 9 May 2014 (the "Share Option Scheme 2014"). Under the Share Option Scheme 2014, options will be granted to eligible persons, including Directors, employees, consultants, business associates or advisers as the Board of the Company may identify from time to time ("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. On 4 May 2018 and 12 April 2019, 7,400,000 and 7,900,000 share options were granted respectively for HK$1.00 consideration to Directors, senior management and employees of the Group under the Share Option Scheme 2014.

18. REVIEW OF RESULTS

The financial results for the year ended 31 December 2019 have been reviewed with no disagreement by the Audit Committee of the Company. The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement profit or loss and comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

E-Commerce Business Review

The rising trade tensions between the US and China and heightened political and economic uncertainty have undoubtedly blunted Hong Kong's 2019 economic performance. The weakening economic conditions have further been double hit by the social events that have shaken the Hong Kong community starting the second half of the year. Our E-Commerce business which largely depends on the Hong Kong economy and export activities as a result has no doubt been undermined considerably, recording a slump in its segment performance. In terms of turnover, with the exceptional income from the supplies of goods for fulfillment of the mega warehouse automation project, our E-Commerce business recorded a growth from HK$191.7 million last year to HK$246.3 million this year, an increase of HK$54.6 million or 28.5%. Including the additional cost of purchase of goods for that mega project, total costs of the E-Commerce segment surged to HK$177.1 million in 2019, up 48.8% from HK$119.0 million in 2018. Accordingly, the segment profit dropped from HK$72.7 million last year to HK$69.2 million this year, down 4.8% on a year-on-year basis.

Looking closer into the Government Electronic Trading Services ("GETS") sub-segment as the core component of our E-Commerce business, against a poor operating environment affected by the slowdown of Hong Kong external trade causing a shrinkage of the overall market by 4.8% year-on-year, its revenue dropped HK$6.8 million or 4.0% from HK$168.6 million in 2018 to HK$161.8 million in 2019. Compared with the first half of the year when there was a revenue drop of 4.6%, there actually was a slight improvement in the second half of the year resulting in a marginally narrowing decline in revenue for the full year. As mentioned in the 2019 Interim Report, because of our ability to achieve an overall price increase of our services, we managed to contain our GETS revenue loss to a level less than that of the market shrinkage.

As regards our Supply Chain Solutions sub-segment, its revenue rose markedly to HK$84.5 million in 2019, HK$61.4 million more than the revenue of HK$23.1 million in 2018. The revenue recorded in 2019 included two income items totally amounting to almost HK$62.8 million for the supply of goods required under our mega warehouse automation project on a work-in-progress basis for the major retail chain client. On the other hand, in 2018, revenue was recorded for the same project, also on a work-in-progress basis for the software licence delivered to the client. Excluding the revenue recognized for this mega warehouse project in 2018 and 2019, our Supply Chain Solutions sub-segment recorded a slight drop in top line in 2019 of about 2.3% year-on-year. Aside from the Warehouse Management System ("WMS") project for a major express courier as mentioned in the 2019 Interim Report, we have confirmed several interesting projects in the second half of 2019 for which work has started and revenue recognized on a work-in-progress basis. One of these was a WMS project supporting the operation of physical stores and eShop of a leading retail chain selling consumer electronic products and home appliances. Another new project was a WMS and Transportation Management System for use by a major service provider offering storage, reprocessing and recycling services for abandoned regulated electrical equipment. The client was required by the regulatory authority to implement a technical solution to manage their recycled home appliance operations. Following the formal requirements of the regulatory authority, we successfully won the tender issued by this client for this project. Another interesting case worth mentioning was an order confirmed by a group of enterprises involved in music internationally to use our WMS for managing their warehouse inventory of musical instruments and publications. These new orders demonstrated the versatility and adaptability of our WMS through its application across a diverse range of industries.

As for the mega automated warehouse project for our leading retail chain client, the Automated Guided Vehicles ("AGVs") integrated with our WMS/Warehouse Execution System ("WES") have been deployed for a pilot run before the end of 2019. Construction of the racking on which the 4-way shuttles would run has also been completed and a test run of the first batch of 4-way shuttles received have as well been successfully executed before the end of the year. Subject to further performance tuning and delivery of the remaining batches of the 4-way shuttles by our partners, we expect the project to be completed in early 2020. Turning back to our major express courier customer who ordered our WMS in the first half of the year to support their new business-to-business e-business operations, they have requested further enhancement work from us to support integration and connection to their new business customers in the second half of the year.

