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 2022

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 2022.

FINANCIAL HIGHLIGHTS

	Note	**Year ended 31 December 2022 *(HK$'000)***	Year ended 31 December 2021 *(HK$'000)*
Revenue	*3*	**258,815**	273,825
Profit from operations		**80,094**	90,986
Profit attributable to equity shareholders of the Company		**52,333**	73,653
Total assets		**532,561**	564,530
Net assets		**364,413**	378,630
Dividend per share (HK cents)	*8*		
Interim		**1.83**	2.8
Proposed final		**4.67**	6.45
Proposed special		**2.75**	–
Earnings per share (HK cents)	*9*		
Basic		**6.6**	9.3
Diluted		**6.6**	9.3
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 2022

	Note	**2022** *(HK$'000)*	2021 *(HK$'000)*
Revenue	*3*	**258,815**	273,825
Cost of purchases		**(18,167)**	(22,749)
Staff costs	*5(a)*	**(118,610)**	(122,348)
Depreciation	*5(b)*	**(8,479)**	(8,484)
Other operating expenses	*5(c)*	**(33,465)**	(29,258)
Profit from operations		**80,094**	90,986
Other net loss	*6*	**(20,427)**	(2,035)
Impairment loss on interest in an associate		**–**	(834)
Share of results of an associate		**(585)**	(1,899)
Profit before taxation	*5*	**59,082**	86,218
Taxation	*7*	**(6,749)**	(12,565)
Profit for the year		**52,333**	73,653
Earnings per share (HK cents)	*9*		
Basic		**6.6**	9.3
Diluted		**6.6**	9.3

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 2022

	2022 *(HK$'000)*	2021 *(HK$'000)*
Profit for the year	**52,333**	73,653
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	**(46)**	(643)
Debt securities measured at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserve	**(1,148)**	776
Total comprehensive income for the year	**51,139**	73,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	**2022 (HK$'000)**	2021 (HK$'000)
Non-current assets			
Property, plant and equipment		**20,756**	23,531
Goodwill		**9,976**	9,976
Interest in an associate	*10*	**–**	1,282
Other financial assets	*11*	**–**	35,238
Deferred tax assets	*12*	**137**	1,255
		30,869	71,282
Current assets			
Trade receivables and contract assets	*13*	**42,093**	40,210
Other receivables, prepayments and other contract costs	*14*	**19,557**	12,156
Other financial assets	*11*	**–**	231,364
Taxation recoverable		**2,953**	309
Deposits with banks		**69,977**	44,576
Cash and cash equivalents		**366,545**	164,633
		501,125	493,248
Non-current assets classified as assets held for sale	*10*	**567**	–
		501,692	493,248
Current liabilities			
Trade creditors, contract liabilities and other payables	*15*	**163,291**	175,187
Taxation payable		**851**	6,412
		164,142	181,599
Net current assets		**337,550**	311,649
Total assets less current liabilities		**368,419**	382,931
Non-current liabilities			
Provision for long service payments		**2,810**	2,805
Deferred tax liabilities	*12*	**1,006**	1,227
Other payables	*15*	**190**	269
		4,006	4,301
NET ASSETS		**364,413**	378,630
Capital and Reserves			
Share capital	*16*	**296,093**	296,093
Reserves		**68,320**	82,537
TOTAL EQUITY		**364,413**	378,630

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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
Changes in equity for 2021								
Dividends approved in respect of the previous year		–	–	–	–	–	(57,611)	(57,611)
Equity-settled share-based transactions		–	378	–	–	–	–	378
Lapse of share options		–	(337)	–	–	–	337	–
Profit for the year		–	–	–	–	–	73,653	73,653
Other comprehensive income for the year		–	–	(643)	776	–	–	133
Total comprehensive income for the year		–	–	(643)	776	–	73,653	73,786
Dividends declared in respect of the current year	*8*	–	–	–	–	–	(22,250)	(22,250)
As at 31 December 2021		**296,093**	**7,217**	**739**	**1,148**	**12**	**73,421**	**378,630**
Changes in equity for 2022								
Dividends approved in respect of the previous year		**–**	**–**	**–**	**–**	**–**	**(51,254)**	**(51,254)**
Equity-settled share-based transactions		**–**	**440**	**–**	**–**	**–**	**–**	**440**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**52,333**	**52,333**
Other comprehensive income for the year		**–**	**–**	**(46)**	**(1,148)**	**–**	**–**	**(1,194)**
Total comprehensive income for the year		**–**	**–**	**(46)**	**(1,148)**	**–**	**52,333**	**51,139**
Dividends declared in respect of the current year	*8*	**–**	**–**	**–**	**–**	**–**	**(14,542)**	**(14,542)**
As at 31 December 2022		**296,093**	**7,657**	**693**	**–**	**12**	**59,958**	**364,413**

Notes:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2022 and 2021 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 2021 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 2022 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 2021 except for the changes stated as in *Note 2*.

The consolidated financial statements for the year ended 31 December 2022 comprise the Group and the Group's interest in an associate.

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 11)*.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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.

1. BASIS OF PREPARATION (CONTINUED)

The following comparative figures in the consolidated statement of profit or loss have been reclassified to conform with the current year's presentation:

- Reclassification of other net loss of HK$9,595,000, mainly loss on disposals of debt securities, investment income from investment funds and fair value loss of other financial assets *(Note 6)* to a line below profit from operations.

- Reclassification of reversal of impairment loss on other financial assets of HK$1,882,000 to other net loss.

- Reclassification of interest income of HK$3,340,000 to other net loss.

- Reclassification of net foreign exchange gain of HK$2,338,000, mainly arising from debt securities and investment funds, from other operating expenses to other net loss.

In the opinion of the Board, the reclassification made to the comparative figures better present the operating activities of the Group and there is no significant impact on the consolidated statement of profit or loss for the year ended 31 December 2021.

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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss.

Amendment to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

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 the Group's Government Electronic Trading Services and supply chain solutions.
Identity Management:	This segment generates income from the provision of digital certificate services, security products and biometric-based authentication solutions for identity management.
Other Services:	This segment comprises handling fees for paper-to-electronic conversion services, income from payment technology solutions and other projects.

Revenue and expenses are allocated to the reportable segments with reference to fees and sales generated and the expenses incurred by those segments. The measure used for reporting segment results is profit before interest, taxation and depreciation.

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 2022 and 2021 are set out below.

