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## Tradelink Electronic Commerce Limited

### 貿易通電子貿易有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 536)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors (the “**Board**”) of Tradelink Electronic Commerce Limited (“**Tradelink**” or the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS For the six months ended 30 June 2021 (Unaudited)

		Six months ended 30 June	
		2021	2020
	Note	(HK\$'000)	(HK\$'000)
<b>Revenue</b>	3	<b>128,502</b>	119,703
Interest income		2,187	6,942
Other net loss	5	(5,540)	(1,590)
Cost of purchases		(11,306)	(13,447)
Staff costs	6(a)	(59,206)	(58,037)
Depreciation	6(b)	(4,134)	(4,514)
Other operating expenses	6(c)	(14,705)	(17,410)
<b>Profit from operations</b>		<b>35,798</b>	31,647
Reversal/(recognition) of impairment loss on other financial assets		1,623	(630)
Impairment loss on interest in an associate	10	—	(4,400)
Share of results of associates		(1,475)	(2,156)
<b>Profit before taxation</b>	6	<b>35,946</b>	24,461
Taxation	7	(5,948)	(4,279)
<b>Profit for the period</b>		<b>29,998</b>	20,182

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2021 (Unaudited) (Continued)*

		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<b>(HK\$'000)</b>	<b>(HK\$'000)</b>
<b>Earnings per share (HK cents)</b>			
Basic	9	<b>3.78</b>	2.54
Diluted		<b>3.77</b>	<b>2.54</b>

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 six months ended 30 June 2021 (Unaudited)*

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(HK\$'000)</b>	<b>(HK\$'000)</b>
<b>Profit for the period</b>	<b>29,998</b>	20,182
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the operations outside Hong Kong	<b>(659)</b>	(308)
Debt securities measured at fair value through other comprehensive income (“FVOCI”) — net movement in fair value reserve	<u><b>2,300</b></u>	<u>117</u>
<b>Total comprehensive income for the period</b>	<u><b>31,639</b></u>	<u>19,991</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2021 (Unaudited)**

	<i>Note</i>	As at 30 June 2021 Unaudited (HK\$'000)	As at 31 December 2020 Audited (HK\$'000)
<b>Non-current assets</b>			
Property, plant and equipment		25,828	24,064
Goodwill		9,976	9,976
Interest in associates		2,467	4,542
Other financial assets	14	69,384	69,914
Deferred tax assets	11	728	652
		<u>108,383</u>	<u>109,148</u>
<b>Current assets</b>			
Trade receivables and contract assets	12	40,979	64,711
Other receivables, prepayments and other contract costs	13	14,881	16,503
Other financial assets	14	206,077	222,215
Taxation recoverable		2,050	1,639
Deposits with banks		6,976	69,073
Cash and cash equivalents		163,564	102,956
		<u>434,527</u>	<u>477,097</u>
<b>Current liabilities</b>			
Trade creditors, contract liabilities and other payables	15	176,152	196,313
Taxation payable		3,228	226
		<u>179,380</u>	<u>196,539</u>
<b>Net current assets</b>		<u>255,147</u>	<u>280,558</u>
<b>Total assets less current liabilities</b>		<u>363,530</u>	<u>389,706</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2021 (Unaudited) (Continued)*

		As at 30 June 2021 Unaudited (HK\$'000)	As at 31 December 2020 Audited (HK\$'000)
	<i>Note</i>		
<b>Non-current liabilities</b>			
Provision for long service payments		2,953	3,012
Deferred tax liabilities	<i>11</i>	1,303	1,167
Other payables	<i>15</i>	648	1,200
		<u>4,904</u>	<u>5,379</u>
<b>NET ASSETS</b>		<b><u>358,626</u></b>	<b><u>384,327</u></b>
<b>Capital and reserves</b>			
Share capital	<i>16</i>	296,093	296,093
Reserves		62,533	88,234
<b>TOTAL EQUITY</b>		<b><u>358,626</u></b>	<b><u>384,327</u></b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30 June 2021 (Unaudited)**

	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 2020		296,093	6,750	438	(5,643)	12	73,277	370,927
<b>Changes in equity for the six months ended 30 June 2020:</b>								
Dividends approved in respect of the previous year		—	—	—	—	—	(51,651)	(51,651)
Equity-settled share-based transactions		—	357	—	—	—	—	357
Lapse of share options		—	(53)	—	—	—	53	—
Profit for the period		—	—	—	—	—	20,182	20,182
Other comprehensive income for the period		—	—	(308)	117	—	—	(191)
Total comprehensive income for the period		—	—	(308)	117	—	20,182	19,991
As at 30 June 2020 and 1 July 2020		296,093	7,054	130	(5,526)	12	41,861	339,624
<b>Changes in equity for the six months ended 31 December 2020:</b>								
Dividends declared in respect of the current year	8	—	—	—	—	—	(15,495)	(15,495)
Equity-settled share-based transactions		—	430	—	—	—	—	430
Lapse of share options		—	(308)	—	—	—	308	—
Profit for the period		—	—	—	—	—	52,618	52,618
Other comprehensive income for the period		—	—	1,252	5,898	—	—	7,150
Total comprehensive income for the period		—	—	1,252	5,898	—	52,618	59,768
As at 31 December 2020		296,093	7,176	1,382	372	12	79,292	384,327

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30 June 2021 (Unaudited) (Continued)**

	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 2021		296,093	7,176	1,382	372	12	79,292	384,327
<b>Changes in equity for the six months ended 30 June 2021:</b>								
Dividends approved in respect of the previous year		—	—	—	—	—	(57,611)	(57,611)
Equity-settled share-based transactions		—	271	—	—	—	—	271
Lapse of share options		—	(337)	—	—	—	337	—
Profit for the period		—	—	—	—	—	29,998	29,998
Other comprehensive income for the period		—	—	(659)	2,300	—	—	1,641
Total comprehensive income for the period		—	—	(659)	2,300	—	29,998	31,639
As at 30 June 2021		<u>296,093</u>	<u>7,110</u>	<u>723</u>	<u>2,672</u>	<u>12</u>	<u>52,016</u>	<u>358,626</u>

## **Notes:**

### **1. BASIS OF PREPARATION**

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2021 but are extracted from the interim financial report. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "SEHK"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 24 August 2021.