As mentioned in the 2019 Interim Report, we have commenced our nine-month research and development ("R&D") project for which Government IT supporting funding had been sought as scheduled in June. The project involves the development of a middleware that enables our WES to support AGVs of different brands, thus providing flexibility to warehouse operators to implement automated warehousing solutions. The project is scheduled to be completed in early 2020.

Looking ahead to 2020, hit hard by the already dismal economy as further aggravated by the novel coronavirus epidemic, the operating environment for our E-Commerce business is expected to be seriously grim. Further shrinkage of the GETS market is clearly inevitable and what is uncertain is the extent of the fall. Barring such macroeconomic factors which are beyond our control, our GETS business would otherwise remain steadfast given a stable competitive environment and the devoted support of our massive customer base. With business volume dropping, we would strive to achieve a higher average price per transaction to minimize the revenue loss. To this end, we would continue to deliver quality service in which our customers find value-for-money. Nevertheless we would look into implementation of more stringent cost control measures while upholding our service quality. Admittedly this is a major challenge to us.

Regarding the Government's Single Window ("SW") project, we would stay vigilant and continue to monitor closely its progress particularly with regard to its implementation schedule for phase 2 and phase 3. As soon as the opportunity arises, we would get involved in the consultation forum set up by the Government for potential Value Added Service Providers ("VASPs") offering our views from the perspective as a VASP under the future SW environment. Meanwhile, taking advantage of the Government's SW development, our new business development team would conduct research and explore potential related business opportunities which we could offer to our customers, enhancing their stickiness with us before full implementation of the SW.

Though our Supply Chain Solutions business could not be immune to the tough operating environment expected in 2020, we are not as pessimistic about its prospects as we are about our GETS business. With our mega automated warehouse project close to completion and using this as a reference case to showcase our ability to provide advanced supply chain solutions, entailing usage of automated material handling equipment and Internet-of-Things ("IoT") technology for modern warehouse operations, we have already had on hand several potential customers interested in implementing similar solutions to support their business operations. As for our major retail chain customer, while working with us on the solution supporting their warehouse for ambient goods, they already have started engaging in discussions with us on deploying similar automated solutions for their warehouse for wet goods and cold storage in Hong Kong in 2020 and beyond. As through the project, we can clearly not only demonstrate savings in warehouse labor cost but also address the labor scarcity issue, our solution can easily be justified on the basis of return on investment. Indeed, for various reasons such as manual work not being desirable or even permitted as in the case of the recent novel coronavirus epidemic, our automated warehouse solution offers an ideal way out to that addresses practical operation issues faced by some businesses. Furthermore with the middleware ready as a deliverable from our Government funded R&D project in early 2020, we believe it would help to promote adoption of warehouse automation and further enhance the attraction of our solutions and hence potentially realize more business opportunities.

That said, there is still the risk that the decision to invest in sizable automation projects might well be held back by our potential customers. Anyhow we would seize the opportunity to sell our solutions to those customers whose business has not been affected or may have actually grown under the current operating environment in Hong Kong. Meanwhile though of smaller size, we have on hand some low-hanging fruits from which we can readily pluck the projects.

Last but not least, we are finalizing a new four-year contract commencing early 2020 with our long-term customer who is one of the largest mail order houses in the world. Based in Germany, this customer has been using our vendor/flight management system since 2007 connecting their vendors and forwarders globally (in countries spanning Asia, Europe and Africa) for better management of their supply chain. Under the renewed contract, we would expand our scope of services to support this customer's new businesses as well as their vendors and forwarders in the Middle East.

All things considered, we hope to achieve a stable supply chain solutions business in 2020 helping to narrow slightly the shortfall expected from the drop of our GETS business. Nevertheless, taking a prudent and perhaps more pessimistic view on the outlook of Hong Kong's business environment in 2020, we expect a rather dismal performance overall for our E-Commerce business in 2020.