	31 December 2022			
	E-Commerce *(HK$'000)*	**Identity Management** *(HK$'000)*	**Other Services** *(HK$'000)*	**Total** *(HK$'000)*
Disaggregated by timing of revenue recognition				
Point in time	**129,053**	**13,757**	**16,346**	**159,156**
Over time	**43,112**	**33,954**	**22,593**	**99,659**
Revenue from external customers	**172,165**	**47,711**	**38,939**	**258,815**
Inter-segment revenue	**–**	**7,817**	**5,680**	**13,497**
Reportable segment revenue	**172,165**	**55,528**	**44,619**	**272,312**
Elimination of inter-segment revenue				**(13,497)**
Consolidated revenue				**258,815**
Reportable segment profit	**60,904**	**5,248**	**22,421**	**88,573**
Depreciation				**(8,479)**
Other net loss				**(20,427)**
Share of results of an associate				**(585)**
Consolidated profit before taxation				**59,082**

4. SEGMENT REPORTING (CONTINUED)

	31 December 2021			
	E-Commerce *(HK$'000)*	Identity Management *(HK$'000)*	Other Services *(HK$'000)*	Total *(HK$'000)*
Disaggregated by timing of revenue recognition				
Point in time	150,895	13,947	20,692	185,534
Over time	37,494	39,871	10,926	88,291
Revenue from external customers	188,389	53,818	31,618	273,825
Inter-segment revenue	–	7,826	5,471	13,297
Reportable segment revenue	188,389	61,644	37,089	287,122
Elimination of inter-segment revenue				(13,297)
Consolidated revenue				273,825
Reportable segment profit	74,423	9,673	15,374	99,470
Depreciation				(8,484)
Other net loss				(2,035)
Impairment loss on interest in an associate				(834)
Share of results of an associate				(1,899)
Consolidated profit before taxation				86,218

Geographic information

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

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2022 *(HK$'000)*	2021 *(HK$'000)*
(a)	**Staff costs:**		
	Contributions to defined contribution retirement plan	**3,298**	3,415
	Equity-settled share-based payment expenses	**440**	378
	Salaries, wages and other benefits	**114,872**	118,555
		118,610	122,348
(b)	**Depreciation:**		
	Owned property, plant and equipment	**5,496**	5,462
	Right-of-use assets	**2,983**	3,022
		8,479	8,484
(c)	**Other operating expenses:**		
	Auditors' remuneration	**1,039**	1,051
	Directors' fees and emoluments	**2,280**	2,330
	Facilities management fees	**4,805**	4,806
	Repair and maintenance fees	**5,777**	5,422
	Office rental and utilities	**3,903**	3,824
	Consultancy fees	**3,564**	898
	Telecommunications costs	**1,711**	1,737
	Promotion and marketing expenses	**2,518**	737
	Impairment loss on trade receivables and contract assets	**173**	265
	Others	**7,695**	8,188
		33,465	29,258

6. OTHER NET LOSS

	Note	**2022** **(HK$'000)**	2021 (HK$'000)
Net loss on disposals of debt securities measured at FVOCI		**(1,534)**	(4,777)
Reversal of impairment loss on other financial assets	*11*	**1,447**	1,882
Fair value loss on other financial assets measured at fair value through profit or loss ("FVPL"):			
– Units in investment funds		**(16,686)**	(5,679)
– Debt and equity securities		**(15,819)**	(577)
Investment income on other financial assets measured at FVPL:			
– Units in investment funds		**887**	1,348
– An equity security		**12**	90
Interest income		**5,567**	3,340
Net foreign exchange gain		**171**	2,338
Government grants for Employment Support Scheme	*(a)*	**5,528**	–
		(20,427)	(2,035)

(a) In 2022, 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 employers to retain their current employees or hire more employees when the business revives. Under the terms of the grant, the Group is required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

7. TAXATION

	2022 **(HK$'000)**	2021 (HK$'000)
Current tax – Hong Kong Profits Tax		
Provision for the year	**5,899**	13,172
Over-provision in respect of prior year	**(50)**	(68)
	5,849	13,104
Current tax – outside Hong Kong		
Provision for the year	**–**	4
Under-provision in respect of prior year	**3**	–
	3	4
Deferred taxation		
Origination and reversal of temporary differences	**897**	(543)
	6,749	12,565

7. TAXATION (CONTINUED)

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

For the Company, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated at the same basis in 2021.

The provision for Hong Kong Profits Tax for 2022 and 2021 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

	2022	2021
	(HK$'000)	*(HK$'000)*
Interim	**14,542**	22,250
Proposed final	**37,109**	51,254
Proposed special	**21,853**	–
	73,504	73,504

The final dividend and special dividend proposed after the end of the reporting period have 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$52,333,000 (2021: HK$73,653,000) and the weighted average number of 794,634,000 ordinary shares (2021: 794,634,000 ordinary shares) in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$52,333,000 (2021: HK$73,653,000) and the weighted average number of ordinary shares of 794,634,000 (2021: 794,926,000) after adjusting for the effect of the potential dilution from ordinary shares issuable under the Company's share option scheme.

10. INTEREST IN AN ASSOCIATE AND NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE

On 26 December 2022, the Group entered into an agreement to sell its entire interest of 20% of Guangdong Nanfang Haian Science & Technology Service Company Limited ("Nanfang") at a consideration of RMB6,432,000 (equivalent to approximately HK$7,176,000) to 海華電子企業（中國）有限公司, a subsidiary of the controlling shareholder of Nanfang. Thereafter, the Group's interest in Nanfang have been classified as non-current assets held for sale.

11. OTHER FINANCIAL ASSETS

	Note	**2022** **(HK$'000)**	2021 (HK$'000)
Financial assets measured at FVOCI			
Listed debt securities	*(a)*	**–**	9,430
Financial assets measured at FVPL			
Listed debt and equity securities	*(b)*	**–**	161,188
Units in investment funds	*(c)*	**–**	95,984
		–	257,172
		–	266,602
Representing:			
– Non-current		**–**	35,238
– Current		**–**	231,364
		–	266,602

(a) As at 31 December 2021, the amount represented USD-denominated corporate bonds. The debt securities were issued by corporate entities with credit quality commensurate with the return as considered acceptable to the Group.

During the year ended 31 December 2022, the Group did not acquire any corporate bonds (2021: Nil) but disposed of all corporate bonds at a consideration of HK$8,253,000 (2021: partially disposed of corporate bonds at a consideration of HK$92,676,000).

All corporate bonds held as at 31 December 2021 were non-investment grade or non-rated and tradable in open market.

As at 31 December 2021, there was no debt securities measured at an amount equal to lifetime ECL. All debt securities did not have significant credit risk at 31 December 2021.

(b) As at 31 December 2021, the amount comprised the investment in a USD-denominated discretionary Asian investment grade single bonds portfolio and shares of a Hong Kong listed equity security.

