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 2020

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 2020.

FINANCIAL HIGHLIGHTS

	Note	**Year ended 31 December 2020 *(HK$'000)***	Year ended 31 December 2019 *(HK$'000)*
Revenue	*3*	**261,213**	337,175
Profit from operations		**92,687**	101,219
Profit attributable to equity shareholders of the Company		**72,800**	82,201
Total assets		**586,245**	592,293
Net assets		**384,327**	370,927
Dividend per share (HK cents)	*8*		
Interim		**1.95**	3.3
Proposed final		**7.25**	6.5
Earnings per share (HK cents)			
Basic	*9*	**9.2**	10.3
Diluted		**9.2**	10.3
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**	794,634

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	**2020** (*HK$'000*)	2019 (*HK$'000*)
Revenue	*3*	**261,213**	337,175
Interest income		**10,450**	14,985
Other net income	*5*	**6,137**	1,611
Cost of purchases		**(23,788)**	(87,916)
Staff costs	*6(a)*	**(120,824)**	(119,143)
Depreciation	*6(b)*	**(9,088)**	(8,022)
Other operating expenses	*6(c)*	**(31,413)**	(37,471)
Profit from operations		**92,687**	101,219
Reversal/(recognition) of impairment loss on other financial assets	*12*	**99**	(1,303)
Impairment loss on interest in an associate	*10*	**(9,000)**	(4,500)
Share of results of associates		**(1,395)**	798
Profit before taxation	*6*	**82,391**	96,214
Taxation	*7*	**(9,591)**	(14,013)
Profit for the year		**72,800**	82,201
Earnings per share (HK cents)	*9*		
Basic		**9.2**	10.3
Diluted		**9.2**	10.3

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 2020

	2020 **(*HK$'000*)**	2019 (*HK$'000*)
Profit for the year	**72,800**	82,201
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	**944**	(477)
Debt securities measured at fair value through other comprehensive income ("FVOCI") — net movement in fair value reserve	**6,015**	11,511
Total comprehensive income for the year	**79,759**	93,235

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	**2020** **(HK$'000)**	2019 (HK$'000)
Non-current assets			
Property, plant and equipment		**24,064**	23,710
Goodwill		**9,976**	9,976
Interest in associates	*10*	**4,542**	13,977
Other financial assets	*12*	**69,914**	279,118
Deferred tax assets	*13*	**652**	1,230
		109,148	328,011
Current assets			
Trade receivables and contract assets	*14*	**64,711**	63,587
Other receivables, prepayments and other contract costs	*15*	**16,503**	18,749
Other financial assets	*12*	**222,215**	38,524
Deposits with banks		**69,073**	12,238
Cash and cash equivalents		**102,956**	131,184
Taxation recoverable		**1,639**	—
		477,097	264,282
Current liabilities			
Trade creditors, contract liabilities and other payables	*16*	**196,313**	204,893
Taxation payable		**226**	11,859
		196,539	216,752
Net current assets		**280,558**	47,530
Total assets less current liabilities		**389,706**	375,541
Non-current liabilities			
Provision for long service payments		**3,012**	3,120
Deferred tax liabilities	*13*	**1,167**	1,030
Other payables	*16(d)*	**1,200**	464
		5,379	4,614
NET ASSETS		**384,327**	370,927
Capital and Reserves			
Share capital	*17*	**296,093**	296,093
Reserves		**88,234**	74,834
TOTAL EQUITY		**384,327**	370,927

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Share capital (HK$'000)	Capital reserve (HK$'000)	Exchange reserve (HK$'000)	Fair value reserve (HK$'000)	Other reserve (HK$'000)	Retained profits (HK$'000)	Total equity (HK$'000)
As at 1 January 2019		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**
Changes in equity for 2020								
Dividends approved in respect of the previous year		—	—	—	—	—	**(51,651)**	**(51,651)**
Equity-settled share-based transactions		—	**787**	—	—	—	—	**787**
Lapse of share options		—	**(361)**	—	—	—	**361**	—
Profit for the year		—	—	—	—	—	**72,800**	**72,800**
Other comprehensive income for the year		—	—	**944**	**6,015**	—	—	**6,959**
Total comprehensive income for the year		—	—	**944**	**6,015**	—	**72,800**	**79,759**
Dividends declared in respect of the current year	8	—	—	—	—	—	**(15,495)**	**(15,495)**
As at 31 December 2020		**296,093**	**7,176**	**1,382**	**372**	**12**	**79,292**	**384,327**

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2020 and 2019 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 2019 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 2020 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 2019 except for the changes stated as in *Note 2*.

The consolidated financial statements for the year ended 31 December 2020 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 other financial assets measured at their fair value *(Note 12)*.

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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

None of these amendments 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.

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 2020 and 2019 are set out below.

	31 December 2020			
	E-Commerce *(HK$'000)*	Identity Management *(HK$'000)*	Other Services *(HK$'000)*	Total *(HK$'000)*
Disaggregated by timing of revenue recognition				
Point in time	**136,584**	**16,608**	**17,590**	**170,782**
Over time	**37,426**	**47,033**	**5,972**	**90,431**
Revenue from external customers	**174,010**	**63,641**	**23,562**	**261,213**
Inter-segment revenue	**—**	**7,821**	**4,730**	**12,551**
Reportable segment revenue	**174,010**	**71,462**	**28,292**	**273,764**
Elimination of inter-segment revenue				**(12,551)**
Consolidated revenue				**261,213**
Reportable segment profit	**59,089**	**17,636**	**9,988**	**86,713**
Interest income				**10,450**
Other net income				**6,137**
Depreciation				**(9,088)**
Reversal of impairment loss on other financial assets				**99**
Impairment loss on interest in an associate				**(9,000)**
Share of results of associates				**(1,395)**
Unallocated corporate expenses				**(1,525)**
Consolidated profit before taxation				**82,391**

4. SEGMENT REPORTING (CONTINUED)

	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

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

	Note	**2020** **(HK$'000)**	2019 (HK$'000)
Net (loss)/gain on disposals of debt securities measured at FVOCI		**(9,710)**	218
Investment income from units in investment funds measured at fair value through profit or loss ("FVPL")		**435**	—
Fair value gain on units in investment funds measured at FVPL		**389**	—
Fair value gain on debt securities measured at FVPL		**1,907**	—
Government grants for Employment Support Scheme	*(a)*	**12,980**	—
Government grants for Enterprise Support Scheme	*(b)*	**183**	767
Government grants for Research and Development Cash Rebate Scheme	*(b)*	**—**	200
Net loss on disposals of associates		**(47)**	—
Other income		**—**	426
		6,137	1,611

(a) In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

(b) The government grants were under the 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:

		2020 (HK$'000)	2019 (HK$'000)
(a)	**Staff costs:**		
	Contributions to defined contribution retirement plan	**3,360**	3,258
	Equity-settled share-based payment expenses	**787**	836
	Salaries, wages and other benefits	**116,677**	115,049
		120,824	119,143
(b)	**Depreciation:**		
	— owned property, plant and equipment	**6,141**	5,597
	— right-of-use assets	**2,947**	2,425
		9,088	8,022
(c)	**Other operating expenses:**		
	Auditors' remuneration	**1,053**	1,026
	Directors' fees and emoluments	**2,490**	2,490
	Facilities management fees	**4,943**	6,522
	Repair and maintenance fees	**5,230**	6,395
	Office rental and utilities	**3,907**	4,071
	Telecommunications costs	**1,806**	1,793
	Promotion and marketing expenses	**1,460**	1,460
	Impairment loss on trade receivables and contract assets	**614**	1,751
	Net foreign exchange loss	**1,525**	2,071
	Others	**8,385**	9,892
		31,413	37,471

7. TAXATION

	2020	2019
	(HK$'000)	*(HK$'000)*
Current tax — Hong Kong Profits Tax		
Provision for the year	**8,907**	11,760
Over-provision in respect of prior year	**(42)**	(40)
	8,865	11,720
Current tax — outside Hong Kong		
Provision for the year	**11**	1
Over-provision in respect of prior year	**—**	(24)
	11	(23)
Deferred taxation	**715**	2,316
	9,591	14,013

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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 2020 and 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

	2020	2019
	(HK$'000)	*(HK$'000)*
Interim	**15,495**	26,223
Proposed final	**57,611**	51,651
	73,106	77,874

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$72,800,000 (2019: HK$82,201,000) and the weighted average number of 794,634,000 ordinary shares (2019: 794,634,000 ordinary shares) in issue during the year.

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

10. INTEREST IN ASSOCIATES

During the year ended 31 December 2020, the Group carried out impairment assessments 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$9,000,000 was made for the year ended 31 December 2020. As at 31 December 2019, provision for impairment loss of HK$7,500,000 has been 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% (2019: 14%), by reference to the projected volume, activity level and future growth rate of 3% (2019: 3%) beyond the five-year period financial forecast of the underlying business of Nanfang up to 2038. For the years ended 31 December 2020 and 31 December 2019, same basis of impairment measurement in respect of the interest in Nanfang is performed by management.

Disposal of associates

(i) On 19 February 2020, the Group entered into an agreement to sell its entire interest of 26% of 上海匯通供應鏈技術與運營有限公司 at a consideration of RMB20,000 (equivalent to HK$23,000) to 上海匯商投資管理有限公司. The transaction was completed in April 2020. As such, a gain on disposal of HK$23,000 was recognised during the year ended 31 December 2020.

(ii) On 11 May 2020, the Company entered into an agreement to sell its entire interest of 49% of 廣州易通威裕物流信息技術有限公司 at a consideration of RMB1 to 廣州威裕物流應用技術有限公司. The transaction was completed in May 2020. As such, a loss on disposal of HK$70,000 was recognised during the year ended 31 December 2020.

11. INTEREST IN JOINT VENTURE

The deregistration of 北京工聯環球科技有限公司 was completed on 12 October 2020.

12. OTHER FINANCIAL ASSETS

	Note	**2020** **(HK$'000)**	2019 (HK$'000)
Listed debt securities measured at FVOCI	*(a)*	**104,162**	317,642
Listed debt securities measured at FVPL	*(b)*	**156,406**	—
Units in investment funds measured at FVPL	*(c)*	**31,561**	—
		292,129	317,642
Representing:			
— Non-current		**69,914**	279,118
— Current		**222,215**	38,524
		292,129	317,642

(a) The amount represents corporate bonds. They were classified as debt securities measured at FVOCI. The debt securities are issued by corporate entities with credit quality commensurate with the return as considered acceptable to the Group.

During the year ended 31 December 2020, the Group acquired corporate bonds at a cost of HK$21,786,000 (2019: HK$27,885,000) and disposed of corporate bonds at a consideration of HK$229,618,000 (2019: HK$66,214,000).

As at 31 December 2020, 66% (2019: 65%) of the total amount was invested in investment grade corporate bonds. The remaining 34% (2019: 35%) was invested in non-investment grade or non-rated corporate bonds. All corporate bonds held as at 31 December 2020 were tradable in open market.

As at 31 December 2020, the loss allowance of one of the non-investment grade debt securities, which has a gross carrying amount of HK$4,054,000 (2019: HK$12,938,000), was measured at an amount equal to lifetime ECLs as there was an unfavourable change in its external market price since 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 2020.

(b) The amount represents the investment in a USD-denominated discretionary Asian investment grade single bonds portfolio managed by the Group's financial service provider. The portfolio was classified as debt securities measured at FVPL.

During the year ended 31 December 2020, the Group invested in the single bonds portfolio at a cost of HK$154,410,000 (2019: Nil).

(c) The amount represents units in bond funds. The bond funds held debt securities of investment grade with average maturity dates of less than five years. They were classified as units in investment funds measured at FVPL.

During the year ended 31 December 2020, the Group acquired units in bond funds at a cost of HK$31,194,000 (2019: Nil).

12. OTHER FINANCIAL ASSETS (CONTINUED)

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

At 31 December 2020, the debt securities measured at FVOCI and FVPL held by the Group fall into Level 1 of the fair value hierarchy. Units in investment funds measured at FVPL held by the Group fall into Level 2 of the fair value hierarchy.

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

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investment funds is determined using the unadjusted net asset value provided by the fund manager. The units in the investment funds are redeemable at the reportable net asset value at, or approximately at, the measurement date.

During the year ended 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. 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.

12. OTHER FINANCIAL ASSETS (CONTINUED)

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:

	2020			2019		
	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	**1,900**	**1,528**	**3,428**	2,125	—	2,125
Impairment losses recognised during the year	**2,039**	**—**	**2,039**	141	1,220	1,361
Reversal of impairment loss during the year	**(1,799)**	**(339)**	**(2,138)**	(58)	—	(58)
Transfer to lifetime ECL not credit impaired	**—**	**—**	**—**	(308)	308	—
Balance as at 31 December	**2,140**	**1,189**	**3,329**	1,900	1,528	3,428

13. 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$'000)*	**Others** *(HK$'000)*	**Total** *(HK$'000)*
As at 1 January 2020	**(1,030)**	**702**	**528**	**—**	**200**
(Charged)/credited to profit or loss	**(42)**	**(702)**	**124**	**(95)**	**(715)**
As at 31 December 2020	**(1,072)**	**—**	**652**	**(95)**	**(515)**

13. DEFERRED TAXATION (CONTINUED)

	2020 **(HK$'000)**	2019 *(HK$'000)*
Representing:		
Deferred tax assets in the consolidated statement of financial position	**652**	1,230
Deferred tax liabilities in the consolidated statement of financial position	**(1,167)**	(1,030)
	(515)	200

At the end of the reporting period, the Group has total tax losses of HK$13,562,000 (2019: HK$18,991,000). The Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$13,562,000 (2019: HK$14,737,000) as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses do not expire under current tax legislation.

