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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 2022

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 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 (Unaudited)

| | | Six months ended 30 June | |
|----------------------------------|-------------|---------------------------------|-------------------|
| | | 2022 | 2021 |
| | <i>Note</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> |
| Revenue | 3 | 125,459 | 128,502 |
| Cost of purchases | | (9,205) | (11,306) |
| Staff costs | 5(a) | (58,982) | (59,206) |
| Depreciation | 5(b) | (4,234) | (4,134) |
| Other operating expenses | 5(c) | (15,730) | (15,231) |
| Profit from operations | | 37,308 | 38,625 |
| Other net loss | 6 | (19,696) | (1,204) |
| Share of results of an associate | | (38) | (1,475) |
| Profit before taxation | 5 | 17,574 | 35,946 |
| Taxation | 7 | (3,011) | (5,948) |
| Profit for the period | | 14,563 | 29,998 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2022 (Unaudited) (Continued)

| | | Six months ended 30 June | |
|--------------------------------------|-------------|---------------------------------|--------------------|
| | <i>Note</i> | 2022 | 2021 |
| | | (HK\$'000) | (HK\$'000) |
| Earnings per share (HK cents) | 9 | | |
| Basic | | 1.83 | 3.78 |
| Diluted | | <u>1.83</u> | <u>3.77</u> |

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 2022 (Unaudited)

| | Six months ended 30 June | |
|--|---------------------------------|----------------------|
| | 2022 | 2021 |
| | (HK\$'000) | (HK\$'000) |
| Profit for the period | 14,563 | 29,998 |
| Other comprehensive income for the period (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 | (245) | (659) |
| Debt securities measured at fair value through other comprehensive income (“FVOCI”) – net movement in fair value reserve | <u>(1,148)</u> | <u>2,300</u> |
| Total comprehensive income for the period | <u>13,170</u> | <u>31,639</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022 (Unaudited)

| | | As at 30 June 2022 Unaudited (HK\$'000) | As at 31 December 2021 Audited (HK\$'000) |
|---|------|---|---|
| | Note | | |
| Non-current assets | | | |
| Property, plant and equipment | | 21,283 | 23,531 |
| Goodwill | | 9,976 | 9,976 |
| Interest in an associate | | 1,158 | 1,282 |
| Other financial assets | 13 | – | 35,238 |
| Deferred tax assets | 10 | <u>4,490</u> | <u>1,255</u> |
| | | <u>36,907</u> | <u>71,282</u> |
| Current assets | | | |
| Trade receivables and contract assets | 11 | 40,983 | 40,210 |
| Other receivables, prepayments and other contract costs | 12 | 14,832 | 12,156 |
| Other financial assets | 13 | 232,913 | 231,364 |
| Taxation recoverable | | – | 309 |
| Deposits with banks | | 110,752 | 44,576 |
| Cash and cash equivalents | | <u>88,202</u> | <u>164,633</u> |
| | | <u>487,682</u> | <u>493,248</u> |
| Current liabilities | | | |
| Trade creditors, contract liabilities and other payables | 14 | 169,047 | 175,187 |
| Taxation payable | | <u>10,304</u> | <u>6,412</u> |
| | | <u>179,351</u> | <u>181,599</u> |
| Net current assets | | <u>308,331</u> | <u>311,649</u> |
| Total assets less current liabilities | | <u>345,238</u> | <u>382,931</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022 (Unaudited) (Continued)

| | <i>Note</i> | As at 30 June 2022 Unaudited (HK\$'000) | As at 31 December 2021 Audited (HK\$'000) |
|-------------------------------------|-------------|--|--|
| Non-current liabilities | | | |
| Provision for long service payments | | 2,822 | 2,805 |
| Deferred tax liabilities | 10 | 1,059 | 1,227 |
| Other payables | 14 | 487 | 269 |
| | | <u>4,368</u> | <u>4,301</u> |
| NET ASSETS | | <u>340,870</u> | <u>378,630</u> |
| Capital and reserves | | | |
| Share capital | 15 | 296,093 | 296,093 |
| Reserves | | 44,777 | 82,537 |
| TOTAL EQUITY | | <u>340,870</u> | <u>378,630</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2022 (Unaudited)