Identity Management ("IDM") Business Review

As foreshadowed in the 2019 Interim Report, our IDM business caught up significantly in the second half of 2019, turning the segment profit drop of almost 60% for the first half of 2019 into a growth of 40.0% on a year-on-year basis, and achieving a pleasing result for the full year. Segment revenue at HK$55.8 million for 2019 was slightly down 2.6% compared with the revenue for 2018 at HK$57.3 million. While revenue from our IDM projects in 2019 recorded an increase of 9% compared with 2018, our ongoing recurrent revenue including our security token and related delivery service business dropped about 17.0%. As expected and explained in our 2018 Annual Report, due to the replacement by our major bank customer of hard tokens issued to their retail clients with soft tokens, our security token and related delivery service business overall contracted in 2019 compared with 2018. That said, the business in fact picked up slightly as there was an increase in the corporate clients of our major bank customers using hard tokens in the second half of the year. Thus the drop in this business narrowed to HK$4.5 million for the full year compared to the drop of HK$5.3 million for first half of the year. As for project revenue in 2019, more than 60% came from our most sought-after electronic Know-Your-Customer ("eKYC") solutions with that business growing more than 1.5 times compared to 2018. Project revenue recorded included a number of completed projects carried forward from last year and new projects signed up during the year with work-in-progress. On the cost side, due to the reduction of cost of purchase of hard tokens to meet the declining demand and the fact that our products are becoming more commoditized requiring less customization work for individual customers, our total segment cost dropped to HK$45.2 million in 2019, down 9.1% from HK$49.7 million in 2018. In addition, the cost decline was also due to the fact that we no longer need to bear those costs on R&D work on enhancing our eKYC solution to support the New Smart Hong Kong Identity ("HKID") Card which we completed early during the second half of the year. All in all, our IDM business recorded a remarkable growth of 40% in segment profit from HK$7.6 million in 2018 to HK$10.6 million in 2019.

In terms of new orders received during the reporting period, apart from those confirmed in the first half of the year and mentioned in the 2019 Interim Report, we have secured several major eKYC projects including one for our second virtual bank customer, one for our first Stored Value Facilities ("SVF") licensee and a local Chinese bank in Hong Kong. Our eKYC solutions would be used by these bank/SVF customers for digital onboarding of their clients. For our second virtual bank customer, they have also ordered our two-factor biometric authentication ("2FA") solutions for their clients in conducting business transactions. With the successful completion of our R&D work to overcome the challenge with the advanced and sophisticated security features embedded in the new 2018 Smart HKID cards, we are one of the few service providers that can provide eKYC solutions that support the new HKID cards. We have received orders for such solutions from existing and new customers including three banks, one of which is a virtual bank and an insurance company. Also following our successful deployment of a Public Key Infrastructure solution for digital signing for a private hospital for signing of medical records in early 2018, the hospital placed an order for the same solution to be implemented for their new hospital location. During the reporting period, revenue recorded included a number of completed projects carried forward from last year and new projects signed up during the year with work-in-progress.

Over the years, with the solid customer references on our quality solutions, sound domain knowledge and the ability to continuously enhance our solutions, we have gained a strong foothold in the local IDM market, in particular serving the banking and financial industry. Looking ahead in 2020, with the strong demand from the market, we would focus on promoting and selling our eKYC solutions to potential customers for digital onboarding of their clients. We would continue to pursue opportunities in the banking and financial industries including banks, in particular virtual banks, insurance companies, stockbrokers and SVF licensees. Our targets actually go beyond the banking and financial institutions to large corporates which have a need to authenticate individuals, be it their staff or customers, for operational needs or authorization of business transactions. We have built a healthy pipeline and several hot leads already on hand. For the ongoing enhancement of our products to meet new market requirements, we are working on a couple of new initiatives, one of which, upon successful development, would enable our eKYC solutions to further stand out from others in the market. At the same time, to keep pace with the evolving technology changes and to cope with the potential security risks to our customers and products that might be brought about by such changes, we are constantly appraising our products and exploring opportunities for enhancement or new products. We are pleased to be making promising progress with these new initiatives. However, with the spread of the novel coronavirus since the beginning of 2020 disrupting the operations and affecting the business of our target customers, we are afraid that realistically we have to reset our expectation on the outlook of our IDM business this year which would otherwise, be rather promising to at best, cautiously optimistic, depending on how long the epidemic would last and how fast the recovery would be. We believe the customers demand and their interests in our IDM products remain unchanged. For those hot leads which we have been pursuing, we have confidence that it is only a matter of time before they would confirm their orders with us.