As at 31 December 2021, the former had a carrying value of HK$157,589,000. The portfolio was managed by the Group's financial service provider. It consisted of listed bonds with fixed maturity dates and listed perpetual bonds. During the year ended 31 December 2022, the Group disposed of all its investment in the portfolio at a consideration of HK$142,620,000 (2021: Nil).

As at 31 December 2021, the latter had a carrying value of HK$3,599,000. During the year ended 31 December 2022, the Group did not acquire any shares of the equity security (2021: acquired the shares in the equity security at a cost of HK$4,415,000), but disposed of all the shares of the equity security at a consideration of HK$3,254,000 (2021: Nil).

11. OTHER FINANCIAL ASSETS (CONTINUED)

(c) As at 31 December 2021, the amounts represented USD-denominated investment funds. They mainly invested in equities, bonds, and might invest in other funds and financial derivative instruments.

During the year ended 31 December 2022, the Group did not acquire any units in investment funds (2021: acquired units in investment funds at a cost of HK$69,926,000), and disposed of all the units in investment funds at a consideration of HK$79,961,000 (2021: Nil).

During the year ended 31 December 2022, the Group disposed of all the units in investment funds, corporate bonds, single bonds portfolio and equity investments.

Loss allowances

The Group measures loss allowances for debt securities measured at FVOCI 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 measured at FVOCI during the year is as follows:

	2022			2021		
	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	**1,447**	**–**	**1,447**	2,140	1,189	3,329
Reversal of impairment loss during the year	**(1,447)**	**–**	**(1,447)**	(693)	(1,189)	(1,882)
Balance as at 31 December	**–**	**–**	**–**	1,447	–	1,447

12. DEFERRED TAXATION

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

Deferred tax arising from:	**Depreciation allowances in excess of related depreciation** ***(HK$'000)***	**Credit loss allowance** ***(HK$'000)***	**Fair value changes on other financial assets measured at FVPL** ***(HK$'000)***	**Total** ***(HK$'000)***
As at 1 January 2022	**(1,227)**	**206**	**1,049**	**28**
Credited/(charged) to profit or loss	**221**	**(69)**	**(1,049)**	**(897)**
As at 31 December 2022	**(1,006)**	**137**	**–**	**(869)**

12. DEFERRED TAXATION (CONTINUED)

	2022 **(HK$'000)**	2021 *(HK$'000)*
Representing:		
Deferred tax assets in the consolidated statement of financial position	**137**	1,255
Deferred tax liabilities in the consolidated statement of financial position	**(1,006)**	(1,227)
	(869)	28

At the end of the reporting period, the Group has total tax losses of HK$5,572,000 (2021: HK$11,820,000). The Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$5,572,000 (2021: HK$11,820,000) 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.

13. TRADE RECEIVABLES AND CONTRACT ASSETS

	Note	**2022** **(HK$'000)**	2021 *(HK$'000)*
Trade receivables, net of loss allowance	*(a)*	**27,134**	24,969
Contract assets, net of loss allowance	*(b)*	**14,959**	15,241
		42,093	40,210

(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:

	2022 **(HK$'000)**	2021 *(HK$'000)*
Less than 1 month	**13,751**	15,769
1 to 3 months	**8,132**	4,614
3 to 12 months	**4,851**	3,970
Over 12 months	**400**	616
	27,134	24,969

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

13. 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.

The amount of contract assets expected to be recovered after more than one year is HK$1,901,000 (2021: HK$4,936,000). All of the other contracts 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:

	2022				
	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)	**26,914**	**(129)**	**0.1%**	**(20)**	**(149)**
Less than 1 month past due	**5,265**	**–**	**0.4%**	**(23)**	**(23)**
1 to 3 months past due	**4,801**	**–**	**0.7%**	**(34)**	**(34)**
Over 3 months past due	**5,941**	**(385)**	**4.3%**	**(237)**	**(622)**
	42,921	**(514)**		**(314)**	**(828)**

	2021				
	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)	28,945	(126)	–	–	(126)
Less than 1 month past due	4,580	–	–	–	–
1 to 3 months past due	2,564	–	–	–	–
Over 3 months past due	4,948	(305)	8.5%	(396)	(701)
	41,037	(431)		(396)	(827)

13. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

(c) Loss allowances (continued)

Expected loss rates are based on actual loss experience over the past one year. 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 allowance is made in respect of balances 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:

	2022 *(HK$'000)*	2021 *(HK$'000)*
As at 1 January	**827**	1,952
Amounts written off during the year	**(172)**	(1,390)
Impairment losses recognised during the year	**173**	265
As at 31 December	**828**	827

14. OTHER RECEIVABLES, PREPAYMENTS AND OTHER CONTRACT COSTS

	Note	**2022** *(HK$'000)*	2021 *(HK$'000)*
Other receivables and prepayments	*(a)*	**12,479**	7,638
Other contract costs	*(b)*	**7,078**	4,518
		19,557	12,156

(a) Other receivables and prepayments

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

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

(b) Other contract costs

Other contract costs capitalised as at 31 December 2022 and 2021 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 (2021: Nil).

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

15. TRADE CREDITORS, CONTRACT LIABILITIES AND OTHER PAYABLES

	Note	**2022** **(*HK$'000*)**	2021 (*HK$'000*)
Trade creditors	*(a)*	**8,784**	9,098
Customer deposits received	*(b)*	**111,859**	116,188
Accrued charges and other payables		**30,376**	34,031
Contract liabilities	*(c)*	**11,578**	14,939
Lease liabilities		**884**	1,200
		163,481	175,456
Representing			
– Non-current		**190**	269
– Current		**163,291**	175,187
		163,481	175,456

(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:

	2022 **(*HK$'000*)**	2021 (*HK$'000*)
Less than 1 month	**8,758**	8,972
1 to 3 months	**26**	126
	8,784	9,098

(b) Customer deposits received

Customer deposits received are refundable on demand.

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

(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

	2022	2021
	(HK\$'000)	*(HK\$'000)*
As at 1 January	**14,939**	15,335
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	**(14,528)**	(14,781)
Increase in contract liabilities as a result of billing in advance	**11,167**	14,385
As at 31 December	**11,578**	14,939

As at 31 December 2022, the amount of billings in advance of performance expected to be recognised as income after more than one year is HK\$256,000 (2021: HK\$411,000).

16. SHARE CAPITAL

	2022		2021	
	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

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 19 April 2022, 7,400,000 (16 April 2021: 6,800,000) share options were granted for HK$1.00 consideration to Directors, senior management and employees of the Group under the Share Option Scheme 2014.