The accounting policies adopted in preparing the interim financial report are consistent with those used in preparing the Group's annual financial statements for the year ended 31 December 2020, except for the changes set out in *Note 2*.

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

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

### **2. CHANGES IN ACCOUNTING POLICIES**

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

- Amendments to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

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



### 3. REVENUE

The principal business of the Group is the provision of Government Electronic Trading Services (“GETS”) for processing certain official trade-related documents. Revenue represents the value of services provided and goods supplied to customers. All of the Group’s revenue is within the scope of HKFRS 15, *Revenue from contracts with customers*. The amount of each significant category of revenue recognised during the period is disclosed in *Note 4*.

### 4. SEGMENT REPORTING

The Board 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 periods ended 30 June 2021 and 2020 are set out below.

	Six months ended 30 June 2021			Total (HK\$'000)
	E-Commerce (HK\$'000)	Identity Management (HK\$'000)	Other Services (HK\$'000)	
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	72,805	7,373	9,441	89,619
Over time	16,122	18,367	4,394	38,883
<b>Revenue from external customers</b>	<b>88,927</b>	<b>25,740</b>	<b>13,835</b>	<b>128,502</b>
Inter-segment revenue	—	3,921	2,627	6,548
<b>Reportable segment revenue</b>	<b>88,927</b>	<b>29,661</b>	<b>16,462</b>	<b>135,050</b>
Elimination of inter-segment revenue				(6,548)
<b>Consolidated revenue</b>				<b>128,502</b>
<b>Reportable segment profit</b>	<b>32,912</b>	<b>2,851</b>	<b>6,996</b>	<b>42,759</b>
Interest income				2,187
Other net loss				(5,540)
Depreciation				(4,134)
Reversal of impairment loss on other financial assets				1,623
Share of results of associates				(1,475)
Unallocated corporate income				526
<b>Consolidated profit before taxation</b>				<b>35,946</b>

#### 4. SEGMENT REPORTING (CONTINUED)

	Six months ended 30 June 2020			Total (HK\$'000)
	E-Commerce (HK\$'000)	Identity Management (HK\$'000)	Other Services (HK\$'000)	
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	66,766	10,717	8,489	85,972
Over time	14,825	15,954	2,952	33,731
<b>Revenue from external customers</b>				
Inter-segment revenue	—	3,910	2,863	6,773
<b>Reportable segment revenue</b>	81,591	30,581	14,304	126,476
Elimination of inter-segment revenue				(6,773)
<b>Consolidated revenue</b>				<u>119,703</u>
<b>Reportable segment profit</b>				
Interest income				6,942
Other net loss				(1,590)
Depreciation				(4,514)
Recognition of impairment loss on other financial assets				(630)
Impairment loss on interest in an associate				(4,400)
Share of results of associates				(2,156)
Unallocated corporate expenses				(1,991)
<b>Consolidated profit before taxation</b>				<u>24,461</u>

#### Geographic information

No geographic information is shown as the revenue and operating profit of the Group is substantially derived from activities in Hong Kong.

## 5. OTHER NET LOSS

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	(HK\$'000)
Net loss on disposal of debt securities measured at FVOCI	(4,713)	(3,726)
Investment income from units in investment funds measured at fair value through profit or loss ("FVPL")	672	61
Fair value loss on other financial assets measured at FVPL:		
— Units in investment funds	(612)	(122)
— Debt and equity securities	(896)	—
Other income	9	23
Government grants for Employment Support Scheme	—	2,174
	<u>(5,540)</u>	<u>(1,590)</u>

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 was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	(HK\$'000)
<b>(a) Staff costs:</b>		
Contributions to defined contribution retirement plan	1,724	1,726
Equity-settled share-based payment expenses	271	357
Salaries, wages and other benefits	57,211	55,954
	<u>59,206</u>	<u>58,037</u>
<b>(b) Depreciation:</b>		
Owned property, plant and equipment	2,618	3,082
Right-of-use assets	1,516	1,432
	<u>4,134</u>	<u>4,514</u>
<b>(c) Other operating expenses:</b>		
Auditors' remuneration	624	639
Directors' fees and emoluments	1,116	1,153
Facilities management fees	2,403	2,546
Repair and maintenance fees	2,500	2,780
Office rental and utilities	1,893	1,766
Telecommunication costs	866	905
Promotion and marketing expenses	323	368
Impairment loss on trade receivables and contract assets	685	864
Net foreign exchange (gain)/loss	(526)	1,991
Others	4,821	4,398
	<u>14,705</u>	<u>17,410</u>

## 7. TAXATION

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	(HK\$'000)
Provision for Income Tax for the period		
— Hong Kong Profits Tax	5,888	3,929
— Outside Hong Kong	—	11
Deferred taxation ( <i>Note 11</i> )	60	339
	<u>5,948</u>	<u>4,279</u>
Income tax expense	<u>5,948</u>	<u>4,279</u>

The provision for Hong Kong Profits Tax for the period is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

## 8. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	(HK\$'000)	(HK\$'000)
Interim dividend declared after the interim period of HK2.8 cents per share (2020: HK1.95 cents per share)	22,250	15,495

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$29,998,000 (2020: HK\$20,182,000) and the weighted average number of 794,634,000 ordinary shares (2020: 794,634,000 ordinary shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$29,998,000 (2020: HK\$20,182,000) and the weighted average number of 794,802,000 ordinary shares (2020: 794,634,000 ordinary shares), after adjusting for the effect of the potential dilution from ordinary shares issuable under the Company's share option scheme.