Other Services Business Review

Continuing the favorable performance in the first half of 2019, our Other Services business which includes GETS-related services, Smart Point-of-Sales ("PoS") business and VSHIP, the community logistics platform recorded a strong growth in revenue from HK$22.9 million in 2018 to HK$35.0 million in 2019, up 53.1%. The increase largely came from our Smart PoS business which surged more than four times from HK$3.5 million in 2018 to HK$14.8 million in 2019. Revenue from our GETS-related services which include primarily our Road Cargo System ("ROCARS"), the call centre services offered to the Customs and Excise Department's ROCARS, and the paper-to-electronic conversion services for our GETS paper users, rose slightly due to our success in achieving price increases for most of our services under this category. This increase was more than offset by the transaction volume drop which was largely in line with that of our GETS business. Due to the higher cost of purchase and staff cost to fulfill the Smart PoS growth, the total cost of our Other Services rose to HK$20.2 million and compared with the cost at HK$8.2 million in 2018, represented an increase of more than 148.4%. As a result, segment profit recorded was at par with that of 2018 at HK$14.8 million.

Performance of our Smart PoS business in 2019 was encouraging. As stated in the 2019 Interim Report, growth momentum of our Smart PoS business gathered since the second half of 2018 continued into 2019. Our two bank customers, a major local bank and a bank whose parent is a large commercial bank in China, continued to place orders with us, although admittedly the total quantity of Smart PoS ordered in the second half of the year was slightly less than that of the first half due to the local social incidents adversely affecting the retail business in Hong Kong. In any event, the number of Smart PoS we installed in the market in 2019 was more than three times than the total deployed in 2018. That was a remarkable result. We are pleased that before the end of 2019, we have confirmed a third bank customer who will use our Smart PoS for their retail clients. This third customer is the commercial banking business platform of a major Chinese bank in Hong Kong. Also during the year, we have confirmed a multi-year contract with our major local bank customer. Going forward, 2020 would be a challenging year for our Smart PoS business. Retailers as the end users of our Smart PoS would have an extremely tough operating environment severely hit by the coronavirus outbreak as well as the unresolved local social issues causing the consumer market to plummet. We are fairly certain that fewer Smart PoS would be ordered by our bank customers and deployed for their retail clients in 2020. What we are uncertain about is the extent of the hit which depends on a number of factors including how long the coronavirus outbreak would last, how fast the Hong Kong economy could recover and what measures the Government might introduce to help Hong Kong business. On a more positive front, as we have signed up a new bank customer, we expect orders to be placed by this new customer. We are also working on a new partnership arrangement with a payment gateway to target SME retailers for deployment of our Smart PoS. Anticipating our business challenge ahead, apart from working with banks, we have refined our strategy at the end of last year to also target SME retailers, a market generally not so well covered by banks.

For our GETS-related services business in 2019, we achieved a satisfactory result. We were in particular gratified with our paper-to-electronic conversion services business for which we had concern due to the loss of one of our partners providing the paper collection service to our competitor since early 2019. With the new outlets set up through one of our other partners and the new service delivery mode we introduced, we successfully salvaged a handsome portion of business volume which we otherwise would have lost. Even more exciting was that we captured back the partner whom we lost in 2019. Following the early termination of the contract between our partner and our competitor, this partner issued an open tender which we successfully won and a new two-year contract commencing February 2020 was awarded to us. As for the outlook of our GETS-related service business, except for the good news about our winning back of a paper collection service partner, we expect a rather dismal year in 2020 similar to our GETS business for reasons explained earlier in this announcement.

Last but not least, regarding our community logistics platform, VSHIP, which was soft-launched in April 2018, we continued to ramp up shipper and freight forwarder registration and their usage of the platform for bid and offer of sea/air freight arrangements. Compared to the first year of operations in 2018, the number of shippers/freight forwarder users, Requests for Quote ("RFQ") and Offers all recorded a more than two-fold increase in 2019. More encouraging was the number of success matching of RFQ and Offers in 2019 which was four times more than that in 2018. Our VSHIP platform was certainly gathering growth momentum, though due to the escalated trade tension between the US and China during the year, the uptrend slowed down slightly, particularly since the second half of the year. Upon a closer review of the business taking into consideration the emerging challenges before the end of the year, we have re-oriented our strategy to focus on working with specific logistics service providers and possibly forming partnerships with them. As such, to rationalize our cost to reduce the burn rate, we have held back our earlier plan to develop new features/modules to extend the scope of the VSHIP services. In fact, we are making progress with some strategic customers. Also as part of our revised strategy, we would accelerate our plan to extend the VSHIP customer base beyond Hong Kong and would start our expansion plan in China during 2020. Meanwhile, we will continue to offer VSHIP services free of charge, at least for users in Hong Kong. We will strive to find the earliest opportunity, hopefully within 2020, to introduce a charging model to users. Anyhow, as a strategic component of our supply chain/e-logistics ecosystem, VSHIP is tactically important and valuable to us and our consideration of this initiative extends beyond its profitability.