18. REVIEW OF RESULTS

The financial results for the year ended 31 December 2022 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 of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 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 ended 31 December 2022 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

Amid the worsening external environment that dampened demand and disruptions to cross border cargo transportation between the mainland and Hong Kong, the Group's E-Commerce business saw a widening year-on-year contraction in the second half of 2022, with both revenue and profit recording a double-digit decline, compared with a moderate single-digit decline in both figures in the first half. As a result, our E-Commerce business, which includes the Government Electronic Trading Services ("GETS") and Supply Chain Solutions sub-segments, reported total revenue of HK$172.2 million for the full year 2022, down HK$16.2 million, or 8.6%, from HK$188.4 million in 2021. Segment profit also declined 18.2% from HK$74.4 million in 2021 to HK$60.9 million in 2022.

In terms of the revenue breakdown of this business segment, our GETS and Supply Chain Solutions business sub-segments recorded revenue of HK$144.6 million and HK$27.6 million, respectively, in 2022. For GETS, this represents a decrease of 13.7% compared with the revenue recorded in 2021, while for Supply Chain Solutions, this represents a surge of 32.0% relative to the revenue recorded in 2021.

Taking a closer look at our GETS sub-segment, as foreshadowed in our interim report, 2022 was indeed a very challenging year as a number of highly uncertain external factors affected Hong Kong's trade performance, including the Russian-Ukraine conflict, rising energy and commodity prices, increasing inflationary pressure and accelerated monetary tightening by major central banks. While the GETS market recorded only a slight contraction of 0.96% year on-year in the first half of 2022, the situation deteriorated rapidly in the second half. In contrast to the peak season effect, which typically boosts GETS business in the second half of the year, resulting in the overall market expanding by an average of 10% compared with the first half, the overall GETS market actually shrank by 3% in the second half of 2022 compared with the first half. Coupled with a historically high base in the second half of 2021 for comparison, the overall GETS market contracted by 9.7% year-on-year in 2022, which is worse than it was during the 2008/09 global financial crisis. In fact, the market contracted by 22.8% in the fourth quarter of 2022 compared with the same period in 2021 amid the rapid and severe spread of COVID-19 in China which led to significant disruptions in manufacturing and supply chain activity later in the year. Under such an unfavorable operating environment, our GETS business recorded a considerable decline in revenue of HK$144.6 million in 2022, down 13.7% compared with the HK$167.5 million recorded in 2021. The slightly larger percentage decline in our GETS revenue relative to the market was due to two main reasons – first, one of our major shipper customers has moved away a substantial portion of its shipments previously shipped via Hong Kong; and secondly the usual trend of average prices being dragged down by the business growth of our major courier customers, as we have explained in previous reports. For the latter, as their business growth has actually slowed down significantly in 2022, the positive impact has been a slight reduction in our average price decline.

As mentioned in our 2022 Interim Report, the change in the government requirement that allows a dutiable commodities permit ("DCP") to cover multiple shipments to the same destination from 2022 onwards heavily impacted our DCP business, with transaction volume and revenue falling 61% year-on-year in 2022. This also contributed in part to the decline in turnover in the GETS sub-segment in 2022.

Aside from external economic factors and changes to government requirements, both of which are beyond our control, our GETS business continued to operate smoothly in 2022 with no major competitive threats in a stable and healthy competitive environment. Given the quality services we have consistently provided to our customers with whom we have long-standing relationships, we have been able to charge our customers a premium, and, as in the past, achieve overall price increases in our renewed contracts with them, despite the apparently gloomy business outlook for a lot of our customers in 2023.

As for our Supply Chain Solutions business, continuing the strong business growth seen in the first half of the year, this business sub-segment saw revenue increase to HK$27.6 million for the full year 2022 from HK$20.9 million in 2021. While revenue from maintenance and ongoing service revenues was broadly maintained at the same level as in 2021, all of the revenue growth in 2022 came from projects, including those carried forward from previous years and several newly signed projects in 2022 for which development work was carried out during the year and revenue was recognized on a work-in-progress basis in 2022. As mentioned in our interim report, we commenced development work in the second half of 2022 on a new project involving the deployment of our Warehouse Management System ("WMS") and Transportation Management System ("TMS") that integrate with automated equipment provided by our hardware vendor partner for the cold storage warehouse of a customer whose business is to renovate, manage and operate fresh food markets in Hong Kong. Also mentioned in the interim report was a project that was an extension of a previously delivered solution to facilitate the end-to-end management of the 5G network and facilities maintenance work of our existing major telecoms service provider customer. We received confirmation from the customer and also completed the development work before the end of 2022. In addition to the two previously mentioned projects, we are pleased to have signed up two new customers involved in the trade of dutiable commodities to use our WMS in conjunction with our DCP services to manage the operation of their cigar/tobacco warehouses where the flow is highly controlled and regulated. Leveraging our dominant position in the DCP market, we developed a smart supply chain solution using our WMS to meet the business and operational requirements of our DCP business customers. As usual, we have received orders from existing customers for ongoing enhancements to previously installed solutions to respond to changing business and/or operational needs.

Looking ahead to 2023, the operating environment for our GETS sub-segment is expected to remain fairly gloomy as the market generally expects continued weakness in the global economy, with most economists even expecting a global recession as they believe geopolitical tensions will continue to impact the global economy and anticipate further tightening of monetary policy in the United States and Europe. We expect that many of the uncertainties and challenges surrounding the global economy will impact our GETS business prospects in 2023. That said, with the recent relaxation of China's highly restrictive zero-COVID policy and the resumption of cross-border activity following the reopening of the border, it is believed that Hong Kong's exports will enjoy a boost. Apart from these external factors, we are quite confident of our dominant position in the GETS market, given our solid foundation built over several decades. Overall, however, we would like to take a more conservative view of the outlook for our GETS business in 2023. We will strive to do the best we can in the areas we can control, such as continuing to provide our customers with quality services for which they are happy to pay a premium price.