| | Share capital | Capital reserve | Exchange reserve | Fair value reserve | Other reserve | Retained profits | Total equity |
|---|------------------|--------------------|---------------------|--------------------------|------------------|---------------------|-----------------|
| Note | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) |
| As at 1 January 2021 | 296,093 | 7,176 | 1,382 | 372 | 12 | 79,292 | 384,327 |
| Changes in equity for the six months ended 30 June 2021: | | | | | | | |
| 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 and 1 July 2021 | 296,093 | 7,110 | 723 | 2,672 | 12 | 52,016 | 358,626 |
| Changes in equity for the six months ended 31 December 2021: | | | | | | | |
| Dividends declared in respect of the current year | 8 | - | - | - | - | (22,250) | (22,250) |
| Equity-settled share-based transactions | - | 107 | - | - | - | - | 107 |
| Profit for the period | - | - | - | - | - | 43,655 | 43,655 |
| Other comprehensive income for the period | - | - | 16 | (1,524) | - | - | (1,508) |
| Total comprehensive income for the period | - | - | 16 | (1,524) | - | 43,655 | 42,147 |
| As at 31 December 2021 | <u>296,093</u> | <u>7,217</u> | <u>739</u> | <u>1,148</u> | <u>12</u> | <u>73,421</u> | <u>378,630</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2022 (Unaudited) (Continued)

| | Share capital | Capital reserve | Exchange reserve | Fair value reserve | Other reserve | Retained profits | Total equity |
|---|------------------|--------------------|---------------------|--------------------------|------------------|---------------------|-----------------|
| Note | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) |
| As at 1 January 2022 | 296,093 | 7,217 | 739 | 1,148 | 12 | 73,421 | 378,630 |
| Changes in equity for the six months ended 30 June 2022: | | | | | | | |
| Dividends approved in respect of the previous year | - | - | - | - | - | (51,254) | (51,254) |
| Equity-settled share-based transactions | - | 324 | - | - | - | - | 324 |
| Profit for the period | - | - | - | - | - | 14,563 | 14,563 |
| Other comprehensive income for the period | - | - | (245) | (1,148) | - | - | (1,393) |
| Total comprehensive income for the period | - | - | (245) | (1,148) | - | 14,563 | 13,170 |
| As at 30 June 2022 | <u>296,093</u> | <u>7,541</u> | <u>494</u> | <u>-</u> | <u>12</u> | <u>36,730</u> | <u>340,870</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 2022 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 23 August 2022.

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 2021, 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 2021 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 2021 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.

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

- Reclassification of other net loss of HK\$5,540,000, 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\$1,623,000 to other net loss.

1. BASIS OF PREPARATION (CONTINUED)

- Reclassification of interest income of HK\$2,187,000 to other net loss.
- Reclassification of net foreign exchange gain of HK\$526,000, 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 period ended 30 June 2021.

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 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 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 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.

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 2022 and 2021 are set out below.

| | Six months ended 30 June 2022 | | | Total (HK\$'000) |
|---|--------------------------------------|---|--|------------------------------|
| | E-Commerce (HK\$'000) | Identity Management (HK\$'000) | Other Services (HK\$'000) | |
| Disaggregated by timing of revenue recognition | | | | |
| Point in time | 66,487 | 7,106 | 9,237 | 82,830 |
| Over time | <u>19,140</u> | <u>15,168</u> | <u>8,321</u> | <u>42,629</u> |
| Revenue from external customers | 85,627 | 22,274 | 17,558 | 125,459 |
| Inter-segment revenue | <u>–</u> | <u>3,917</u> | <u>3,050</u> | <u>6,967</u> |
| Reportable segment revenue | 85,627 | 26,191 | 20,608 | 132,426 |
| Elimination of inter-segment revenue | | | | <u>(6,967)</u> |
| Consolidated revenue | | | | <u><u>125,459</u></u> |
| Reportable segment profit | 29,855 | 2,430 | 9,257 | 41,542 |
| Depreciation | | | | (4,234) |
| Other net loss | | | | (19,696) |
| Share of results of an associate | | | | <u>(38)</u> |
| Consolidated profit before taxation | | | | <u><u>17,574</u></u> |