14. TRADE RECEIVABLES AND CONTRACT ASSETS

	Note	**2020** **(HK$'000)**	2019 *(HK$'000)*
Trade receivables, net of loss allowance	*(a)*	**39,577**	35,610
Contract assets, net of loss allowance	*(b)*	**25,134**	27,977
		64,711	63,587

(a) Trade receivables, net of loss allowance

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

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2020 **(HK$'000)**	2019 *(HK$'000)*
Less than 1 month	**12,626**	22,734
1 to 3 months	**7,141**	5,486
3 to 12 months	**16,933**	6,990
Over 12 months	**2,877**	400
	39,577	35,610

All the above balances are expected to be recovered within one year and some of them are covered by deposits from customers (see *Note 16*).

14. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

(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.

(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:

	2020				
	Gross carrying amount *(HK\$'000)*	**Provision on individual basis** *(HK\$'000)*	**ECL rates** *%*	**ECLs** *(HK\$'000)*	**Total loss allowance** *(HK\$'000)*
Current (not past due)	**37,052**	**(395)**	**—**	**—**	**(395)**
Less than 1 month past due	**6,698**	**—**	**—**	**—**	**—**
1 to 3 months past due	**1,773**	**—**	**—**	**—**	**—**
Over 3 months past due	**21,140**	**(701)**	**4.2%**	**(856)**	**(1,557)**
	66,663	**(1,096)**		**(856)**	**(1,952)**

	2019				
	Gross carrying amount *(HK\$'000)*	Provision on individual basis *(HK\$'000)*	ECL rates *%*	ECLs *(HK\$'000)*	Total loss allowance *(HK\$'000)*
Current (not past due)	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)

14. 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 not past due 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:

	2020	2019
	(HK$'000)	*(HK$'000)*
As at 1 January	**1,520**	335
Amounts written off during the year	**(182)**	(566)
Impairment losses recognised during the year	**614**	1,751
As at 31 December	**1,952**	1,520

15. OTHER RECEIVABLES, PREPAYMENTS AND OTHER CONTRACT COSTS

	Note	**2020** **(HK$'000)**	2019 *(HK$'000)*
Other receivables and prepayments	*(a)*	**9,713**	13,717
Other contract costs	*(b)*	**6,790**	5,032
		16,503	18,749

(a) Other receivables and prepayments

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

(b) Other contract costs

Other contract costs capitalised as at 31 December 2020 and 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 opening balance of capitalised costs or the costs capitalised during the year (2019: Nil).

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

16. TRADE CREDITORS, CONTRACT LIABILITIES AND OTHER PAYABLES

	Note	**2020** **(HK$'000)**	2019 *(HK$'000)*
Trade creditors	*(a)*	**24,894**	29,810
Customer deposits received	*(b)*	**122,144**	128,511
Accrued charges and other payables		**32,718**	33,423
Contract liabilities	*(c)*	**15,335**	12,662
Lease liabilities	*(d)*	**2,422**	951
		197,513	205,357
Representing			
— Non-current		**1,200**	464
— Current		**196,313**	204,893
		197,513	205,357

16. 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:

	2020 *(HK$'000)*	2019 *(HK$'000)*
Less than 1 month	**24,480**	29,658
1 to 3 months	**414**	152
	24,894	29,810

(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

	2020 *(HK$'000)*	2019 *(HK$'000)*
As at 1 January	**12,662**	9,566
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	**(11,862)**	(8,732)
Increase in contract liabilities as a result of billing in advance	**14,535**	11,828
As at 31 December	**15,335**	12,662

As at 31 December 2020, the amount of billings in advance of performance expected to be recognised as income after more than one year is HK$554,000 (2019: HK$800,000).

16. 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 reporting periods:

	2020		2019	
	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	**1,222**	**1,262**	487	510
More than one year but within five years	**1,200**	**1,221**	464	488
	2,422	**2,483**	951	998
Less: total future interest expenses		**(61)**		(47)
Present value of lease liabilities		**2,422**		951

17. SHARE CAPITAL

	2020		2019	
	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 and 31 December	**794,634**	**296,093**	794,634	296,093

18. 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 17 April 2020, 7,900,000 (12 April 2019: 7,900,000) share options were granted for HK$1.00 consideration to Directors, senior management and employees of the Group under the Share Option Scheme 2014.

19. REVIEW OF RESULTS

The financial results for the year ended 31 December 2020 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 2020 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

2020 was an incredibly tough year for our E-Commerce business, with Hong Kong's economy and external trade both being hard hit by the Coronavirus Disease 2019 ("COVID-19") pandemic that has devastated the global market and severely disrupted supply chains across the world. The situation was particularly acute in the first half year, when the virus began to spread all over the world and governments were forced to implement stringent anti-epidemic measures, including locking down borders which resulted in an almost complete standstill of global activities. Entering the second half year, with economic activities in major economies slowly starting to revive, in particular the Mainland which posted accelerated growth, Hong Kong's trading activities also started to resume, narrowing the contraction for the whole year.

Against such a dismal backdrop, our E-Commerce business shrank accordingly in 2020. Segment revenue at HK$174.0 million was down HK$72.3 million, or 29.4% compared to revenue at HK$246.3 million in 2019. Segment profit also dropped 14.7% from HK$69.2 million in 2019 to HK$59.1 million in 2020. Looking at the turnover of the two sub-segments, namely Government Electronic Trading Services ("GETS") and Supply Chain Solutions under the E-Commerce business, revenues recorded in 2020 from GETS and Supply Chain Solutions were HK$150.7 million and HK$23.3 million respectively. For GETS, compared to its 2019 revenue of HK$161.8 million, revenue dropped in 2020 by 6.9%. In 2019, the revenue from our Supply Chain Solutions business included an exceptional income from sales of goods for our mega warehouse automation project. If this exceptional income was taken out of the equation, the revenue of this business sub-segment actually increased by around 41% year-on-year. The poor performance of the E-Commerce business in 2020 was partly due to the shrinkage of the GETS segment, and more notably, due to the absence of the exceptional income under the Supply Chain Solutions business in 2020.