With regard to the government's Trade Single Window ("TSW") development, it is pressing ahead with the rollout of Phase 2 in stages starting in mid-2023. As for Phase 3 ("TSW-3"), which covers all existing documents under GETS, the government's current plan is that it would appoint the successful tenderer to design, supply, implement and maintain the system by the end of 2023. TSW-3 is expected to be rolled out in three phases, with the first phase in early 2026 and third phase in late 2027. Given the scale, complexity and significance of TSW-3, the government's current timetable is considered to be quite aggressive. In any case, under the current schedule, TSW-3 would be fully launched by the end of 2027 at the earliest. Until then, the government will still need existing GETS licensees to continue providing GETS to the user community by invoking their right to extend the current GETS licenses, which will expire at the end of 2024, by up to three years to 2027. We expect to hear soon about the government's intention to extend the licence. In any case, the fact remains that for decades we have been providing quality GETS to the trade and logistics industry, and our customers have relied heavily on us to provide reliable services that enable them to perform time-critical functions while complying with relevant government regulations. With our in-depth domain knowledge and experience with customers, we are offering our assistance to the government to facilitate a cost-effective and efficient rollout of TSW-3 and enable customers to migrate to TSW through us in a smooth and seamless manner. We will seize the earliest opportunity to begin a dialogue with the government about the future role we can play as a value-added service provider and the value we can bring to help the government implement TSW smoothly and successfully.

As for our Supply Chain Solutions sub-segment, in 2022 we began to redesign our solutions infrastructure to break down the system into modules that can be easily assembled to come up with solutions based on user requirements. The new design enables us to not only shorten the delivery time of our solutions, but also increase their flexibility and agility. Also, in addition to the on-premise solutions we have developed and deployed for enterprise customers, we have developed a new cloud deployment of our solutions with greater scalability and ease of installation. Such cloud deployment provides a cost-effective solution not only for our mid-tier and small and medium-sized enterprise ("SME") customers, but also benefits us due to lower cost of delivery of the solution. With the completion of the technology enhancement project in 2022, we hope we will be able to reap the benefits in 2023, allowing us to realize higher margins for our projects.

With a healthy sales pipeline in place, we continue to see strong sales momentum in 2023. Given our strengths of in-depth domain knowledge and experience that enable us to develop solutions and applications for customers, we will focus on the development of such solutions and applications. If our customers require automation, we will integrate our applications with automation equipment provided by our partners, who will assume overall responsibility for implementing the solution. With such a collaborative arrangement, we can focus on the ongoing maintainability/upgrade enhancements of our applications and leave those hardware setup and ongoing maintenance issues to our partners. In addition, and vice-versa, we are getting leads from our hardware vendor partners for customers who need applications integrated with hardware equipment to meet their specific operational requirements. There are already several customer cases where we are working with our partners to provide the automated solutions required by our customers.

On the other hand, taking advantage of the government's policy to promote innovation and technology development through various funding schemes setup to support digital transformation and Logistics 4.0 for stakeholders in the supply chain, we have packaged our solutions to be within the scope of two relevant funding schemes, namely Technology Voucher Program ("TVP") and Pilot Subsidy Scheme for Third-party Logistics Service Providers. Specifically, we are one of the approved technology service providers under the TVP administered by the Innovation and Technology Commission of the Hong Kong Government. We are promoting our solutions to our massive GETS customer base in the supply chain and logistics industry. With our strong domain knowledge and robust background, we believe we can get a piece of the action in these government initiatives.

Overall, we are fairly confident that our Supply Chain Solutions business would achieve moderate growth in 2023. However, with the expected downward trend in our GETS business, we hold a negative, or at best neutral, stance on the business prospects of our combined E-Commerce business segment in 2023.

Identity Management ("IDM") Business Review

Due to the impact of the fifth wave of the COVID-19 pandemic, the Group's IDM business performance in 2022 was discouraging, with revenue declining by 11.3% year-on-year from HK$53.8 million in 2021 to HK$47.7 million in 2022, and segment profit down 45.7% from HK$9.7 million in 2021 to HK$5.2 million in 2022. As explained in our 2022 interim report, some new projects/initiatives were put on hold by our clients in the banking and financial sector in the first half of the year as the pandemic severely disrupted their business operations. With the promising leads we had on hand, we hoped to resume work with some of these customers in the second half of the year. However, many of them chose to take a wait-and-see approach given the high level of uncertainty in the near-term economic outlook. In addition, the already existing price war, exacerbated by the entry of start-up fintech companies into the market, has further impacted the situation. As a result of these factors, several cases that we had hopes of concluding in 2022 unfortunately fell through.

Looking more closely at the revenue breakdown, we recognized revenue of HK$7.7 million for our Recognized Certificate Authority-related business and HK$18.5 million for IDM-related business in 2022, a decrease of 32.1% and 23.8% respectively, or totally 26.5%, which was HK$9.4 million year-on-year. Specifically, for our Recognized Certificate Authority-related business, the contraction in revenue was mainly due to a general trend of reduced demand for certificate and token delivery services since some years ago. As for our IDM-related business, the decline was primarily due to a 23.8% decrease in revenue from our electronic Know-Your-Customer ("eKYC") projects, which itself accounted for the majority of revenue from this business.

The decrease in revenue from our eKYC projects in 2022 compared with 2021 was due to the completion of several major projects in 2021, whereas there were just a few carryover and new projects in 2022 with revenue recognized on development work that continued/commenced in the year. In addition to the major eKYC project mentioned in our 2021 annual report for which work was commenced in 2021 with revenue recognition deferred to 2022, we have several new projects with revenue recorded on a work-in-progress basis in 2022. They include Phase 3 of the eKYC solution for an existing customer and a proof-of-concept project on identity authentication for a statutory body that we mentioned in the 2022 interim report.

On the other hand, the ongoing maintenance of our Recognized Certificate Authority-related and IDM-related services and projects recorded a 18.2% increase in revenue from HK$18.1 million in 2021 to HK$21.5 million in 2022. Despite being slightly offset by the growth in our maintenance revenue, the turnover of our IDM business still dropped HK$6.1 million, or 11.3%, in 2022 compared with 2021.

At the same time, in 2022, we continued our extensive research and development ("R&D") efforts to enhance our existing or develop new products, which was extremely important in order for the IDM business to address the increasing and evolving cybersecurity risks. While advancing these R&D efforts, we worked closely with relevant regulatory bodies, to sharing with them the latest emerging security vulnerabilities in the cyber world and possible solutions to address these issues. Profits in our IDM business segment declined significantly in 2022 as a result of the additional resources invested and deployed in R&D and these groundworks.

As for the outlook for our IDM business in 2023, after the past two difficult years due to the pandemic, we have reason to believe that the business will rebound in 2023, given that market sentiment seems more optimistic following the reopening of the border and the lifting of most COVID-19 restrictions, and the solid groundwork we have carried out in 2022. As a result of our extensive R&D work, we have successfully developed an upgraded version of our eKYC solution for digital onboarding that mitigates emerging security vulnerabilities in the cyber world. Through our R&D efforts, we have also developed a new anti-location spoofing solution. For our upgraded digital onboarding solution, we already have a number of potential customers who have found their existing solutions inadequate and have expressed interest in our upgraded solution. We will pursue these new opportunities as well as the potential to upsell the upgraded solution to our existing customers. As for our new anti-location spoofing solution, as previously mentioned, we have already begun close dialogues with relevant regulatory bodies to introduce our solution and work with them to raise market awareness of the associated security risks. We will continue our work with regulators vigorously in 2023 and potentially launch a proof-of-concept of our solution for stakeholders in the market. We are hopeful that the solid groundwork we have laid will generate momentum and help grow our IDM business in 2023.