4. SEGMENT REPORTING (CONTINUED)

| | Six months ended 30 June 2021 | | | Total (HK\$'000) |
|---|-------------------------------|--------------------------------------|---------------------------------|-----------------------|
| | E-Commerce (HK\$'000) | Identity Management (HK\$'000) | Other Services (HK\$'000) | |
| Disaggregated by timing of revenue recognition | | | | |
| Point in time | 72,805 | 7,373 | 9,441 | 89,619 |
| Over time | <u>16,122</u> | <u>18,367</u> | <u>4,394</u> | <u>38,883</u> |
| Revenue from external customers | 88,927 | 25,740 | 13,835 | 128,502 |
| Inter-segment revenue | <u>–</u> | <u>3,921</u> | <u>2,627</u> | <u>6,548</u> |
| Reportable segment revenue | 88,927 | 29,661 | 16,462 | 135,050 |
| Elimination of inter-segment revenue | | | | <u>(6,548)</u> |
| Consolidated revenue | | | | <u><u>128,502</u></u> |
| Reportable segment profit | 32,912 | 2,851 | 6,996 | 42,759 |
| Depreciation | | | | (4,134) |
| Other net loss | | | | (1,204) |
| Share of results of an associate | | | | <u>(1,475)</u> |
| Consolidated profit before taxation | | | | <u><u>35,946</u></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. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

| | Six months ended 30 June | |
|--|--------------------------|----------------------|
| | 2022 | 2021 |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> |
| (a) Staff costs: | | |
| Contributions to defined contribution retirement plan | 1,739 | 1,724 |
| Equity-settled share-based payment expenses | 324 | 271 |
| Salaries, wages and other benefits | <u>56,919</u> | <u>57,211</u> |
| | <u><u>58,982</u></u> | <u><u>59,206</u></u> |
| (b) Depreciation: | | |
| Owned property, plant and equipment | 2,739 | 2,618 |
| Right-of-use assets | <u>1,495</u> | <u>1,516</u> |
| | <u><u>4,234</u></u> | <u><u>4,134</u></u> |
| (c) Other operating expenses: | | |
| Auditors' remuneration | 618 | 624 |
| Directors' fees and emoluments | 1,116 | 1,116 |
| Facilities management fees | 2,403 | 2,403 |
| Repair and maintenance fees | 2,928 | 2,500 |
| Office rental and utilities | 1,928 | 1,893 |
| Consultancy fees | 1,490 | 578 |
| Telecommunication costs | 847 | 866 |
| Promotion and marketing expenses | 400 | 323 |
| Impairment loss on trade receivables and contract assets | 174 | 685 |
| Others | <u>3,826</u> | <u>4,243</u> |
| | <u><u>15,730</u></u> | <u><u>15,231</u></u> |

6. OTHER NET LOSS

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2022 | 2021 |
| | (HK\$'000) | (HK\$'000) |
| Net loss on disposals of debt securities measured at FVOCI | (1,534) | (4,713) |
| Reversal of impairment loss on other financial assets | 1,448 | 1,623 |
| Fair value loss on other financial assets measured at fair value through profit or loss (“FVPL”): | | |
| – Units in investment funds | (15,350) | (612) |
| – Debt and equity securities | (10,535) | (896) |
| Investment income on other financial assets measured at FVPL: | | |
| – Units in investment funds | 855 | 672 |
| – An equity security | 12 | 9 |
| Interest income | 1,057 | 2,187 |
| Net foreign exchange gain | 2,330 | 526 |
| Government grants for Employment Support Scheme | 2,021 | – |
| | <u>(19,696)</u> | <u>(1,204)</u> |

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 enterprises to retain their employees who would otherwise be made redundant.