The slump of the global economy in the first half year due to the COVID-19 pandemic was a catastrophic blow to the GETS business, as the overall market plummeted 9.2% year-on-year, the steepest decline since the global financial crisis in 2008/09. With the severe anti-epidemic measures implemented by most countries and the development of the 'new normal' in reaction to the pandemic, economic activities resumed somewhat slowly from the second half year. The GETS market improved in the second half of 2020, almost returning to the level as in the same period in 2019. As a result, the market shrinkage was substantially narrowed to only 4.8% in 2020. While the GETS market, which in this context pertains to the import/export trade declaration market, dropped 4.8% overall, the market for cargo manifest services, which is the second most important service under GETS after trade declaration in terms of business volume, fell by 36.3% in 2020. With the lockdown of international borders introduced by most countries following the outbreak of COVID-19, only a very limited number of cargo flights were able to continue servicing airfreight during the year. As the service provider of choice of all airlines for electronic manifest services, we were hit directly and suffered a net revenue loss of around HK$2.4 million from this service alone in 2020.

Besides external factors outside of our control, including the COVID-19 pandemic and global economic issues which all affected our GETS business, the GETS operating environment in Hong Kong was rather stable in 2020. With the same three service providers in the market for over a decade, the competition now places more emphasis on service quality rather than pricing. In terms of service quality, with the industry-recognized accolades our customer hotline has received consecutively for nearly ten years, we can confidently proclaim that the quality of our services clearly stands out from that of our competitors, enabling us to stand firmly as the dominant player in the GETS market and giving us grounds to charge customers a premium for our service.

Our Supply Chain Solutions business suffered somewhat in 2020, affected by the poor market sentiment as the economy was badly hit by COVID-19. However, as mentioned earlier, if the income mainly from the purchase of goods for the mega warehouse automation project in 2019 was excluded, the turnover of this business sub-segment in 2020, at HK$23.3 million, was actually up almost 41%. The increase was largely due to other income related to the mega project that was received in 2020, including the remaining hardware (the 4-ways shuttles) and maintenance service income for the core warehouse management applications with Automated Guided Vehicles ("AGVs"). Besides these, income from completed projects and work-in-progress projects in 2020 only increased slightly compared to 2019. We would have expected several more new projects with sizeable scale to be confirmed in 2020 had it not been for the COVID-19 pandemic and resultant poor operating environment, slackening our customer engagement progress and shelving the buying decisions of our customers. Aside from the new projects confirmed and mentioned in the interim report (including a Warehouse Management System ("WMS")/Transportation Management System ("TMS") ordered by a government licensed contractor for collecting and processing electrical waste as well as a tender won on the provision of a service for the Environmental Protection Department to enhance tracking of clinical and chemical waste consignments), we only managed to successfully sign up one new WMS project with a telecommunication service company and a few other orders for enhancement work on several previously delivered customer projects. Results from the second half year were a bit disappointing. However, as the pandemic began to subside towards the end of the third quarter and a lot of our customer engagement work could resume, we were glad to sign off two long-anticipated projects just before the end of the year, both of which are of considerable size. One was a WMS/TMS project ordered by a renowned group for managing its warehouse operation and distribution of its beverages and consumer and industrial goods in Hong Kong. The other project was an Order Fulfilment System ordered by our major retail chain customer. Returning to the previously mentioned mega warehouse automation project for the major retail chain customer, performance tuning of the AGVs and core applications have been successfully completed and tested to meet the committed service level. Following user acceptance of the system, the maintenance service charge has begun to come into effect. The ancillary 4-way shuttles project, meanwhile, is expected to complete performance testing in early 2021 for user acceptance.

Looking ahead to 2021, all signs thus far are pointing towards a recovery of the global economy over the next 12 months, but there are diverse views on the pace and magnitude of this recovery. Some optimists have predicted that the global economy will grow at record speed from the Great Lockdown in April 2020 to a Great Rebound in 2021, while others are more cautious given that there are still a host of uncertainties surrounding the current COVID-19 pandemic situation, as well as the emerging variants of the virus in different countries. Taking a more conservative view, we believe that the first half of 2021 will remain somewhat challenging. As for the year 2021 as a whole, we are hopeful that international trading activities and Hong Kong's external trade will assume moderate growth, reversing the GETS market shrinkage for two consecutive years since 2019. Benefiting from the market growth in 2021 and coupled with the modest price increase for our services that we are hoping to achieve, it is expected that our GETS revenue in 2021 will increase marginally. In terms of our pricing, there is a notable caveat. The increasing trend towards the shift of trade declaration submissions from shippers to forwarders/couriers is unfavorable to us, and could have an adverse impact on our overall average price. Forwarders/couriers have more bargaining power when it comes to lower pricing, and the larger their business transactions, the more they could potentially drag down our average price. While we are unable to stop or slow this unfavorable trend, we will ensure we deliver quality services to our customers and strive to increase our prices within the bounds of what our customers consider value-for-money. An additional strategy that we have been adopting is to offer a trade declaration preparation service for our shipper customers, relieving them from the tedious manual work and helping to alleviate their manpower shortage issues. For some shipper customers, this could be the very reason why they shifted the trade declaration work to their forwarders/couriers. Given that we already have a pool of data entry staff to handle and digitize paper declarations collected from our service centers, we could take on related data entry work from customers in a cost effective way. This part of the business, albeit not sizable, presents steadily growing opportunities. All said, we hope our GETS business will be slightly revived in 2021.

Regarding the Government's Trade Single Window ("SW"), the key development since the interim report is that the tender for the development of Phase 2 of SW was issued in November 2020, with a proposal submission deadline of December 2020. At the time of writing this report, the Government was still processing the tender proposals received. According to the tender document, SW Phase 2 documents will be rolled out in batches and in four phases. Should the successful tenderer be able to be confirmed and commence work within the second quarter of 2021, the earliest that the Phase 2a documents (the first batch of SW Phase 2 documents) will be rolled out is within the first quarter of 2023 and Phase 2d (the fourth and final batch of SW Phase 2) within the first quarter of 2024. We still have yet to hear from the Government regarding their plan for the future Value-Added Service Providers ("VASP") market under SW and their rollout schedule for SW Phase 3, in which documents under current GETS would be included. We will closely monitor the progress of the SW Phase 2 development and get ourselves as involved as possible in the Government's planning of the VASP market and development of SW Phase 3.

The outlook of our Supply Chain Solutions business in 2021 largely hinges on the pace and extent of the recovery of the Hong Kong economy. Automated warehouse projects are weighty investments and consequently customers will not make any hasty decisions on such purchases. Instead, customers will undertake a vigorous analysis of the financials, justifications and other considerations before decisions are made. Under an unfavorable operating environment, making such a decision is particularly daunting and will therefore take longer. In any case, with the leads that we have on hand for similar automated warehousing solutions and the solid reference from our major retail customer, we will do our very best to seize every new opportunity. Adhering to last year's strategy, which we found practical under such volatile market conditions, we will focus on selling our own applications/products. While such projects are usually of smaller scale, these low hanging fruits are generally easier and faster to pluck. For our Supply Chain Solutions business in 2021, we hope to do better than 2020 given the projects we already have on hand and the promising leads, though of smaller scale, that we have in the pipeline.

Generally speaking, as explained above, for the combined GETS and Supply Chain Solutions business for E-Commerce, we hope to achieve modest growth in 2021.