## 10. IMPAIRMENT LOSS ON INTEREST IN AN ASSOCIATE

At 30 June 2021, the Group carried out an impairment assessment for the recoverable amount of Guangdong Nanfang Hai'an Science & Technology Service Company Limited ("Nanfang"). As the recoverable amount of Nanfang was not less than the carrying amount, no additional provision for impairment loss was made for the period ended 30 June 2021. In prior years, provision for impairment loss of HK\$16,500,000 had 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% (2020: 14%), by reference to the projected volume, activity level and future growth rates of 3% (2020: 3%) beyond the five-year period financial forecast of the underlying business of Nanfang up to 2038. For the periods ended 30 June 2021 and 30 June 2020, same basis of impairment measurement in respect of the interest in Nanfang was performed by management.

## 11. DEFERRED TAXATION

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

<i>Deferred tax arising from:</i>	<b>Depreciation allowances in excess of related depreciation (HK\$'000)</b>	<b>Credit loss allowance (HK\$'000)</b>	<b>Fair value changes on other financial assets measured at FVPL (HK\$'000)</b>	<b>Total (HK\$'000)</b>
As at 1 January 2021	(1,072)	652	(95)	(515)
(Charged)/credited to profit or loss	(231)	(292)	463	(60)
As at 30 June 2021	<u>(1,303)</u>	<u>360</u>	<u>368</u>	<u>(575)</u>
			<b>As at 30 June 2021 (HK\$'000)</b>	<b>As at 31 December 2020 (HK\$'000)</b>
Representing:				
Deferred tax assets on the consolidated statement of financial position			728	652
Deferred tax liabilities on the consolidated statement of financial position			<u>(1,303)</u>	<u>(1,167)</u>
			<u>(575)</u>	<u>(515)</u>

## 12. TRADE RECEIVABLES AND CONTRACT ASSETS

	<i>Note</i>	As at 30 June 2021 (HK\$'000)	As at 31 December 2020 (HK\$'000)
Trade receivables, net of loss allowance	(a)	27,883	39,577
Contract assets, net of loss allowance	(b)	13,096	25,134
		<u>40,979</u>	<u>64,711</u>

### (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:

	As at 30 June 2021 (HK\$'000)	As at 31 December 2020 (HK\$'000)
Less than 1 month	12,369	12,626
1 to 3 months	6,792	7,141
3 to 12 months	6,918	16,933
Over 12 months	1,804	2,877
	<u>27,883</u>	<u>39,577</u>

All of 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)*).

### (b) Contract assets, net of loss allowance

The Group's contracts include payment schedules which require stage payments over the contract period once milestones are reached. These payment schedules prevent the build-up of significant contract assets.

All of the revenue recognised during the period are from performance obligations satisfied (or partially satisfied) in the current period.

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



### 13. OTHER RECEIVABLES, PREPAYMENTS AND OTHER CONTRACT COSTS

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

### 14. OTHER FINANCIAL ASSETS

	<i>Note</i>	As at 30 June 2021 (HK\$'000)	As at 31 December 2020 (HK\$'000)
<b>Financial assets measured at FVOCI</b>			
— Listed debt securities	<i>(a)</i>	<u>84,797</u>	<u>104,162</u>
<b>Financial assets measured at FVPL</b>			
— Listed debt and equity securities	<i>(b)</i>	<u>159,673</u>	156,406
— Units in investment funds	<i>(c)</i>	<u>30,991</u>	<u>31,561</u>
		<u>190,664</u>	<u>187,967</u>
		<u>275,461</u>	<u>292,129</u>
Representing:			
— Non-current		<u>69,384</u>	69,914
— Current		<u>206,077</u>	<u>222,215</u>
		<u>275,461</u>	<u>292,129</u>

- (a) The amount represents USD-denominated corporate bonds. The debt securities are issued by corporate entities with credit quality commensurate with the return as considered acceptable to the Group.

During the six months ended 30 June 2021, the Group did not acquire any corporate bonds (six months ended 30 June 2020: HK\$21,786,000) but disposed of corporate bonds at a consideration of HK\$18,528,000 (six months ended 30 June 2020: HK\$157,213,000).

- (b) The amount comprises the investment in a USD-denominated discretionary Asian investment grade single bonds portfolio and shares of a Hong Kong listed equity security.

The former has a carrying value of HK\$155,696,000 (31 December 2020: HK\$156,406,000). The portfolio is managed by the Group's financial service provider. It consists of bonds with fixed maturity dates and perpetual bonds.

The latter has a carrying value of HK\$3,977,000 (31 December 2020: Nil). During the six months ended 30 June 2021, the Group acquired the shares in the equity at a cost of HK\$3,950,000 (six months ended 30 June 2020: Nil).

#### 14. OTHER FINANCIAL ASSETS (CONTINUED)

- (c) The amount represents USD-denominated units in bond funds. The bond funds are with credit quality commensurate with the return as considered acceptable to the Group.

During the six months ended 30 June 2021, the Group did not acquire any units in bond funds (six months ended 30 June 2020: HK\$7,826,000).

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 30 June 2021, the units in investment funds measured at FVPL held by the Group fall into Level 2 of the fair value hierarchy, whereas all other financial assets held by the Group fall into Level 1 of the fair value hierarchy.

The fair value of corporate bonds, single bonds portfolio and equity investments 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 six months ended 30 June 2021 and 2020, there were neither transfers between Level 1 and Level 2, nor 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.