7. TAXATION

| | Six months ended 30 June | |
|--------------------------------------|--------------------------|--------------|
| | 2022 | 2021 |
| | (HK\$'000) | (HK\$'000) |
| Current tax- Hong Kong Profits Tax | 6,414 | 5,888 |
| Deferred taxation (<i>Note 10</i>) | <u>(3,403)</u> | <u>60</u> |
| Income tax expense | <u>3,011</u> | <u>5,948</u> |

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2021: 16.5%) to the six months ended 30 June 2022, except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

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.

8. DIVIDENDS

| | Six months ended 30 June | |
|--|--------------------------|--------------------|
| | 2022 (HK\$'000) | 2021 (HK\$'000) |
| Interim dividend declared after the interim period of HK 1.83 cents per share (2021: HK 2.8 cents per share) | <u>14,542</u> | <u>22,250</u> |

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\$14,563,000 (2021: HK\$29,998,000) and the weighted average number of 794,634,000 ordinary shares (2021: 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\$14,563,000 (2021: HK\$29,998,000) and the weighted average number of 794,932,000 ordinary shares (2021: 794,802,000 ordinary shares), after adjusting for the effect of the potential dilution from ordinary shares issuable under the Company's share option scheme.

10. 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:

| 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 | <u>168</u> | <u>(49)</u> | <u>3,284</u> | <u>3,403</u> |
| As at 30 June 2022 | <u>(1,059)</u> | <u>157</u> | <u>4,333</u> | <u>3,431</u> |

10. DEFERRED TAXATION (CONTINUED)

| | As at 30 June 2022 (HK\$'000) | As at 31 December 2021 (HK\$'000) |
|--|--|--|
| Representing: | | |
| Deferred tax assets on the consolidated statement of financial position | 4,490 | 1,255 |
| Deferred tax liabilities on the consolidated statement of financial position | <u>(1,059)</u> | <u>(1,227)</u> |
| | <u><u>3,431</u></u> | <u><u>28</u></u> |

11. TRADE RECEIVABLES AND CONTRACT ASSETS

| | Note | As at 30 June 2022 (HK\$'000) | As at 31 December 2021 (HK\$'000) |
|--|------|--|--|
| Trade receivables, net of loss allowance | (a) | 30,082 | 24,969 |
| Contract assets, net of loss allowance | (b) | <u>10,901</u> | <u>15,241</u> |
| | | <u><u>40,983</u></u> | <u><u>40,210</u></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 2022 (HK\$'000) | As at 31 December 2021 (HK\$'000) |
|-------------------|--|--|
| Less than 1 month | 21,903 | 15,769 |
| 1 to 3 months | 3,213 | 4,614 |
| 3 to 12 months | 3,808 | 3,970 |
| Over 12 months | <u>1,158</u> | <u>616</u> |
| | <u><u>30,082</u></u> | <u><u>24,969</u></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 14(b)).

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

As at 30 June 2022, all of the contract assets are expected to be recovered within one year. As at 31 December 2021, the amount of contract assets expected to be recovered after more than one year was HK\$4,936,000. All of the other contract assets were expected to be recovered within one year.

12. 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.