Identity Management ("IDM") Business Review

Continuing the strong momentum of our IDM business in the first half year, this business segment recorded remarkable results for the year as a whole. Segment revenue in 2020 amounted to HK$63.6 million, an increase of 14.0% when compared to the 2019 revenue of HK$55.8 million. Even more pleasing was the segment profit, which recorded a handsome growth of 65.9% from HK$10.6 million in 2019 to HK$17.6 million in 2020. The increase in turnover in 2020 was mainly due to the surge of HK$6.2 million income from ongoing maintenance services provided for previously delivered projects, compared to the corresponding income in 2019. A slight net growth in project revenue in 2020 was another contributor to the segment turnover increase. These increases in revenue were, however, offset by a reduction in security token sold to our bank customers, as the revenue from our security token delivery and related services dropped by HK$1.4 million year-on-year. The impressive increase in our segment profit was due to the reduction in our cost of purchases (including security tokens and maintenance work provided by external parties) and a significant increase in more profitable electronic Know-Your-Customer ("eKYC") projects vis-à-vis a moderate drop in more costly two-factor authentication ("2FA") projects in 2020 compared to 2019. As the demand for our eKYC solutions continues to increase while that for 2FA decreases, we believe our upcoming project profit margin will surge correspondingly.

Looking more closely at our projects with revenue recognized in 2020, they included projects completed and new projects confirmed with work-in-progress during the year. In terms of new projects, aside from those mentioned in the interim report, we have two orders for eKYC solutions from customers in the banking and financial industry and another application development/eKYC project from a key repeat corporate customer. In partnership with a prime contractor, we were successfully awarded a contract by a bank in Hong Kong whose parent company is one of the largest financial holding companies in Taiwan. We will provide our eKYC solutions, which supports the 2003 and 2018 Smart Hong Kong Identity ("HKID") Cards, for this bank customer. In regard to the other eKYC solutions, it was ordered by a newly established credit bureau that provides credit referencing and Fintech solutions which are built on a financial information platform. We will provide our eKYC solutions to support the digital onboarding of stockbroker customers of this credit bureau client. As for the repeat corporate customer, we will develop an application with the eKYC solutions to support the digital onboarding of the application's users.

While COVID-19 impacted our IDM business in 2020, it was to a lesser extent than our other business segments which were directly affected by the gloomy economy. The impact on this business segment was largely a slowdown of our customer engagement due to social distancing measures and work from home arrangements. The sales cycle took longer in 2020 under COVID-19. On the other hand, the pandemic created opportunities for us, as corporates are increasingly seeking IDM solutions for digital boarding and conducting online transactions in order to stay in business amid lockdowns and other anti-epidemic measures. Consequently, since the start of the epidemic, we have received more enquiries from a diverse range of industries regarding our suite of IDM solutions which they are interested to adopt under the 'new normal'.

Looking ahead to 2021, we have a couple of key focuses for our IDM business. First is the new class of digital certificate ("ID-Cert") for which we received formal recognition from the Office of the Government Chief Information Officer ("OGCIO") in the latter part of 2020. This new ID-Cert Class 12 will be issued using our eKYC solutions, supporting the use of e-Passports and other travel documents (such as Exit-Entry Permit for Travelling to and from Hong Kong and Macau as well as Mainland Travel Permit for Hong Kong and Macao Residents) for identification of individuals instead of using the traditional face-to-face identification process. With the technical and operational set up ready towards the end of the first half of 2021, we will pilot launch this new ID-Cert Class 12 starting the latter half of the year through our partners to financial institutes, such as stockbrokers for their clients holding e-Passports and other travel documents to digitally sign the account opening documents without the need for physical signatures on paper documents. We will test the market response during the pilot launch and fine tune our marketing strategy as appropriate for execution in the remaining months in 2021 and beyond.

Secondly, although the demand for 2FA solutions has seemingly fallen in recent years, in view of the fast-evolving emerging technologies, we will use the related advanced 2FA technology to enhance our product, not only to stay competitive but also to hopefully seize new opportunities and/or enter new markets.

For the aforementioned new credit bureau customer who will be using our eKYC solutions, it should be mentioned that they are not only our customer but also our partner. In addition to adopting our solution, they will act as our reseller, promoting our eKYC solutions to their stockbroker customers who have online business with their end users, or plan to. They are also one of our partners in promoting our new ID-Cert Class 12 for use by their clients in China for account opening on their online stock trading platform.

Last but not least, we will continue to vigorously pursue opportunities resulting from the numerous enquiries received since the outbreak of COVID-19 from a wide range of industries/organizations, including government departments and real estate agents. A large number of these are at the initial stage of exploring the possibilities of using an identity verification/management solution of some sort to support their online business or operation. As some of these organizations come from industries that are totally new to us, it remains to be seen whether we will be able to successfully offer practical solutions to them, as there may be factors outside of our control or specific domain knowledge which we may be lacking.

In summary, in regard to the outlook of our IDM business in 2021, we remain optimistic. While we have a number of promising leads and there is hope that the COVID-19 pandemic will subside, a lot of uncertainty still remains. We therefore have reservations regarding the accelerated growth seen in the past year continuing into 2021, but we do believe that business should be stable in the coming year.

Other Services Business Review

Our Other Services business, comprising Smart Point-of-Sales ("PoS"), GETS-related services and VSHIP, the community logistic platform, recorded disappointing results in 2020. With the COVID-19 pandemic continuing to dampen the Hong Kong economy in the second half of 2020, the performance of our Other Services business suffered a similarly sizeable decline as in the first half year. Segment revenue recorded in 2020 was HK$23.6 million, which, compared to the HK$35.0 million recorded in 2019, represented a contraction of 32.7%. Segment profit also dropped by 32.7%, from HK$14.8 million in 2019 to HK$10.0 million in 2020. While our VSHIP has yet to begin generating revenue and the GETS-related services suffered a single digit percentage drop along with our GETS business in 2020, the poor performance of our Other Services segment was largely due to the catastrophic effects of COVID-19 on our Smart PoS customers in the Hong Kong retail industry. Turnover recorded for our Smart PoS business in 2020 was HK$4.6 million, a steep fall of 69.0% when compared to the HK$14.8 million achieved in 2019. As in the first half year, we did not receive any new orders for Smart PoS devices from our bank customers during the second half year. As a result, we were reliant on the income generated by our maintenance and support ("M&S") service, which primarily came from Smart PoS devices deployed for the retail clients of our bank customers. The situation was made worse when we lost a M&S service contract with one of our bank customers in June 2020, and consequently we were no longer able to receive such M&S income from the Smart PoS devices deployed for this bank's retail customers for the remaining seven months of the year. Although this was not our largest bank customer, the loss of the contract has inevitably had an impact on our turnover. With the economy adversely affected by the COVID-19 pandemic, customers are more likely to be motivated by cost, and we lost this M&S service contract to another service provider who offered cut-throat pricing.