## 15. TRADE CREDITORS, CONTRACT LIABILITIES AND OTHER PAYABLES

	<i>Note</i>	As at 30 June 2021 (HK\$'000)	As at 31 December 2020 (HK\$'000)
Trade creditors	<i>(a)</i>	10,468	24,894
Customer deposits received	<i>(b)</i>	118,697	122,144
Accrued charges and other payables		23,096	32,718
Contract liabilities		22,714	15,335
Lease liabilities		1,825	2,422
		<u>176,800</u>	<u>197,513</u>
Representing:			
— Non-current		648	1,200
— Current		176,152	196,313
		<u>176,800</u>	<u>197,513</u>

### (a) Trade creditors

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

	As at 30 June 2021 (HK\$'000)	As at 31 December 2020 (HK\$'000)
Less than 1 month	10,425	24,480
1 to 3 months	43	414
	<u>10,468</u>	<u>24,894</u>

### (b) Customer deposits received

Customer deposits received are refundable on demand.

## 16. SHARE CAPITAL

	As at 30 June 2021		As at 31 December 2020	
	Number of shares (in '000)	Amounts (HK\$'000)	Number of shares (in '000)	Amounts (HK\$'000)
<b>Ordinary shares, issued and fully paid:</b>				
As at 1 January, 30 June and 31 December	<u>794,634</u>	<u>296,093</u>	<u>794,634</u>	<u>296,093</u>

## 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 17 April 2020 and 16 April 2021, 7,900,000 and 6,800,000 share options were granted respectively for HK\$1.00 consideration to Directors, senior management and employees of the Group under Share Option Scheme 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### E-Commerce Business Review

For the first half of 2021, our E-Commerce business comprising Government Electronic Trading Services (“GETS”) and Supply Chain Solutions recorded a total revenue of HK\$88.9 million, an increase of 9.0% or HK\$7.3 million relative to the same period last year. With total costs kept at almost the same level as last year, segment profit for the period was HK\$32.9 million, 27.6% or HK\$7.1 million more than the HK\$25.8 million for the same period last year.

Driven by a visible revival of global trading and production activities along with the pick-up of demand in many major markets following the mass rollout of Coronavirus Disease 2019 (“COVID-19”) vaccination programs in many economies, Hong Kong’s external trade recorded strong performance in the first half of 2021. With a much improved operating environment, the overall GETS market saw a sharp V-shape recovery in the first half of 2021, up 22% year-on-year. Though the marked percentage increase for the period was against a particularly low base last year when the global economy was devastated by the spread of COVID-19, in terms of actual transaction volume in the first half of the year, it hit a record high post-global financial crisis. While our total GETS transaction volume processed also increased in tandem with the overall market, the transaction volume growth from our major courier customers was almost three times that of the overall market. To put into context the effect of our major courier customers’ volume growth on our business volume, the share of their transaction volume for the first half of 2021 was up almost 30% compared with their share for the same period last year. Although the average price increased for most of our GETS customers, with our major courier customers’ notably increasing volume and the steep volume discount prices they were given, overall average price dropped year-on-year during the period, ending the average price upward trend that started in 2019. Nevertheless, given the significant increase in the total volume processed, our GETS revenue for the period still increased by a handsome 13.3% from HK\$72.4 million last year to HK\$82.0 million this year.

As for the Supply Chain Solutions, it recorded sub-segmental revenue of HK\$6.9 million for the first half year, down 24.8% from HK\$9.2 million for the same period last year. On top of recurrent revenue, the amount included revenue recognised for work-in-progress (“WIP”) projects. A major WIP project was the Warehouse Management System (“WMS”)/Transportation Management System (“TMS”) confirmed late last year by a renowned group. Our WMS/TMS aims to facilitate management of warehouse operation and distribution of beverages and consumer and industrial goods by the client. We have been making good progress with the project as scheduled and expect it to be completed by the end of the year. While apparently the revenue of this business sub-segment dropped 24.8%, or HK\$2.3 million, year-on-year, last year’s number actually included the 4-way shuttles charges which our major retail client paid for the hardware ordered

for the automated warehouse solution project. If this one-time charge item was excluded, revenue recorded by the Supply Chain Solutions sub-business segment for the reporting period was at large comparable to the revenue last year.

For the second half year, we are reasonably optimistic about the outlook of our GETS business given the positive market development so far in 2021. Though there are still uncertainties associated with the pandemic, according to the International Monetary Fund forecast in early April, the global economy is expected to rebound by 6% in 2021. The economic figures and forecast released so far all pointed to a robust post-recession recovery of the global economy, though uneven among markets and business segments. We expect the overall GETS market to continue to grow in the latter half of 2021 compared with the same period in 2020, although the rate would unlikely be able to sustain at the same high level as the first six months at 22%. As mentioned in the 2020 Annual Report, the GETS market improved in the second half of 2020, almost returning to the same level as the same period in 2019 when the Hong Kong economy was hit by the Sino-US trade disputes and local social issues. For the second half of 2021, the comparison would be against a ‘higher’ base. Nevertheless, generally speaking, an overall double digit growth for the GETS market for the entire 2021 is a reasonable assumption. While the competitive environment for the GETS market has been rather stable for some time, it faces the challenge of growing business volume of major courier customers which drags our average price down. That said, the Group is still positive about the outlook of our GETS business in 2021.

Regarding the Government’s Trade Single Window (“TSW”) implementation, tender result for the development of Phase 2 of TSW involving 28 document types (total 41 forms) has just been released. According to the Government timetable, rollout of the Phase 2 documents by batches will commence in the first quarter of 2023. This is an aggressive plan for a development project of such complexity. As for TSW Phase 3, which essentially covers all current GETS documents, the Government has yet to release a high level plan. Given our long and extensive experience in GETS, we would touch base with the Government offering our views on TSW Phase 3 implementation and the future Value-Added Services Providers market under TSW. As always, the Group holds the view that TSW could be an opportunity to us based on our robust experience and sound domain knowledge and relationship with our customers.