13. OTHER FINANCIAL ASSETS

| | | As at 30 June 2022 (HK\$'000) | As at 31 December 2021 (HK\$'000) |
|---|-------------|--|--|
| | <i>Note</i> | | |
| Financial assets measured at FVOCI | | | |
| – Listed debt securities | <i>(a)</i> | – | 9,430 |
| Financial assets measured at FVPL | | | |
| – Listed debt and equity securities | <i>(b)</i> | 151,675 | 161,188 |
| – Units in investment funds | <i>(c)</i> | 81,238 | 95,984 |
| | | ----- 232,913 | ----- 257,172 |
| | | <u>232,913</u> | <u>266,602</u> |
| Representing: | | | |
| – Non-current | | – | 35,238 |
| – Current | | <u>232,913</u> | <u>231,364</u> |
| | | <u>232,913</u> | <u>266,602</u> |

13. OTHER FINANCIAL ASSETS (CONTINUED)

- (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 six months ended 30 June 2022, the Group did not acquire any corporate bonds (six months ended 30 June 2021: Nil) but disposed of all corporate bonds at a consideration of HK\$8,253,000 (six months ended 30 June 2021: HK\$18,528,000).

- (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\$148,266,000 (31 December 2021: HK\$157,589,000). The portfolio is managed by the Group's financial service provider. It consists of listed bonds with fixed maturity dates and listed perpetual bonds.

The latter has a carrying value of HK\$3,409,000 (31 December 2021: HK\$3,599,000). During the six months ended 30 June 2022, the Group did not acquire any shares of the equity security (six months ended 30 June 2021: acquired the shares in the equity security at a cost of HK\$3,950,000).

- (c) The amount represents USD-denominated investment funds. They mainly invest in equities, bonds, and may invest in other funds and financial derivative instruments. During the six months ended 30 June 2022 and 30 June 2021, the Group did not acquire any units in investment funds.

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 2022, 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 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.

13. OTHER FINANCIAL ASSETS (CONTINUED)

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 2022 and 2021, 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.

14. TRADE CREDITORS, CONTRACT LIABILITIES AND OTHER PAYABLES

| | | As at 30 June 2022 <i>(HK\$'000)</i> | As at 31 December 2021 <i>(HK\$'000)</i> |
|------------------------------------|-------------|---|---|
| | <i>Note</i> | | |
| Trade creditors | <i>(a)</i> | 9,381 | 9,098 |
| Customer deposits received | <i>(b)</i> | 113,569 | 116,188 |
| Accrued charges and other payables | | 21,021 | 34,031 |
| Contract liabilities | | 24,079 | 14,939 |
| Lease liabilities | | <u>1,484</u> | <u>1,200</u> |
| | | <u>169,534</u> | <u>175,456</u> |
| Representing: | | | |
| – Non-current | | 487 | 269 |
| – Current | | <u>169,047</u> | <u>175,187</u> |
| | | <u>169,534</u> | <u>175,456</u> |

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

(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 2022 (HK\$'000) | As at 31 December 2021 (HK\$'000) |
|-------------------|--|--|
| Less than 1 month | 9,324 | 8,972 |
| 1 to 3 months | <u>57</u> | <u>126</u> |
| | <u><u>9,381</u></u> | <u><u>9,098</u></u> |

(b) Customer deposits received

Customer deposits received are refundable on demand.

15. SHARE CAPITAL

| | As at 30 June 2022 | | As at 31 December 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, 30 June and 31 December | <u>794,634</u> | <u>296,093</u> | <u>794,634</u> | <u>296,093</u> |

16. 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 16 April 2021 and 19 April 2022, 6,800,000 and 7,400,000 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

Business Review

E-Commerce Business Review

For the first half of 2022, total revenue for our E-Commerce business comprising Government Electronic Trading Services (“GETS”) and Supply Chain Solutions was HK\$85.6 million, down 3.7% or HK\$3.3 million compared with the HK\$88.9 million for the same period last year. Segment profit for the period also dropped from HK\$32.9 million last year to HK\$29.9 million this year, a dip of 9.3% or about HK\$3.0 million year-on-year.