Turning back to the prospects we already have on hand related to our existing products and services, we have a number of deals that we are fairly confident of closing, several of which are from repeat customers. After developing and deploying a public key infrastructure solution for digital signing of the medical records of a private hospital a few years ago, we received expressions of interest in our solution from several other hospitals. Recognizing the benefits of our solution, they would like to deploy a similar solution to facilitate their paperless process for electronic medical record management.

In summary, with the expected improvement in the operating environment and our solid groundwork, we are reasonably optimistic about achieving a modest growth in our IDM business in 2023.

Other Services Business Review

Continuing its strong growth momentum in the first half of 2022, our Other Services business segment, which includes Smart Point-of-Sales ("PoS"), GETS-related services and partnerships, recorded outstanding results for the full year 2022. Total revenue for 2022 was HK$38.9 million, representing a significant year-on-year increase of 23.2% compared with revenue of HK$31.6 million in 2021. Even more impressive was its segment profit, which surged 45.8% year-on-year, from HK$15.4 million in 2021 to HK$22.4 million in 2022.

In terms of the breakdown of the HK$38.9 million total revenue recorded in 2022, our Smart PoS business contributed HK$17.8 million and GETS-related services contributed HK$21.1 million. Compared with the revenue of HK$7.6 million from Smart PoS and about HK$24.1 million from GETS-related services in 2021, the revenue from our Smart PoS business in 2022 is approximately 2.4 times that of 2021, while the revenue from GETS-related services declined by 12.2%.

The growth driver for the Group's Other Services business segment in 2022 was our Smart PoS business, which had already generated nearly twice as much revenue in the first half of the year as in the same period in 2021, mainly due to additional revenue generated on a work-in-progress basis from a major project ordered by a renowned enterprise in the service sector. The project involved the development and integration of a payment system to support the deployment of around 400 Smart PoS in more than 40 outlets in Hong Kong and Macau. As most of the remaining development and deployment work for this project was largely completed in the second half of the year, the total additional revenue generated from this project for our Smart PoS business sub-segment was about HK$10 million for the full year 2022. On the other hand, as the retail market was hit hard by the lingering fifth wave of the pandemic almost throughout the year, we did not receive any new Smart PoS sales orders from our bank customers for the whole of 2022, except for the one mentioned in our interim report that was placed just before the start of the fifth wave. Compared with the revenue in 2021, our revenue from Smart PoS sales in 2022 decreased by approximately HK$0.9 million. As for revenue from ongoing maintenance and support services ("M&S") for our bank customers for the Smart PoS devices we deployed for their retail clients, there was a slight increase of HK$0.7 million in 2022 compared with the corresponding figure in 2021. Overall, after a difficult initial few years, we have found a solid foundation to drive and sustain our Smart PoS business, and have achieved growth in the last two years.

Our GETS-related services business primarily consists of our Road Cargo System ("ROCARS"), call center services for the Customs and Excise Department's ROCARS, paper-to-electronic conversion services for our GETS paper users, and our partnership with Ping An OneConnect Bank (Hong Kong) Limited ("PAOB") to assist in the promotion and referral of their SME loans to our GETS customers. Due to the unfavorable operating environment for GETS causing a shrinkage of the market which we mentioned earlier in the report, our GETS-related services business was also affected. The decline was particularly significant for our ROCARS which was highlighted in the 2022 interim report. As a result of the serious disruption in cross-border transportation between China and Hong Kong amid the fifth wave of the pandemic, the revenue of our ROCARS business fell 43% in 2022 compared with 2021. With the increase of revenue generated from our partnership with PAOB in 2022 to offset partially the revenue decline of our ROCARS and other services, the total revenue of our GETS-related services in 2022 fell 12.2% year-on-year, slightly better than that of our GETS business.

Looking ahead to 2023, we are optimistic about the Smart PoS business. The retail market is expected to see a steady recovery in 2023 as market segment continues to strengthen following the reopening of the border with the mainland and the resumption of normal economic activity in the post-epidemic era. A favorable retail market will certainly benefit our Smart PoS business. As demand increases, we expect that we will soon receive new orders for Smart PoS from our bank customers, and in fact, before the end of 2022, our major bank customer had already started discussion with us on their plan to order new Smart PoS from us in 2023. The new Smart PoS order would not only generate one-off revenue, but also ongoing M&S revenue. As for the major project for the renowned service company, we will continue to receive ongoing revenue from this customer for the rental of around 400 Smart PoS deployed at their outlets and the related support services provided to them. All-in-all, we are reasonably optimistic about the prospects of our Smart PoS business in 2023.

As for our GETS-related services, like our GETS business, we are again taking a conservative view of its prospects in 2023 given the rather mixed views on the global economy, which range from an impending recession to moderate growth. The prospect of economic growth is particularly likely in China following the end of its zero-COVID policy and most of the related restrictions. While there is much uncertainty in most of our GETS-related services, we are hopeful that our ROCARS business will rebound in 2023 as cross-border land cargo flows began to resume in early 2023. We believe the worst is behind us and our ROCARS business can return to normal. Combined with the revenue we expect to continue to earn from our partnership with PAOB, we believe our GETS-related business will see some improvement in 2023 compared with last year.

Overall, combining our Smart PoS and GETS-related services, our Other Services business is expected to be stable in 2023.

FINANCIAL REVIEW

The Group's revenue for the year ended 31 December 2022 was HK$258.8 million, dropped by HK$15.0 million or 5.5% year-on-year. In 2022, revenue of our E-Commerce and Identity Management segments reduced, whereas revenue of our Other Services segment increased. The discussion and analysis of the Group's business performance during the year are set out in the section headed "Management Discussion and Analysis – Business Review".

The Group's operating expenses before depreciation in 2022 were HK$170.2 million, representing a drop of 2.4% from HK$174.4 million in 2021. It is mainly due to the year-on-year decrease of HK$4.6 million to HK$18.2 million on the costs of purchases corresponding to the decreased revenue from customers for supplies to customers for projects. Staff costs was HK$118.6 million in 2022, a decrease of 3.1% or HK$3.7 million as compared to 2021. The other operating costs were HK$33.5 million in 2022 as compared to HK$29.3 million in 2021, representing an increase of 14.4% or HK$4.2 million year-on-year. Depreciation charges in 2022 was HK$8.5 million, down by 0.1% as compared to 2021.