As for the Supply Chain Solutions, the Group holds a neutral to cautiously optimistic view about the outlook of the business in the latter half year. While on one hand, we have a couple of hot leads on hand which hopefully could be concluded before the end of the year and with other projects already on hand, we believe the sub-segment could achieve stable performance for 2021. On the other hand, a thorough review of the strategy of the business is currently underway to identify growth driver(s) and decide whether re-orientation of the business direction and focus is needed based on the services/products we have developed and customer references we have built up so far in the market. This would pave the way for the development of our Supply Chain Solutions business in 2022 and beyond.

All in all, the Group is confident of our combined GETS and Supply Chain Solutions E-Commerce business segment for the rest of 2021 and optimistic about the business segment achieving growth for full year 2021.

### **Identity Management (“IDM”) Business Review**

For the first half of 2021, the Group’s revenue from IDM business was HK\$25.7 million, down marginally by 3.5% compared with the HK\$26.7 million recorded for the same period last year. The slight drop in revenue of our IDM business was partly due to the reduction of project revenue and partly because of the continuous shrinkage of our security token business and related delivery services which was the general trend we had foreseen some years ago. Over the years, our bank customers have been replacing hard tokens with soft tokens for use by their clients. During the period, project revenue was recognised on a WIP basis on carry-forward projects which mainly related to our electronic Know-Your-Customer (“eKYC”) solutions as well as two new projects from a repeat customer who has deployed our biometric authentication solution for use by their clients on their mobile betting application. To further enhance their betting application, this customer placed an order early in the year for using our eKYC solution for digital onboarding of betting accounts of their clients. In conjunction with one of their overseas partners, we would also provide local support service to monitor their betting application, the second project confirmed with this customer during the period. As regards two-factor authentication (“2FA”) projects which generate lower margin than our eKYC solutions, we had completed our most recent order last year. Without the lower margin 2FA project as well as a drop of our more costly security token and related delivery services business during the period, notwithstanding a slight decline of 3.5% of our turnover, the reportable segment profit actually increased from HK\$2.2 million last year to HK\$2.9 million this year, up 32.3% year-on-year.

Looking ahead for the remainder of the year, we are reasonably optimistic about the prospects of our IDM business. One reason is that we actually have on hand a couple of new orders confirmed early in the second half of the year with development work to commence shortly. One of these was an eKYC solution ordered by a local bank with a Mainland Chinese background. The other project was our eKYC solution for digital onboarding of users on the future electronic Mandatory Provident Fund (“eMPF”) platform to be launched by the MPF Authority (“MPFA”) in the next one-to-two years. To meet MPFA’s current schedule, we need to deliver the bulk of our solutions to the prime contractor for this eMPF project by the end of this year.

While continuing developing works on confirmed projects and pursuing high potential leads on hand, we are conducting vigorous research and study on further enhancement of our suite of IDM solutions. More specifically, we are working on enhancing our eKYC solutions to support identity documents beyond the Hong Kong Identity Card (such as e-passports and China Identity Card), as well as support of multi-platforms (such as web-based, tablet versions and kiosk/service centre models). In fact some of these enhanced features would be deployed on our solution to be delivered to support the

eMPF platform. Another area which we are exploring is on extending the use of our digital onboarding solutions currently by individual only to corporate use. To this end, we are looking into possible collaboration with partners in this segment to capture this corporate digital onboarding opportunity. Last but not least, regarding our new class of recognised digital certificate, ID-Cert Class 12 which was mentioned in the 2020 Annual Report, we are working on a target pilot launch date of the service towards the end of this year. For the pilot launch of our new ID-Cert Class 12, we have already attracted a number of stock brokers interested to join and at least two of them have confirmed their participation. We are working with them on development of a total solution supporting application of the new ID-Cert for use by their clients on their platform.

### **Other Services Business Review**

For the first half of 2021, our Other Services business segment recorded remarkable results as its turnover and segment profit both grew considerably compared with the same period last year. The total revenue from Other Services comprising Smart Point-of-Sales (“PoS”) and GETS-related services was HK\$13.8 million, representing an increase of 20.9% compared with the revenue at HK\$11.4 million for the same period last year. Segment profit during the reporting period surged 44.1% year-on-year from HK\$4.9 million last year to HK\$7.0 million this year.

As the local retail market slowly recovered following the gradual relaxation of social distancing measures since early this year, the Smart PoS business recorded improvement during the period with revenue increasing 43.8% year-on-year from HK\$2.1 million last year to HK\$3.0 million this year. Apart from the ongoing maintenance service income from existing Smart PoS deployment, revenue for the period this year was also generated from a new Smart PoS sales order from our major bank customer as well as a small development project from this customer. Though this Smart PoS sales order was not sizeable, we were pleased to see our Smart PoS business slowly reviving from almost a standstill since the beginning of last year.

The GETS-related business which primarily comprises our Road Cargo System (“ROCARS”), the call centre services offered to Customs & Excise Department’s (“C&ED’s”) ROCARS and the paper-to-electronic conversion services for our GETS paper users also recorded a strong performance with revenue at HK\$10.8 million for the first half of 2021, representing an increase of 15.7% compared with the revenue at HK\$9.3 million for the same period last year. The revenue growth was partly due to the increase in prices for our services and partly from our collaboration with Ping An OneConnect Bank (Hong Kong) Limited (“PAOB”). As mentioned in our 2020 Annual Report, we received revenue from PAOB for assisting them to promote their SME loan services to those of our GETS customers which they have whitelisted based on their credit assessment modelling, for which we provided data on our customers’ usage of GETS. PAOB commenced a pilot run of their service in June and a full service launch in October last year. For the first half of 2021, a handsome revenue was generated from this collaboration.