Indeed, the overall GETS market surged 30% to a record high in January 2022 over the same month in 2021 but the fifth wave of the pandemic alongside the ensuing restrictive measures which started in February hit the economy hard. Our operating environment saw a marked deterioration and the overall GETS market from February to June 2022 showed a noticeable decline of almost 7% year-on-year compared with the same period last year. Yet due to the significant increase in January alone, the overall GETS market shrank only marginally by 1% for the first half of the 2022. While in terms of business volume, we outperformed the market slightly due to the business growth of our major courier customers as well as new business from a key customer recruited at beginning of the year, our overall average price dropped year-on-year. As explained in our previous reports the price decline was caused by the business growth of our major courier customers dragging down our overall average price. Moreover, due to the change of a Government requirement which allows a Dutiable Commodities Permit (“DCP”) to cover multiple shipments with the same destination starting 2022, the transaction volume and revenue recorded for our DCP business plunged as much as 59% for the first half of 2022 compared with the same period last year. With the overall worsening performance of Hong Kong’s external trade, the GETS revenue recorded for the first half of 2022 dropped 10.1% to HK\$73.7 million from HK\$82.0 million for the same period last year.

As for our Supply Chain Solutions, revenue recorded for this business sub-segment for the first half of this year increased significantly by 71.8% to HK\$11.9 million from HK\$6.9 million last year. While there was a slight increase in the recurrent revenue from previously delivered projects, revenue surge of this business sub-segment was largely driven by work-in-progress projects on hand, notably a couple of new projects confirmed towards the end of last year with development work commencing early this year. As mentioned in the 2021 Annual Report, one such project involving our Warehouse Management System (“WMS”) and Transportation Management System (“TMS”) was ordered by a renowned logistics company for their cold chain logistics operations. During the reporting period, over half of the development work had already been undertaken with completion and delivery of the project to the above-mentioned customer set before the end of the year. Also included in the project revenue was the continuous enhancement/change requests from existing customers on projects previously delivered. A few more sizable enhancement projects were from key customers on solutions we developed for them, including a longtime large German mail order house client and a major retail chain customer.

The outlook for our GETS business with close ties to Hong Kong's trade performance is cloudy in the second half of 2022 due to the many uncertainties surrounding external factors affecting our operating environment. The Russia-Ukraine conflict, soaring energy, food and commodity prices, rising inflationary pressure, accelerated tighter monetary policies by major central banks, new waves of pandemic outbreaks and subsequent lockdowns, as well as logistics bottlenecks all may take a heavy toll on Hong Kong's economic and trade performance. On the other hand, according to recent research by a local institute, export confidence has been showing signs of improvement though trader sentiment remains cautious with concerns that the challenging external backdrop may undermine a full recovery of global demand in the wake of the pandemic. The positive sentiment indeed faces significant downside risks from the escalation of the war in Ukraine and potential new COVID waves spread by new variants.

So long as Hong Kong's external trading environment does not take a nosedive in the remainder of the year sparked by various macroeconomic and/or geopolitical reasons beyond our control, we remain reasonably confident about our GETS business given a stable competitive environment and strong support from our extensive loyal customer base. In terms of the overall GETS market, against a moderately high base for comparison for the first half of 2021, the year-on-year drop in 2022 was not disastrous. Note that 2021 was a record year for the GETS market. Therefore we need to remain cautious as the second half of 2021 was exceptionally strong and sets an extremely high base for comparison year-on-year with the second half of 2022.

As for the Supply Chain Solutions sub-segment, we are reasonably optimistic about its prospects for the second half of the year. Aside from projects carried forward with development work continuing/expected to be completed in the second half of 2022, there are a couple of new projects signed up just before end of the first half of the year. With development work already commenced, revenue from these new projects can be recognized on a work-in-progress basis in the second half of the year. One of the new projects involved deployment of our WMS and TMS for the cold storage warehouse of a customer whose business is to renovate, manage and operate fresh food markets in Hong Kong. Furthermore, there are a couple of promising sales prospects for which we are confident about receiving confirmation from customers in the coming months. One is from an existing customer who is a major telecommunication service provider. To support the management and operation of their equipment warehouse for carrying out routine maintenance of their 5G network and facilities, we have already deployed our WMS with integration to their backend system as well as that of the equipment supplier. The new project is an extension of our installed solution using handheld equipment to facilitate the end-to-end management and operations of their 5G network and facilities maintenance work. With all of these projects, we feel rather optimistic about having a better year in 2022 for our Supply Chain Solution business than in 2021.