To better present the operating activities of the Group, reclassifications have been made to present other net income/loss to a line below profit from operations and to present items relating to the Group's investments in financial instruments and treasury activities as part of the other net income/loss. As such, the comparative figures of other net loss, interest income, net exchange gain and reversal of impairment loss on other financial assets have been reclassified to conform with the current year's presentation. After the reclassifications, the profit from operations in 2021 has been changed from HK$87.1 million to HK$91.0 million whereas the net profit for 2021 remains unchanged.

The Group's profit from operations in 2022 was HK$80.1 million, a decrease of HK$10.9 million or 12.0% as compared to 2021.

Other net loss increased by HK$18.4 million to HK$20.4 million in 2022. This was mainly due to an aggregate fair value loss of HK$32.5 million recorded in 2022 for our investments in financial instruments including bonds in a discretionary single bonds portfolio and investment funds before they were fully disposed of in the second half year of 2022. Such fair value loss was attributable to the volatile investment markets amid rising interest rates in central banks and global inflationary pressure. In addition, the Group recognised interest income of HK$5.6 million in 2022 and successfully applied for funding support from the 2022 Employment Support Scheme ("ESS") of HK$5.5 million.

In 2022, the Group shared a loss of HK$0.6 million from its associate, Nanfang, a drop of HK$1.3 million as compared to 2021. In December 2022, the Group reclassified the entire interest in Nanfang from an associate to assets held for sale after the Sale and Purchase agreement was signed. Since then, the Group ceased to share any result of Nanfang.

Taxation for 2022 dropped by HK$5.8 million, to HK$6.7 million. Reasons included that the other subsidy from the ESS in 2022 was a non-taxable item and the non-taxable bank interest income increased by HK$4.7 million to HK$5.3 million in 2022. Besides, the taxation for 2022 included the HK$1.7 million impact from enhanced tax deductions for certain research and development expenditures, compared to HK$2.1 million in 2021.

The Group's after tax profit for 2022 was HK$52.3 million, decreased by HK$21.3 million or 28.9% as compared to 2021.

Basic earnings per share for 2022 were HK 6.6 cents, lower than that for 2021 by HK 2.7 cents. Diluted earnings per share for 2022 were also HK 6.6 cents, lower than that for 2021 by HK 2.7 cents.

Dividends

The Board has recommended a final dividend of HK 4.67 cents per share for 2022 (2021: HK 6.45 cents per share). The proposed final dividend, together with the interim dividend of HK 1.83 cents per share (2021: HK 2.8 cents per share) paid on 7 October 2022 amounted to HK 6.5 cents per share for 2022. The total amount of interim dividend and proposed final dividend for 2022 represents a payment of 99% of the Group's profit attributable to shareholders. As at 31 December 2021, the Group kept retained profits of HK$22.2 million as reserve for potential devaluation and credit losses of bonds and investment funds. Since all these financial instruments were disposed of in 2022, the reserve became available for distribution. Apart from the final dividend, the Board has also recommended a special dividend of HK 2.75 cents per share, representing almost 100% of such reserve, to celebrate the Group's 35th anniversary. As a result, the total dividends will be HK 9.25 cents per share, the same as the 2021 total dividends.

The proposed final dividend and special dividend will be submitted to shareholders for approval at the annual general meeting on 12 May 2023. If approved, the final dividend and special dividend will be paid to shareholders whose names appear on the register of members of the Company on 19 May 2023, on or about 31 May 2023.

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 Group has been giving out dividend to our shareholders as much as possible out of our attributable profits provided that it is allowed by the Hong Kong Companies Ordinance and also for the sake of prudency, it would enable us to have reserve against unforeseeable risk as well as potential future business expansion/investment. The fact that the payout in excess of our distributable profit for 2022 is an exceptional consideration for reason explained above and does not set as a precedent for our future dividend payout and does not mean that the policy has changed.

Liquidity and Financial Position

As at 31 December 2022, the Group had total cash and bank deposits of HK$436.5 million (2021: HK$209.2 million). The increase in the cash balance by HK$227.3 million was mainly attributed to the impact of the proceeds collected from disposing all bonds, investment funds and an equity security of HK$234.1 million during 2022. 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 2022 amounted to HK$532.6 million (2021: HK$564.5 million) and HK$364.4 million (2021: HK$378.6 million) respectively.

As at 31 December 2022, the Group had no borrowings (2021: Nil).

Significant Investments Held

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. In view of the volatile market conditions, prevailing market sentiment and overall outlook of the global economy and financial market (including the bond market) in 2022, the Board, taking into account the opinions of its Investment Committee, considered that it was prudent and necessary to adopt a cautious investment strategy to contain further risks. During 2022, the Group fully disposed of its investments in financial products for risk mitigation. Firstly, the Group fully redeemed its investments in the investment funds issued by UBS and HSBC Asset Management in July 2022. Reference is made to the announcement of the Company dated 14 July 2022 regarding "Discloseable Transactions – Redemptions of Financial Products". Secondly, the Group disposed all the investment in Tracker Fund of Hong Kong in July 2022. Thirdly, the Group disposed of all bonds in a discretionary single bonds portfolio in October 2022 and November 2022. The discretionary single bonds portfolio was closed in December 2022. Reference is made to the announcements of the Company dated 21 October 2022 and 30 November 2022 regarding "Voluntary Announcement – Partial Disposals of Bonds in a Single Bonds Portfolio" and "Voluntary Announcement – Full Disposal of Bonds in a Single Bonds Portfolio" respectively. After these transactions, the Group ceased to hold any investments in bonds, investment funds or listed equity securities as of now.

Before other investment or business opportunities were identified, the cash surplus reserves of the aforesaid financial assets were parked in bank deposits as a part of our treasury operations to improve the yield of the Group's cash surpluses.

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

	1 January 2022 *(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 2022 *(HK$'000)*
Financial assets measured at FVPL							
– Listed debt and equity securities	161,188	–	(145,874)	–	(15,819)	505	–
– Units in investment funds	95,984	–	(79,961)	–	(16,686)	663	–
Financial assets measured at FVOCI							
– Listed debt securities	9,430	–	(8,253)	(1,235)	–	58	–
	266,602	–	(234,088)	(1,235)	(32,505)	1,226	–

The details of the investments are as below:

(i) Listed debt and equity securities measured at FVPL

The Group fully disposed of the bonds in a discretionary single bonds portfolio and the Tracker Fund of Hong Kong in 2022, which were accounted for as FVPL previously.