Investment in PRC Associate Review

The performance of our major associate in China, Guangdong Nanfang Haian Science & Technology Service Company Limited ("Nanfang") in 2019 was disappointing as our share of gain from it of HK$0.8 million was down 48.2% compared to the HK$1.5 million share gain in 2018. As mentioned in the 2019 Interim Report, Nanfang received a one-off lump sum payment from the local government as compensation for cessation of their river manifest declaration service since the nationwide single window was implemented in China in late 2018. Effectively, Nanfang received no revenue from users for their core river manifest declaration service in 2019 except the one-off compensation payment from the government which was only about 50% of what they normally would have recorded as the annual revenue from this service in the past. Though Nanfang has shifted their business focus to government projects, they have had success in some projects but not so in others due to the damage to their business reputation and relationship with some government agencies caused by the shareholder involved in litigation with some outside parties in addition to Nanfang. The damage to their reputation was serious and would need considerable time to recover if at all possible. As such, Nanfang has undertaken a major review and revamped its business with the support of their controlling shareholder, a reputable state-owned enterprise. Meanwhile, with a view to exploring new business opportunities, Nanfang has deployed more resources on research and development work on new services and products since the latter part of the year. These measures described above have generally summed up Nanfang's business situation and difficulties in 2019.

As China's economy is slowing down and Nanfang's internal issues would unlikely be completely resolved in the near future, we expect Nanfang's business outlook to be rather gloomy and our share of profit from Nanfang would further drop in 2020.

FINANCIAL REVIEW

The Group's revenue in 2019 was HK$337.2 million, an increase of 24.0% or HK$65.3 million year-on-year. The increase was mainly attributable to an exception income recorded for the supply of goods for a project of the Supply Chain Solutions. Revenue of E-Commerce, coming from GETS and the Supply Chain Solutions, was HK$246.3 million in 2019, up by HK$54.6 million year-on-year. The GETS revenue at HK$161.8 million, was less than the revenue of 2018 at HK$168.6 million by 4.0% or HK$6.8 million. The decrease was due to the impact of the economic headwinds on Hong Kong's external trade activities during 2019. The Supply Chain Solutions recorded a strong revenue growth in 2019 at HK$84.5 million, higher than 2018 at HK$23.1 million by HK$61.4 million. The increase mainly came from the supply of goods for our mega-warehouse automation project which was substantially completed in 2019 for a major retail chain customer. Revenue also came from WMS solutions delivered to other retail chain customers and several existing customers. Revenue of IDM segment in 2019 was HK$55.8 million, dropped slightly by 2.6% or HK$1.5 million. The eKYC solutions and biometric authentication projects performed well which had not only compensated the decrease in revenue from the security token delivery service but also became a major revenue stream. Revenue dropped slightly in 2019 for other security solutions projects which explained the gap. The revenue of Other Services in 2019 was HK$35.0 million, increased by 53.1% or HK$12.1 million. The revenue increase came from more units of Smart PoS and services provided for our major bank client, resulting in a three-fold revenue growth by HK$11.3 million for the Smart PoS business in 2019.

The Group's operating expenses before depreciation in 2019 were HK$244.5 million, an increase of 39.1% or HK$68.7 million from HK$175.8 million in 2018. Staff costs increased from HK$114.1 million to HK$119.1 million, up by 4.4% or HK$5.0 million as compared to the last financial year. The amount of cost of purchases rose by HK$58.6 million to HK$87.9 million in 2019 which was in line with the revenue growth. The other operating costs at HK$37.5 million incurred in 2019 were 15.6% or HK$5.1 million higher than that of the last financial year. This was mainly attributable to the fluctuation of the US dollar on our bond portfolio, from an exchange gain of HK$1.0 million in 2018 to a loss of HK$2.1 million in 2019. Depreciation charges in 2019 amounted to HK$8.0 million, were HK$1.1 million higher than 2018.

The Group's profit from operations in 2019 was HK$101.2 million, a decrease of HK$3.5 million or 3.4% as compared to 2018.