Yet with the anticipated shrinkage of the GETS business which could only be partly offset by the growth of our Supply Chain Solutions business, we expect a moderate drop in our overall E-Commerce business for 2022.

Identity Management (“IDM”) Business Review

Affected by the fifth wave of the pandemic, the Group’s IDM business recorded a decline in revenue in the first half of 2022, which at HK\$22.3 million, dropped 13.5% or about HK\$3.4 million compared with HK\$25.7 million for the same period last year. Except for revenue from maintenance services, which slightly increased by HK\$1.3 million year-on-year, other revenues, including those from our security token business and related delivery services, public key infrastructure-related projects and related services, and IDM projects under development have all dropped. While the withering of the security token business has been a trend for quite some time and its drop was fairly moderate, the more significant decline in revenue experienced by this business segment was from IDM projects (digital onboarding/electronic Know-Your-Customer (“eKYC”)/biometric projects) for which revenue recorded for the first half of this year was HK\$8.9 million, representing a drop of HK\$1.7 million when compared with the project revenue of HK\$10.6 million recorded last year. During the reporting period, segment profit for this business segment also fell 14.8%, or about HK\$0.5 million from HK\$2.9 million last year to HK\$2.4 million this year.

The overall revenue decline of this business segment for the first half of 2022 was mainly due to a number of new projects/potential new business being stalled by customers because of the fifth wave of the pandemic, which seriously disrupted their business and operations, particularly those in the banking and financial services sector. Project works with these customers were delayed and hot prospects put on hold. In addition, we had several sizeable projects which were already substantially completed last year and as such during the reporting period, the remaining work-in-progress revenue that could be recognized from these projects was insignificant. Nonetheless, it is worth noting that the formal contract with a customer on a major eKYC project which we have specifically highlighted in our 2021 Annual Report has been signed during the reporting period. As aforementioned, in order to meet the customer’s timeline, we commenced development work in 2021 with the consent of the customer. With the formal signing of the agreement, revenue in respect of the development work done thus far on this major eKYC project was recognized and included in the project revenue in the first half of 2022.

Looking ahead to the remainder of the year, though the result of our IDM business for the first half of 2022 was less satisfactory, we are reasonably confident that its performance would improve in the second half of the year. As said earlier, the shortfall in the first half of 2022 was mainly due to the delay in some new initiatives and project works with the customers concerned. We expect some of these revenues should be able to be booked upon resumption of project work, together with revenue from the development work on the major eKYC project which we would continue in the second half of 2022. Also, in the first half of the year, we have successfully expanded our customer base with orders secured from new customers in the government and public sectors. One such order was from a statutory body for a project involving a proof-of-concept as part of a new initiative on identity authentication. Another major order secured in partnership with a prime contractor is related to a project for a public service. The proof-of-concept project as well as most of the other new projects are scheduled for completion by the end of 2022 or early 2023.

Meanwhile, in view of the ever-increasing cybersecurity threat, we are seizing the opportunity to work closely with related stakeholders in developing and enhancing our offerings to the community.

Generally speaking, barring any unforeseen circumstances, with the momentum already gathered and positive development we have experienced across a broad front, we are reasonably optimistic about the prospects of our IDM business for the whole of 2022.

Other Services Business Review

For the first half of 2022, our Other Services business segment recorded outstanding 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 at HK\$17.6 million represented an increase of 26.9% or about HK\$3.8 million compared with that of HK\$13.8 million for the same period last year. Segment profit during the reporting period also grew 32.3% or HK\$2.3 million year-on-year from HK\$7.0 million last year to HK\$9.3 million this year.