Our GETS-related services business, primarily comprising our Road Cargo System ("ROCARS"), the call center services offered to Customs and Excise Department ("C&ED") for their ROCARS and the paper-to-electronic conversion services for our GETS paper users, also contracted in 2020 due to the shrinkage of the GETS market, but to a slightly smaller extent than that of GETS. Revenue recorded for our GETS-related services was HK$19.0 million, down 6.1% compared to 2019's revenue of HK$20.2 million. There are two noteworthy items included in the revenue of the GETS-related services. The first is the data entry service mentioned earlier in this report. We offered this service to shipper customers to relieve them from the tedious manual work of preparing the trade declaration submissions. In contrast to the overall downward trend of our GETS business, revenue from this service increased, which helped to offset the drop in the performance of our traditional paper-to-electronic conversion service for customers using our service centers. The other new addition to our GETS-related services revenue was the revenue received from our collaboration with Ping An OneConnect Bank (Hong Kong) Limited ("PAOB"). Under this collaboration, we help PAOB to promote their SME loan services to those of our GETS customers they have whitelisted based on their credit assessment modeling, for which we provide data on our customers' usage of GETS. The pilot of this new approach to offering loan services commenced in June, with promotional activities going full force from October.

Going into 2021, we unfortunately continue to hold a pessimistic view regarding our Smart PoS business. Though it is generally believed that the Hong Kong economy will rebound in 2021 from a low base in 2020, benefiting the retail industry as a result, there is still a lot of uncertainty regarding the development of COVID-19 and the new variants of the virus being discovered in a number of countries worldwide, clouding the recovery of the global economy. In addition, until the border restrictions imposed by most countries are able to be removed and international travel can be resumed, the retail industry in Hong Kong, which heavily relies on tourists, is unlikely to return to pre-pandemic levels any time soon. Since the outbreak of COVID-19, an increasing number of retail shops shifted their focus to the online market and relied less on their physical stores. This switch to online retailing will continue even after the virus eventually subsides, and the demand for physical Smart PoS is expected to decline as a result. This explains why we are pessimistic about the sales and M&S service of our Smart PoS devices in 2021. With retailers increasingly moving online, we will explore the opportunity of offering online cashless payment solutions. As such solutions are already widely available in the market, we will need to be pragmatic and determined if we are to rise to the challenge of offering a more cost-effective, convenient solution than those currently available. In any case, we are prepared to review and adjust our PayTech solution strategy as necessary in light of the changing market landscape.

Regarding our GETS-related services, with the PAOB partnership added into the equation and the generally positive view of the GETS market, we hope to achieve a slight revenue growth in this sub-segment in 2021. Another positive note to add in regard to our GETS-related services is that we are happy to be awarded a 3-year new contract by the C&ED to provide call center services for their ROCARS upon expiry of the last contract in January 2021. We have been awarded such service contracts by C&ED ever since the service was launched in 2010. While the revenue from this contract is not that sizeable, the continuous award of such contracts by C&ED demonstrates our ability to consistently deliver reliable and quality services to the trading and logistics community, and this remains our competitive edge in the GETS market.

Last but not least, as was mentioned in the interim report, we made a plan to integrate VSHIP, the community logistics platform, with our core GETS platform, enabling the service it offers to be seamlessly provided to our GETS customers as a value-added service. With the completion of the technical integration work, we have renamed the bid-and-offer service under VSHIP to Freight Quotation Service ("FQS") as a value-added service under our GETS. We are promoting this FQS to our GETS shipper and forwarder customers as a chargeable service, with a free trial period as an extra incentive. With the disruption to the sea/air freight industry under COVID-19, we hope our customers will appreciate the benefits that our FQS can offer to them. Again, we will keep an open mind and monitor the market acceptance of this chargeable service and will revise our strategy as necessary.

To summarize, with both positive and negative elements affecting our Other Services business, we believe that we can maintain the stable performance of this business while striving to do our utmost to achieve modest growth in 2021.

Investment in PRC Associate Review

In 2020, business of Guangdong Nanfang Haian Science & Technology Service Company Limited ("Nanfang"), our major associate in China continued to run at a loss, thus continuing a downward trend that commenced since the second half of 2019. Our share of loss from its results amounted to HK$1.4 million in 2020 compared to a share of gain of HK$0.8 million in 2019, representing a swing of HK$2.2 million. The second half results of Nanfang actually improved slightly as our share of loss in the first half was

HK$2.2 million, which is more than the share of loss for the entire 2020 year. The swing of our share of its results for the first half of 2020, when compared to the same period in 2019 at HK$3.6 million, was higher than the swing for the whole year.

Though still running in the red in the second half of 2020, Nanfang managed to narrow their loss through additional income received and stringent cost control measures implemented. Additional income came from several previously carried forward projects and a few new Government projects completed before the end of the year, as well as various subsidies granted by the Central Government to relief businesses in difficulties resulting from the COVID-19 pandemic. On the cost side, impacted by an already shrinking business due to the loss of its most profitable river manifest declaration service and compounded by COVID-19, they have implemented strict measures to control costs, including the downsizing of their workforce in 2020. Staff numbers have been reduced by almost one half, with staff made redundant consisting mainly of those who previously were involved in the river manifest declaration service as well as some research and development staff.

As mentioned in the interim report, Nanfang has developed two new standard products that can readily be sold and deployed for government projects. Nanfang will seize all opportunities to promote and sell these products, which include bidding for relevant government projects by themselves, or if necessary, with local partners in other provinces. This will be their key business focus in 2021. On the cost side, they have plans to further rationalize their corporate structure and reduce their overall headcount based on actual market and business conditions.

Having dealt with numerous internal and external difficulties in recent years, it is hoped that the worst is now behind Nanfang. While its business outlook remains challenging, they are nonetheless confident in the ability to further reduce their loss in 2021, hence our share of their loss can be lowered accordingly.