Looking ahead for the remainder of the year, we are cautiously optimistic about our Smart PoS business as the near-term outlook for the retail market would still be challenging given that inbound tourism has remained frozen amid travel restrictions worldwide. The growing concern about the new COVID-19 variants also poses further uncertainty to the pace of recovery of the retail market. That said, barring any catastrophic circumstances hitting the retail market hard in the latter half of the year, we are confident that we could keep a moderate growth of our Smart PoS business for the whole of 2021.

Regarding the outlook of the GETS-related services in the latter half year, as with our GETS business, we are reasonably confident of maintaining a strong performance based on its close ties with the GETS market for which we believe could sustain at least a double-digit growth year-on-year. Furthermore, added to the equation is the increasing amount of income from our collaboration with PAOB.

Lastly as mentioned in our 2020 Annual Report, our community logistics platform VSHIP has been integrated into our core GETS platform and renamed as Freight Quotation Service (“FQS”) as a value-added service for our GETS customers. While we would strive to charge customers for using FQS, we would offer the service for free to some of our GETS customers as a value-added service to enhance customers’ stickiness with us.

To sum up, we remain confident about the prospects of our Other Services business for the second half of 2021 and believe we could attain reasonable growth in this business segment for the whole of 2021.

### **China Associate Review**

During the reporting period, our major associate in China, Guangdong Nanfang Haian Science & Technology Service Company Limited (“Nanfang”) recorded slightly improved performance, with our share of loss reduced from HK\$2.2 million last year to HK\$1.5 million this year. After cessation of its most profitable river manifest declaration services since the second half of 2019, Nanfang had been focusing on Customs-related projects and pursuing opportunities thereof. Having strong domain knowledge, experience and relationship with relevant government agencies/authorities, during the reporting period, Nanfang successfully won a couple of such government projects. Its revenue for the period was mainly generated from projects carried forward from last year and new projects. On the cost side, Nanfang has implemented stringent cost control measures including drastically downsizing its workforce and closing its branch offices. For the first half of 2021, while its turnover dropped about 22% year-on-year, it managed to reduce its costs by as much as 40%.

Looking ahead for the rest of the year, though Nanfang's business was still running at a loss in the first half year, with a few sizeable government projects upcoming which it is confident of winning, plus some further step up cost control measures which it would implement, Nanfang's business performance hopefully would improve. Nanfang will strive to break even for the year, or at least to minimise its loss.

## **Financial Review**

The Group's revenue for the six months ended 30 June 2021 was HK\$128.5 million, an increase of 7.4% over the same period last year. The GETS business in our E-Commerce segment recorded strong growth followed by the rebound of the GETS market during the first half of 2021. Amid some slowdown of the momentum of the Supply Chain Solutions services in the E-Commerce segment, the revenue of the E-Commerce rose by 9.0% to HK\$88.9 million. Revenue of IDM services dropped by 3.5% to HK\$25.7 million with slight decrease in the one-time password tokens delivered to our bank customers. Meanwhile our eKYC solutions continued to gain popularity from the market. Revenue of our Other Services increased by 20.9% to HK\$13.8 million for the first half of 2021 as a result of increase in GETS-related other services and mild improvement on the performance of our Smart PoS business.

Interest income for the first half of 2021 was HK\$2.2 million, represented a drop of 68.5% from HK\$6.9 million for the corresponding period in 2020. This was partly attributed to the persistent reduction in bank interest rate on time deposits and partly owing to our reduced investment of cash surplus in corporate bonds by more than 60% during the first half of 2021 when compared to that of the last review period. The cash surplus had been re-allocated to a discretionary single bonds portfolio managed by UBS AG, Hong Kong Branch in the third quarter of 2020, and all its income and expenses were reflected as fair value changes and were recorded as other net income/loss.

Besides, without the HK\$2.2 million funding support from the Employment Support Scheme received in the last review period, the other net loss for the first half of 2021 increased by HK\$4.0 million to HK\$5.5 million. The loss was mainly due to HK\$4.7 million loss on full disposal of a corporate bond for risk mitigation and the fair value loss of other investments. On the other hand, a reversal of provision for expected credit loss on corporate bonds of HK\$1.6 million was made with such provision no longer necessary after the disposal and maturity of certain corporate bonds during the review period.

The Group's operating expenses before depreciation for the first half of 2021 were HK\$85.2 million, representing a decrease of 4.1% or HK\$3.7 million from HK\$88.9 million for the corresponding period in 2020. Staff costs were HK\$59.2 million the first half of 2021, an increase of 2.0% or HK\$1.2 million when compared to the corresponding period last year as more costs were required to recruit and retain the IT talents. The other operating costs were HK\$14.7 million in the first half of 2021 as compared to HK\$17.4 million in last review period, representing a drop of 15.5% or

HK\$2.7 million year-on-year. This was mainly attributable to the swing in foreign currency exchange difference on our investment portfolio of HK\$2.5 million for the two interim periods that there was an exchange gain of HK\$0.5 million during the first half of 2021 but an exchange loss of HK\$2.0 million recorded in the same period last year. Depreciation charges in the first six months in 2021 were HK\$4.1 million, as compared to HK\$4.5 million recorded in the corresponding period in 2020.

The Group's profit from operations for the review period in 2021 was HK\$35.8 million, an increase of HK\$4.2 million or 13.1% as compared to the corresponding period in 2020.