The impairment loss of other financial assets in 2019 amounting to HK$1.3 million, represented the net increase in the estimation of the expected credit losses on the Group's other financial assets held during the year.

The share of results in 2019 from PRC associates was a profit of HK$0.8 million, as compared to the share of profit amounted to HK$1.5 million in 2018. There was an impairment loss on the interest in an associate recorded in 2019 amounted to HK$4.5 million.

Our wholly-owned subsidiary, Digital Trade and Transportation Network Limited ("DTTNCo") providing e-solutions to its customers recorded a deferred tax asset of HK$3.7 million as at the end of 2018, of which HK$3.5 million was arising from unused tax losses. As DTTNCo continued to generate profit this year, the deferred tax asset was utilized and gave rise to a deferred tax charge of HK$2.8 million for the year 2019, as compared to HK$3.3 million for 2018.

Included in the taxation for 2019 was HK$1.5 million enhanced tax deductions for certain research and development expenditures under the new tax regime introduced from the year of assessment 2018/19. Excluding the effect of the enhanced tax deductions, the Group's taxation for 2019 would be HK$15.5 million as compared to HK$16.4 million for 2018.

The Group's after tax profit for 2019 was HK$82.2 million, decreased by 8.4% as compared to 2018.

Basic earnings per share for 2019 were HK 10.3 cents, lower than that for 2018 at HK 11.3 cents by HK 1.0 cent. Diluted earnings per share for 2019 were also HK 11.3 cents, lower than that for 2018 at HK 10.3 cents by HK 1.0 cent.

Dividend

The Board has recommended a final dividend of HK 6.5 cents per share for 2019 (2018: HK 6.0 cents per share). The proposed final dividend, which together with the interim dividend of HK 3.3 cents per share (2018: HK 3.5 cents per share) paid on 9 October 2019, will result in a total dividend of HK 9.8 cents for 2019, higher than the total dividend for 2018. The total amount of interim and proposed final dividend for 2019 represents a payment of 91.6% of the Group's profit attributable to shareholders after excluding the deferred tax charge of HK$2.8 million relating to tax loss for 2019.

The proposed final dividend will be submitted to shareholders for approval at the annual general meeting on 8 May 2020. If approved, the final dividend will be paid to shareholders whose names appear on the register of members of the Company on 14 May 2020, on or about 29 May 2020.

The Board reminds shareholders that the Company's dividend policy enunciated at the time of our IPO in 2005 is that it will pay no less than 60% of its distributable profit as dividend. The fact that the Company has paid out all of its attributable profit in the past and nearly 92% of profit attributable to shareholders this year does not mean that the policy has changed.

Liquidity and Financial Position

As at 31 December 2019, the Group had total cash and bank deposits of HK$143.4 million (2018: HK$86.5 million). The increase in the Group's cash balance was mainly due to the maturity and early redemption of two corporate bonds respectively in the other financial assets during 2019 and the cash reserves were placed to deposit with banks.

The other financial assets as at 31 December 2019 in the non-current and current assets amounted to HK$279.1 million (2018: HK$305.5 million) and HK$38.5 million (2018: HK$42.2 million) respectively, represented the fair value of the fixed income USD-denominated corporate bonds with no more than US$3.0 million nominal value each invested in any single issuer with maturity dates less than five years. As at 31 December 2019, the weighted average of the portfolio coupon and yield were about 4.1% (2018: 3.9%) and 3.8% (2018: 3.7%) respectively. As at 31 December 2019, 65% (2018: 71%) of the total amount was invested in investment grade corporate bonds. The remaining 35% (2018: 29%) was invested in non-investment grade or non-rated corporate bonds. All corporate bonds held as at 31 December 2019 were tradable in open market.

To balance risk and returns, all investments in corporate bonds were made in accordance with the investment guidelines which had been approved by the Investment Committee comprising three Independent Non-executive Directors and one Non-executive Director of the Company. Before any opportunities were identified to acquire new businesses, the cash surplus were parked in corporate bonds as 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 31 December 2019 amounted to HK$592.3 million (2018: HK$552.6 million) and HK$370.9 million (2018: HK$350.8 million) respectively.

As at 31 December 2019, the Group had no borrowings. (2018: Nil).

Capital and Reserves

As at 31 December 2019, the capital and reserves attributable to shareholders was HK$370.9 million (2018: HK$350.8 million), an increase of HK$20.1 million from the end of 2018.