FINANCIAL REVIEW

In 2020, the businesses of E-Commerce and Other Services declined while the Identity Management segment recorded growth. The Group's revenue was HK$261.2 million in 2020, decreased by 22.5% or HK$76.0 million as compared to 2019. Excluded the exceptional income in 2019 from the mega warehouse automation project which consisted mainly the supplies of goods, the Group's revenue in 2020 was decreased by 2.9% year-on-year. Revenue of E-Commerce segment was HK$174.0 million in 2020, represented a decrease of HK$72.3 million year-on-year. Of which, the GETS business recorded revenue of HK$150.7 million, declined by 6.9% or HK$11.1 million as compared to 2019. The GETS business was inevitably affected by the adverse business environment due to the unprecedented outbreak and spread of the COVID-19 pandemic during 2020. Revenue from the Supply Chain Solutions was reduced by HK$61.2 million to HK$23.3 million in 2020 after the substantial completion of the mega warehouse project in 2019. Revenue of this business generated from the maintenance and support services and such solutions as warehouse management services and order fulfilment services. As for the Identity Management segment, revenue increased from HK$55.8 million in 2019 by 14.0% to HK$63.6 million in 2020. It was mainly due to increased revenue from the maintenance and support services of IDM projects and increased demand from a variety of customers for the eKYC solutions which support businesses to recruit customers remotely. Despite the decline in the number of the one-time password tokens delivered to our major bank customers and the slow-down of the demand for biometric 2FA projects, the Group's IDM business achieved bright results during 2020. The revenue of Other Services in 2020 was HK$23.6 million, represented a drop of 32.7% or HK$11.4 million year-on-year. It was mainly caused by the sluggish performance of the Smart Point-of-Sales business as it was badly hit by the disruptions to economic activities of the retail sector caused by the pandemic in 2020.

The Group's operating expenses before depreciation in 2020 were HK$176.0 million, represented a decrease of 28.0% or HK$68.5 million from HK$244.5 million in 2019. It was mainly due to a drop in the cost of purchases by HK$64.1 million in 2020 which was corresponding to the exceptional item of supplies of goods delivered for the mega warehouse project in 2019. Staff costs was HK$120.8 million in 2020, an increase of 1.4% or HK$1.7 million as compared to the last financial year. The other operating costs were HK$31.4 million in 2020 as compared to HK$37.5 million in 2019, represented a drop of 16.2% or HK$6.1 million year-on-year. This was mainly attributable to the stringent cost control measures exercised by the Group on other operating expenses in 2020, such as its facilities management fees, the repair and maintenance expenses and expenses paid to business partners. Depreciation charges in 2020 was HK$9.1 million, up by HK$1.1 million as compared to 2019.

The Group successfully applied for funding support from the Employment Support Scheme ("ESS") of HK$13.0 million in 2020 and recorded fair value gain and investment income from its debt securities and investment funds totaled HK$2.7 million, but recorded HK$9.7 million net loss on the disposals of certain debt securities to mitigate investment risks under significant market volatility. As a result, the Group had other net income totaled HK$6.1 million during 2020.

The Group's profit from operations in 2020 was HK$92.7 million, a decrease of HK$8.5 million or 8.4% as compared to 2019.

In 2020, the Group shared a loss of HK$1.4 million from its associate, Nanfang, as compared to a share of profit of HK$0.8 million in 2019. As reported in the interim results, Nanfang continued to suffer from declined revenue and the challenging operating environment under COVID-19 pandemic. During 2020, a provision for impairment loss on interest in Nanfang of HK$9.0 million was made after a review of the investment in Nanfang.

Our wholly-owned subsidiary, Digital Trade and Transportation Network Limited ("DTTNCo"), providing e-solutions to its customers, had a deferred tax asset balance relating to tax loss amounted to HK$0.7 million as at the end of 2019. As DTTNCo continued to generate profit this year, this deferred tax asset was fully utilized and gave rise to a deferred tax charge of HK$0.7 million for 2020.

Included in the taxation for 2020 was HK$2.6 million enhanced tax deductions for certain research and development expenditures. Excluding the tax effect of the enhanced tax deductions, the Group's taxation for 2020 would be HK$12.2 million. The Group's after tax profit for 2020 was HK$72.8 million, decreased by 11.4% as compared to 2019.

Basic earnings per share for 2020 were HK 9.2 cents, lower than that for 2019 at HK 10.3 cents by HK 1.1 cents. Diluted earnings per share for 2020 were also HK 9.2 cents, lower than that for 2019 at HK 10.3 cents by HK 1.1 cents.

Dividend

The Board has recommended a final dividend of HK 7.25 cents per share for 2020 (2019: HK 6.5 cents per share). The proposed final dividend, which together with the interim dividend of HK 1.95 cents per share (2019: HK 3.3 cents per share) paid on 9 October 2020, will result in a total dividend of HK 9.2 cents for 2020. The total amount of interim and proposed final dividend for 2020 represents a payment of 99.5% of the Group's profit attributable to shareholders after excluding the deferred tax charge of HK$0.7 million relating to tax loss for 2020.

The proposed final dividend will be submitted to shareholders for approval at the annual general meeting on 7 May 2021. If approved, the final dividend will be paid to shareholders whose names appear on the register of members of the Company on 13 May 2021, on or about 26 May 2021.

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 100% of profit attributable to shareholders this year does not mean that the policy has changed.

Liquidity and Financial Position

As at 31 December 2020, the Group had total cash and bank deposits of HK$172.0 million (2019: HK$143.4 million). During 2020, Group diversified its investment of the surplus cash reserves from individual corporate bonds to a discretionary Asian investment grade single bonds portfolio and units in investment funds with a view to generate steady income while maintaining a diversified risk. Details of the investments in other financial assets are set out in the section headed "Significant Investments Held" below.

Total assets and net assets of the Group as at 31 December 2020 amounted to HK$586.2 million (2019: HK$592.3 million) and HK$384.3 million (2019: HK$370.9 million) respectively.

As at 31 December 2020, the Group had no borrowings (2019: Nil).

Significant Investments Held

As at 31 December 2020, the Group held other financial assets with an aggregate carrying amount of HK$292.1 million (2019: HK$317.6 million). The portfolio composed of HK$260.5 million listed debt securities (2019: HK$317.6 million) and HK$31.6 million units in investment funds (2019: Nil). The listed debt securities measured at FVOCI represented investment in corporate bonds; the listed debt securities measured at FVPL represented investment in a discretionary single bonds portfolio.

The movements in the other financial assets held by the Group during the year are as below:

	1 January 2020 *(HK$'000)*	Addition during the year *(HK$'000)*	Disposal/ maturity/ redemption during the year *(HK$'000)*	Fair value change measured at FVOCI *(HK$'000)*	Fair value change measured at FVPL *(HK$'000)*	Foreign exchange difference & others *(HK$'000)*	31 December 2020 *(HK$'000)*
Listed debt securities measured at FVOCI	317,642	21,786	(229,618)	(3,596)	—	(2,052)	104,162
Listed debt securities measured at FVPL	—	154,410	—	—	1,907	89	156,406
Units in investment funds measured at FVPL	—	31,194	—	—	389	(22)	31,561
	317,642	207,390	(229,618)	(3,596)	2,296	(1,985)	292,129

The details of the investments were as below:

(i) Listed debt securities measured at FVOCI

The listed debt securities measured at FVOCI held by the Group as at 31 December 2020 were 9 USD-denominated corporate bonds issued mainly by Hong Kong listed companies or their subsidiaries, covering various industry sectors including real estate, industrial other, commercial finance, life insurance and medical consumables. As at 31 December 2020, the nominal value of each investment ranged from US$1 million to US$3 million and the aggregate fair value of these bonds were HK$104.2 million (accounting for 17.8% of the Group's total assets) with coupon rates ranging from 2.375% to 6.9% per annum.