In the first half of 2021, the Group had a share of loss of HK\$1.5 million from its associate, Nanfang, reduced by HK\$0.7 million year-on-year. There was no provision for impairment loss on this associate during the review period as compared to HK\$4.4 million provision made during the corresponding period last year.

The Group's unaudited after tax profit for the six months of 2021 was HK\$30.0 million, increased by HK\$9.8 million or 48.6% as compared to the corresponding period in 2020.

Basic earnings per share for the first six months of 2021 were HK3.78 cents, higher than that for 2020 at HK2.54 cents by HK1.24 cents. Diluted earnings per share for the first half of 2021 were HK3.77 cents, higher than that for the same period in 2020 at HK2.54 cents by HK1.23 cents.

### **Dividend**

The Board has resolved to declare an interim dividend of HK2.8 cents per share (2020: HK1.95 cents per share) for the six months ended 30 June 2021 to shareholders, an increase of 43.6%. The interim dividend payout ratio is about 74.2% of the Group's profit for the period. The interim dividend payout ratio is same as the ratios for the previous years at about 75%.

### **Liquidity and Financial Position**

As at 30 June 2021, the Group had total cash and bank deposits of HK\$170.5 million (31 December 2020: HK\$172.0 million). The Group held investments in corporate bonds, a discretionary single bonds portfolio, bond funds and Tracker Fund of Hong Kong. Details of the investments in these financial assets are set out in the section headed "Significant Investments Held" below.

Total assets and net assets of the Group as at 30 June 2021 amounted to HK\$542.9 million (31 December 2020: HK\$586.2 million) and HK\$358.6 million (31 December 2020: HK\$384.3 million) respectively.

As at 30 June 2021, the Group had no borrowings (31 December 2020: Nil).

## Significant Investments Held

As at 30 June 2021, the Group held investments in other financial assets with an aggregate carrying amount of HK\$275.5 million (31 December 2020: HK\$292.1 million). These assets were

Financial assets measured at fair value through other comprehensive income (“FVOCI”):

— corporate bonds being listed debt securities with carrying value of HK\$84.8 million;

Financial assets measured at fair value through profit or loss (“FVPL”):

— (a) a discretionary single bonds portfolio with carrying value of HK\$155.7 million and (b) shares in Tracker Fund of Hong Kong (SEHK: 2800) with carrying value of HK\$4.0 million, together as listed debt and equity securities; and

— bond funds with carrying value of HK\$31.0 million.

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

	1 January 2021 (HK\$'000)	Addition during the period (HK\$'000)	Disposal/ maturity/ redemption during the period (HK\$'000)	Fair value change measured at FVOCI (HK\$'000)	Fair value change measured at FVPL (HK\$'000)	Foreign exchange difference & others (HK\$'000)	30 June 2021 (HK\$'000)
<b>Financial assets measured at FVOCI</b>							
— Listed debt securities	104,162	—	(18,528)	(790)	—	(47)	84,797
<b>Financial assets measured at FVPL</b>							
— Listed debt and equity securities	156,406	3,950	—	—	(896)	213	159,673
— Units in investment funds	31,561	—	—	—	(612)	42	30,991
	<u>292,129</u>	<u>3,950</u>	<u>(18,528)</u>	<u>(790)</u>	<u>(1,508)</u>	<u>208</u>	<u>275,461</u>

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 30 June 2021 were 6 (31 December 2020: 9) USD-denominated corporate bonds issued mainly by Hong Kong listed companies or their subsidiaries, covering different industry sectors including real estate, industrial other and commercial finance. As at 30 June 2021, 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\$84.8 million (accounting for 15.6% of the Group's total assets) with coupon rates ranging from 2.375% to 6.55% per annum.

3 corporate bonds will mature in the second half of 2021 and the remaining 3 corporate bonds will mature between 2023 and 2025. As at 30 June 2021, 72% (31 December 2020: 66%) of the total carrying amount was invested in investment grade corporate bonds. The remaining 28% (31 December 2020: 34%) was invested in non-investment grade or non-rated corporate bonds. All corporate bonds held as at 30 June 2021 were tradable in open market.

Interest income of HK\$1.9 million was generated by the listed debt securities measured at FVOCI for the period (30 June 2020: HK\$5.4 million). The decrease in interest income is mainly due to the decrease in investment in corporate bonds by about 60% during the review period when compared to that of the corresponding period in 2020. Besides, the Group recorded a loss on disposal of corporate bonds of HK\$4.7 million during the review period to close our exposure in a corporate bond for risk mitigation. On the other hand, a reversal of the provision for expected credit loss of HK\$1.6 million was made for those corporate bonds disposal of and matured during the review period. The corporate bonds measured at FVOCI matured and disposed of during the period totaled HK\$18.5 million with the disposal for each issue of no more than US\$3 million nominal value.

**(ii) *Listed debt and equity securities measured at FVPL***

The Group also invests in a discretionary single bonds portfolio and the Tracker Fund of Hong Kong.

- (a) 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 30 June 2021, the portfolio consisted of 54 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 30 June 2021, in this portfolio was HK\$4.4 million (accounting for 0.8% of the Group's total assets) and the aggregate fair value of the portfolio was HK\$155.7 million (accounting for 28.7% of the Group's total assets). As for bonds issuer type, approximate 54%, 31% and 15% in this portfolio were corporates, financials and government respectively. As for maturity dates, approximately 46% of the bonds will mature within 5 years, 41% will mature after 5 years and 13% belongs to perpetual bonds. The average yield to maturity of the portfolio was 2.29% per annum (gross of fee) at 30 June 2021.

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.

- (b) The Group invested in Tracker Fund of Hong Kong at the cost of about HK\$4.0 million during the first half of 2021.

During the first half of 2021, the Group recorded a fair value loss on the listed debt and equity securities measured at FVPL of HK\$0.9 million.