(a) The Group sought 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" or UBS) on 8 July 2020 and subsequently invested its cash surplus reserves in a USD-denominated discretionary Asian investment grade single bonds portfolio. The investment cost was HK$154.4 million.

The Company agreed to pay the Manager a management fee, payable quarterly in arrears, which was 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 covered the management fee, transaction fee and custody fee. The Manager managed assets in the portfolio in accordance with the terms of the investment strategy set. The objective was moderate appreciation of assets. Moderate volatility of asset value expected. The Company had the right to change the investment strategy, add or withdraw funds at any time.

During the year, this portfolio recorded a fair value loss of HK$15.5 million (2021: fair value gain of HK$0.2 million) which included accrued interest from the bonds, net of management fees. Each of the bonds disposed of in 2022 was of no more than US$0.5 million in nominal value.

(b) The Group invested in Tracker Fund of Hong Kong at the cost of about HK$4.4 million during 2021. Fair value loss of HK$0.3 million (2021: HK$0.8 million) was recorded for this investment in 2022.

(ii) Units in investment funds measured at FVPL

In 2022, the Group redeemed all USD-denominated units in investment funds which were issued by UBS and HSBC Asset Management. The investment funds recorded an aggregate fair value loss and dividend income of HK$16.7 million (2021: HK$5.7 million) and HK$0.9 million (2021: HK$1.3 million) respectively in 2022.

The details of the investment funds were as below:

Name of funds	Investment strategy	Investment cost *(US$ million)*	Redemption proceeds *(US$ million)*
UBS (CAY) Investment Fund Series – UBS Asian Bonds Series 5 (USD)	Mainly invest in USD-denominated fixed income securities issued by sovereigns, quasi-sovereigns and corporates in the Asian Pacific ex-Japan region	1.0	0.6
UBS (CAY) Investment Fund Series – UBS Asian Bonds Series 6 (USD)	Mainly invest in USD-denominated fixed income securities issued by sovereigns, quasi-sovereigns and corporates in the Asian Pacific ex-Japan region	3.0	2.1
HSBC Investment Funds Trust – HSBC Asian Bond Fund	Mainly invest in a broad spread of quoted bonds, government bonds, other unquoted fixed-interest securities and financial derivative in Asia	3.0	2.6
HSBC Global Funds ICAV – Multi Factor Worldwide Equity Fund	Mainly invest in shares of companies that are based anywhere in the world, real estate investment trusts and depository receipts	3.0	2.5
HSBC Global Investment Funds – Managed Solutions – Asia Focused Conservative	The fund's exposure is mainly to bonds and shares related to Asia-Pacific excluding Japan	1.0	0.9
HSBC Global Investment Funds – Managed Solutions – Asia Focused Income	The fund's exposure is mainly to bonds and shares related to Asia-Pacific excluding Japan	1.0	0.8
HSBC Global Investment Funds – Managed Solutions – Asia Focused Growth	The fund's exposure is mainly to bonds and shares related to Asia-Pacific excluding Japan	1.0	0.7
Total		13.0	10.2

(iii) Listed debt securities measured at FVOCI

The Group fully disposed of the 2 USD-denominated and non-investment grade corporate bonds during 2022 to close the exposure in them for risk mitigation. The 2 corporate bonds were issued by Hong Kong listed companies or their subsidiaries in the real estate sector. Each of the bonds disposed of in 2022 was of no more than US$3 million in nominal value.

The total investment cost of the 2 corporate bonds was HK$9.7 million. Upon disposal, the Group recorded a loss of HK$1.5 million. On the other hand, a reversal of the provision for impairment loss (i.e. expected credit loss) of HK$1.4 million was made.

Interest income from the listed debt securities decreased to HK$0.2 million (2021: HK$2.8 million) as a result of reduced investment in these assets year-on-year.

Save as disclosed above, the Group did not hold any other significant financial investment as at 31 December 2022.

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 year ended 31 December 2022.

Capital and Reserves

As at 31 December 2022, the capital and reserves attributable to shareholders was HK$364.4 million (2021: HK$378.6 million), a decrease of HK$14.2 million from the end of 2021.

Charges on Assets and Contingent Liabilities

As at 31 December 2022, the Group has obtained two bank guarantees totaling HK$2.2 million (2021: two 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 (2021: 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 31 December 2022 not provided for in the financial statements amounted to HK$1.9 million (2021: HK$0.3 million), mainly in respect of the purchase of computer equipment for the Group.

Employees and Remuneration Policy

As at 31 December 2022, the Group employed 255 staff (2021: 267), of which 221 are in Hong Kong and 34 in Guangzhou. The related staff costs for the year came to HK$118.6 million (2021: HK$122.3 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 2022, other than its investments in the PRC and Macau incorporated 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. We have made every effort to ensure full compliance with the code provisions in Part 2 of 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 we have complied with all code provisions during the year ended 31 December 2022.

The Board

As at 31 December 2022, 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 2022.

Audit Committee

The Audit Committee has reviewed the Group's accounting policies and the consolidated financial statements for the year ended 31 December 2022. 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 and Special Dividend

The Board has recommended a final dividend of HK 4.67 cents per share for 2022 (2021: HK 6.45 cents per share). The proposed final dividend, together with the interim dividend of HK 1.83 cents per share (2021: HK 2.8 cents per share) paid on 7 October 2022 amounted to HK 6.5 cents per share for 2022. The total amount of interim dividend and proposed final dividend for 2022 represents a payment of 99% of the Group's profit attributable to shareholders for 2022. Apart from the final dividend, the Board has also recommended a special dividend of HK 2.75 cents per share. As a result, the total dividends will be HK 9.25 cents per share, the same as the 2021 total dividends.

The proposed final dividend and special dividend will be submitted to shareholders for approval at the annual general meeting ("AGM") on Friday, 12 May 2023. If approved, the final dividend and special dividend will be paid to shareholders whose names appear on the register of members of the Company on Friday, 19 May 2023, on or about Wednesday, 31 May 2023.

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, 9 May 2023 to Friday, 12 May 2023, 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, 12 May 2023. 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, 8 May 2023.

The register of members will also be closed from Friday, 19 May 2023 to Tuesday, 23 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final and special dividends, 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 Thursday, 18 May 2023.

Publication of Final Results and 2022 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 2022 will be dispatched to shareholders and published on the aforesaid websites within the prescribed timeline under the Listing Rules.

AGM

It is proposed that the AGM of the Company be held on Friday, 12 May 2023. 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, 20 March 2023

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.