6 corporate bonds will mature in 2021 and 3 corporate bonds will mature between 2023 and 2025. As at 31 December 2020, 66% (31 December 2019: 65%) of the total carrying amount was invested in investment grade corporate bonds. The remaining 34% (31 December 2019: 35%) was invested in non-investment grade or non-rated corporate bonds. All corporate bonds held as at 31 December 2020 were tradable in open market.

Interest income of HK$8.5 million was generated by the listed debt securities measured at FVOCI for the year. On the other hand, the Group recorded a net loss on disposal of corporate bonds amounting to HK$9.7 million during the year in order to lower the its exposure in individual bonds and to mitigate the risk of potential high volatility of bond prices. The listed debt securities measured at FVOCI matured and disposed of during the year were HK$38.6 million and HK$191.0 million respectively with the disposal for each issue of no more than US$3 million nominal value.

(ii) Listed debt securities measured at FVPL

The Group seeks to achieve the investment objectives of reducing investment concentration risk and to enhance returns of its cash surplus reserves for shareholders. The Company entered into a discretionary asset management mandate with UBS AG, Hong Kong Branch ("the Manager") on 8 July 2020 and subsequently invested its cash surplus reserves in a discretionary Asian investment grade single bonds portfolio denominated in USD.

As at 31 December 2020, the portfolio consisted of 53 single bonds with individual nominal value of no more than US$0.5 million each. The single bond which had the largest carrying value, as at 31 December 2020, in this portfolio was HK$4.6 million (accounting for 0.8% of the Group's total assets) and the aggregate fair value of the portfolio was HK$156.4 million (accounting for 26.7% of the Group's total assets). As for bonds issuer type, approximate 52%, 32%, 15% and 1% in this portfolio were corporates, financials, government and others respectively. As for maturity dates, approximately 46% of the bonds will be matured within 5 years, 39% will be matured after 5 years and 15% belongs to perpetual bonds.

During 2020, the Group recorded a fair value gain on the listed debt securities measured at FVPL of HK$1.9 million which included interests received from the bonds, net of management fees. The average yield to maturity of the portfolio was 2.26% per annum at 31 December 2020.

The Company agreed to pay the Manager a management fee, payable quarterly in arrears, which is equal to 0.65% per annum applied to the monthly value of the managed portfolio based on the last business day of the previous month. The fees cover the management fee, transaction fee and custody fee. The Manager manages assets in the portfolio in accordance with the terms of the investment strategy set.

The objective is moderate appreciation of assets. Moderate volatility of asset value expected. The Company has the right to change the investment strategy, add or withdraw funds at any time.

(iii) Units in investment funds measured at FVPL

The Group also held 2 investment funds at 31 December 2020 with an aggregate amount of HK$31.6 million (accounting for 5.4% of the Group's total assets). The investments composed of HK$7.9 million and HK$23.7 million investments in UBS (CAY) Investment Fund Series — UBS Asian Bonds Series 5 (USD) and UBS (CAY) Investment Fund Series — UBS Asian Bonds Series 6 (USD) respectively. The former will mature on 30 June 2024 while the latter will mature on 22 December 2023. The target gross yield to maturity are 4.8%–5.3% and 5.0%–5.75% per annum respectively.

The investment funds focus on USD-denominated fixed income securities issued by sovereigns, quasi-sovereigns and corporates covering various industry sections such as real estate, banks and industrials in the Asia Pacific ex-Japan region. Each funds hold approximately 60–70 debt securities of investment grade on average. The investment funds aim to hold the bonds until maturity but will also monitor and review all the securities on a regular basis and take appropriate actions as necessary.

Investment income of HK$0.4 million was recorded in 2020 which represented dividend income distributed by the investment funds. A fair value gain totaled HK$0.4 million was also recognised during the year.

Save as disclosed above, the Group did not hold any other significant financial investment as at 31 December 2020.

To balance risk and returns, all investments in the other financial assets 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 reserves were parked in the other financial assets as part of our treasury operations to improve the yield of the Group's cash surpluses.

Material acquisitions or disposals

Saved as disclosed elsewhere in this results announcement, the Group did not have any material acquisitions or disposals in relations to subsidiaries, associates and joint ventures during the year ended 31 December 2020.

Capital and Reserves

As at 31 December 2020, the capital and reserves attributable to shareholders was HK$384.3 million (2019: HK$370.9 million), an increase of HK$13.4 million from the end of 2019.

Charges on Assets and Contingent Liabilities

As at 31 December 2020, the Group has obtained three bank guarantees totaling HK$2.2 million (2019: two bank guarantees of HK$2.1 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$2.2 million (2019: HK$2.1 million).

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

Capital Commitments

Capital commitments contracted for as at 31 December 2020 not provided for in the financial statements amounted to HK$3.4 million (2019: HK$3.7 million), mainly in respect of the purchase of leasehold improvements and office equipment for the Group.

Employees and Remuneration Policy

As at 31 December 2020, the Group employed 267 staff (2019: 275), of which 235 are in Hong Kong and 32 in Guangzhou. The related staff costs for the year came to HK$120.8 million (2019: HK$119.1 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 2020, other than its investments in the PRC established entities and other financial assets 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 2020.

The Board

As at 31 December 2020, the Company is 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 2020.

Audit Committee

The Audit Committee has reviewed the Group's accounting policies and the consolidated financial statements for the year ended 31 December 2020. 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 7.25 cents per share for 2020 (2019: HK 6.5 cents per share), an increase of 11.5%. The proposed final dividend, together with the interim dividend of HK 1.95 cents per share (2019: HK 3.3 cents per share) paid on 9 October 2020, represents a dividend payout ratio of 99.5% of the Group's profit after excluding the deferred tax relating to tax loss for 2020.

The proposed final dividend will be submitted to shareholders for approval at the annual general meeting ("AGM") on Friday, 7 May 2021. If approved, the final dividend will be paid to shareholders whose names appear on the register of members of the Company on Thursday, 13 May 2021, on or about Wednesday, 26 May 2021.

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, 4 May 2021 to Friday, 7 May 2021, 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, 7 May 2021. 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, 3 May 2021.

The register of members will also be closed from Thursday, 13 May 2021 to Monday, 17 May 2021, 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, 12 May 2021.

Publication of Final Results and 2020 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 2020 will be dispatched to shareholders and published on the aforesaid websites in April 2021.

AGM

It is proposed that the AGM of the Company be held on Friday, 7 May 2021. 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, 23 March 2021

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, Mr. CHAU Tak Hay, Ms. CHAN Chi Yan, Mr. CHUNG Wai Kwok, Jimmy and Mr. HO Lap Kee, Sunny, M.H., J.P.