***(iii) Units in investment funds measured at FVPL***

The Group also held 2 Asian bond funds at 30 June 2021 with an aggregate amount of HK\$31.0 million (accounting for 5.7% of the Group's total assets). The investments composed of HK\$7.8 million and HK\$23.2 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. As of 30 June 2021, the average credit ratings of the Series 5 fund and the Series 6 fund were below investment grade and investment grade respectively. 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\$0.7 million was recorded during the interim period in 2021 which represented dividend income distributed by the investment funds. On the other hand, a fair value loss of HK\$0.6 million on the bond funds was recorded during the first half of 2021.

Save as disclosed above, the Group did not hold any other significant financial investment as at 30 June 2021.

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 Board 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 and associates during the period ended 30 June 2021.

### **Capital and Reserves**

As at 30 June 2021, the capital and reserves attributable to shareholders was HK\$358.6 million (31 December 2020: HK\$384.3 million), a decrease of HK\$25.7 million from the end of 2020 after the distribution of the 2020 final dividend.

### **Charges on Assets and Contingent Liabilities**

As at 30 June 2021, the Group has obtained two bank guarantees totaling HK\$2.2 million (31 December 2020: three bank guarantees of HK\$2.2 million) issued to the Government for the due performance by the Group pursuant to the terms of the contracts with the Government. The bank guarantees are secured by a charge over deposits totaling HK\$2.2 million (31 December 2020: HK\$2.2 million). Other than the foregoing, the Group did not have any other charges on its assets.

## **Capital Commitments**

Capital commitments outstanding as at 30 June 2021 not provided for in the financial statements amounted to HK\$0.4 million (31 December 2020: HK\$3.4 million), mainly in respect of the purchase of computer equipment for the Group.

## **Employees and Remuneration Policy**

As at 30 June 2021, the Group employed 264 staff (30 June 2020: 265), of which 234 are in Hong Kong and 30 in Guangzhou. The related staff costs for the period came to HK\$59.2 million (30 June 2020: HK\$58.0 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 30 June 2021, 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 Corporate Governance Code**

The Company is committed to a high standard of corporate governance practices and every effort is made to ensure full compliance with the code provisions in the Corporate Governance Code (the “Code”) set out in Appendix 14 of the Listing Rules. The Company confirms that it has complied with all code provisions during the six months ended 30 June 2021.

### **The Board**

Currently, the Company is led by and controlled through its Board which comprises three Executive Directors (“ED”), four Non-executive Directors (“NED”), including the Chairman of the Board, and five Independent Non-executive Directors (“INED”). 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 ED and service contracts between the Company and its NED and INED.

During the six months ended 30 June 2021, the Company convened three Board meetings.

Directors attended the Board meeting held on 5 February 2021 to approve the change of Company Secretary, Authorized Representative and Primary Authorized Person.

All Directors attended the meeting held on 23 March 2021 and in the meeting, the Directors reviewed and approved, among other things, the 2020 annual results, the 2020 annual report, the effectiveness of Group’s risk management and internal control systems and share option allocations for eligible staff for 2020.

All Directors attended the meeting held on 29 June 2021 and in the meeting, the Directors noted, among other things, the annual update on the cyber security implementation in the Group and the timetable for the 2021 interim results announcement and reviewed the Shareholders Communication Policy of the Company.

The attendance of Directors in Board meetings of the Company during the six months ended 30 June 2021 is as follows:

	<b>Board meetings attended/ Eligible to attend</b>
<b>Chairman and Non-executive Director</b>	
Dr. LEE Nai Shee, Harry, S.B.S., J.P.	3/3
<b>Executive Directors</b>	
Mr. TSE Kam Keung ( <i>Chief Executive Officer</i> )	3/3
Mr. CHENG Chun Chung, Andrew ( <i>Chief Technology Officer</i> )	3/3
Ms. CHUNG Shun Kwan, Emily ( <i>Chief Operations Officer</i> )	3/3
<b>Non-executive Directors</b>	
Dr. LEE Delman <sup>(1)</sup>	2/3
Mr. YING Tze Man, Kenneth	3/3
Mr. YUEN Wing Sang, Vincent	3/3
<b>Independent Non-executive Directors</b>	
Mr. CHAK Hubert	3/3
Ms. CHAN Chi Yan	3/3
Mr. CHAU Tak Hay	3/3
Mr. CHUNG Wai Kwok, Jimmy	3/3
Mr. HO Lap Kee, Sunny, M.H., J.P.	3/3

*Note:*

- (1) Dr. LEE Delman apologized for the Board meeting held on 5 February 2021 due to other prior business engagements.

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

The Company has adopted the Model Code and, having made specific enquiry of all Directors, confirms that all Directors have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2021.

#### **Audit Committee**

The interim results and the interim financial report for the six months ended 30 June 2021 have not been audited but have been reviewed by the Company’s external auditor, KPMG, and the Audit Committee of the Company.

## OTHER INFORMATION

### Interim Dividend

The Board has resolved to declare an interim dividend of HK2.8 cents per share (2020: HK1.95 cents per share) for the six months ended 30 June 2021 to shareholders whose names appear on the register of members of the Company on 27 September 2021. Dividend will be paid to shareholders on or around 8 October 2021. The interim dividend payout ratio is about 74.2% of the Group's profit for the period.

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

During the six months ended 30 June 2021, 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 Monday, 27 September 2021 to Wednesday, 29 September 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration, no later than 4:30 p.m. on Friday, 24 September 2021.

### Publication of Interim Results and Interim Report

This interim results announcement is published on the respective websites of the Company ([www.tradelink.com.hk](http://www.tradelink.com.hk)) and HKEXnews ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2021 interim report of the Company for the six months ended 30 June 2021 will be dispatched to shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 24 August 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.