Charges on Assets and Contingent Liabilities

As at 31 December 2019, the Group has obtained two bank guarantees totaling HK$2.1 million (2018: three bank guarantees of HK$4.2 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 totaling HK$2.1 million (2018: HK$4.2 million).

Other than the foregoing, the Group did not have any other charges on its assets.

Capital Commitments

Capital commitments outstanding as at 31 December 2019 not provided for in the financial statements amounted to HK$3.7 million (2018: HK$1.5 million), mainly in respect of the purchase of leasehold improvements and office equipment for the Group.

Employees and Remuneration Policy

As at 31 December 2019, the Group employed 275 staff (2018: 268), of which 243 are in Hong Kong and 32 in Guangzhou. The related staff costs for the year came to HK$119.1 million (2018: HK$114.1 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.

The Company operates a share option scheme to reward the performance of staff at senior vice president grade and above.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As at 31 December 2019, other than its investments in the PRC and Macau incorporated entities and debt securities denominated in US dollars, the Group had no foreign exchange exposure and related hedges.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code ("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 its stakeholders. It has made every effort to ensure full compliance with the code provisions in the CG Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company confirms that it has complied with all code provisions during the year ended 31 December 2019.

The Board

As at 31 December 2019, the Company was led by and controlled through its Board which comprises three Executive Directors ("EDs"), four Non-executive Directors ("NEDs"), including the Chairman of the Board, and five Independent Non-executive Directors ("INEDs"). The Board oversees the overall management and operations of the Company with the objective of enhancing shareholder value.

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

All Directors shall retire by rotation in accordance with the Articles of Association of the Company and the Listing Rules or at such time as may be required by resolution of the Board of the Company.

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

The Company has adopted the Model Code set out in Appendix 10 of 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 during 2019.

Audit Committee

The Audit Committee has reviewed the Group's accounting policies and the consolidated financial statements for the year ended 31 December 2019. It also had independent discussions with the internal auditor and the external auditor, KPMG, without the presence of the management team.

OTHER INFORMATION

Final Dividend

The Board has recommended a final dividend of HK 6.5 cents per share for 2019 (2018: HK 6.0 cents per share), an increase of 8.3%. The proposed final dividend, together with the interim dividend of HK 3.3 cents per share (2018: HK 3.5 cents per share) paid on 9 October 2019, represents a dividend payout ratio of 91.6% of the Group's profit after excluding the deferred tax relating to tax loss for 2019.

The proposed final dividend will be submitted to shareholders for approval at the annual general meeting ("AGM") on Friday, 8 May 2020. If approved, the final dividend will be paid to shareholders whose names appear on the register of members of the Company on Thursday, 14 May 2020, on or about Friday, 29 May 2020.

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

During the year, 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 will be closed from Tuesday, 5 May 2020 to Friday, 8 May 2020, both days inclusive, during which period no transfer of shares will be registered to determine the shareholders' entitlement to attend and vote at the AGM to be held on Friday, 8 May 2020. In order to qualify to attend and vote at the AGM, 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 Monday, 4 May 2020.

The register of members will also be closed from Thursday, 14 May 2020 to Monday, 18 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final 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 Wednesday, 13 May 2020.

Publication of Final Results and 2019 Annual Report

This announcement is published on the respective websites of the Company (www.tradelink.com.hk) and HKEXnews of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

The annual report of the Group for the year ended 31 December 2019 will be dispatched to shareholders and published on the aforesaid websites in April 2020.

AGM

It is proposed that the AGM of the Company be held on Friday, 8 May 2020. Notice of the AGM will be published and dispatched to shareholders within the prescribed time and in such manner as required under the Listing Rules.

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

Hong Kong, 24 March 2020

As at the date of this announcement, the Board of the Company comprises
Non-executive Directors: Dr. LEE Nai Shee, Harry, S.B.S., J.P. (Chairman), Dr. LEE Delman, Mr. YING Tze Man, Kenneth and Mr. YUEN Wing Sang, Vincent;
Executive Directors: Mr. TSE Kam Keung, Mr. CHENG Chun Chung, Andrew and Ms. CHUNG Shun Kwan, Emily; and
Independent Non-executive Directors: Mr. CHAK Hubert, Ms. CHAN Chi Yan, Mr. CHAU Tak Hay, Mr. CHUNG Wai Kwok, Jimmy and Mr. HO Lap Kee, Sunny, M.H., J.P.