Of the total HK\$17.6 million revenue recorded under this business segment for the first half of 2022, HK\$5.8 million was generated by our Smart PoS business and HK\$11.8 million by GETS-related services. This represented a remarkable increase of almost 89.8% year-on-year for our Smart PoS business over the revenue of HK\$3.0 million for the same period last year while the GETS-related services also achieved a moderate increase of 9.2% year-on-year compared with last year’s revenue of HK\$10.8 million.

Undoubtedly the retail market has been hit severely by the fifth wave of the pandemic along with the ensuing tightened social distancing measures. Local consumption weakened sharply in the first quarter of 2022. Fortunately, however we managed to secure new Smart PoS sales orders from existing bank customers in January just before the fifth wave started. Noteworthy here, for our biggest bank customer purchasing our Smart PoS for use by their retail clients, during the reporting period we have successfully negotiated a three-year contract to continue providing maintenance and support (“M&S”) services for Smart PoS deployed for use by their retail clients. Additional HK\$1.1 million in revenue was generated from the new sales orders as well as the renewed M&S services contract. Revenue generated from a major project which we mentioned in our 2021 Annual Report also contributed to the revenue growth of our Smart PoS business. Ordered by a renowned enterprise in the service sector, the project involved development and integration of a payment system supporting over 200 Smart PoS deployed across more than 40 outlets in Hong Kong and Macau. During the reporting period, an additional HK\$1.6 million revenue was recognized on a work-in-progress basis for this project.

Our GETS-related services business which comprises primarily our Road Cargo System (“ROCARS”), the call center services offered to Customs & Excise Department’s ROCARS and the paper-to-electronic conversion services for our GETS paper users, also dropped due to the shrinking GETS market. In particular, with the serious disruption of the cross border transportation between China and Hong Kong amid the fifth wave of the pandemic, our ROCARS business nosedived resulting in a 41% plunge in revenue during the reporting period compared with the same period last year. Thanks to the success of our GETS-related partnership with Ping An OneConnect Bank (Hong Kong) Limited (“PAOB”) generating a handsome revenue which was more than able to offset the ROCARS business shortfall, resulting in an overall revenue increase in our GETS-related business during the first half of 2022.

As for the remainder of 2022, we are reasonably confident about the prospects of our Other Services business. In our Smart PoS business, we would step up our resources to work full force on the major project with a view to substantially completing it for pilot before the end of 2022. Barring any unforeseen circumstances, we expect a substantial amount of the remaining project revenue could be recognized in the second half of the year. Together with the expected increase in the ongoing M&S services income, we are fairly optimistic about our Smart PoS business for the year.

Regarding our GETS-related services, based on the trend in the first half year, we also similarly hold a positive view about its prospects for the remainder of 2022. As the fifth wave of the pandemic gradually comes under control leading to the easing of some cross border transport restrictions, logistics disruption is seen to be improving and so should our ROCARS business. With an expected moderate shrinkage of our other GETS-related services, we believe additional revenue from our PAOB partnership should be more than able to make up any shortfall.

China Associate Review

During the reporting period, the performance of our major associate in China, Guangdong Nanfang Haian Science & Technology Service Company Limited (“Nanfang”), improved somewhat, with our share of loss reduced from HK\$1.5 million last year to only a nominal amount of HK\$0.04 million this year. The improved result was primarily due to their further rigorous cost cutting measures which drastically slashed their costs by more than 62%. The adverse operating environment since the loss of their de-facto monopoly on the river manifest declaration service was further worsened by the Coronavirus Disease 2019 (“COVID-19”) pandemic, coupled with the legal dispute with one of the shareholders that has seriously affected their goodwill. As a consequence, Nanfang has, over the years, been downsizing their operations, substantially shrinking their workforce by more than 50% in recent years and in large measures that accounted for the drastic reduction in their costs. During the reporting period, they have had a few small projects on hand which they continued to work on with relatively insignificant revenues recorded. Thankfully, during the reporting period, Nanfang received a rather sizeable government project subsidy, much-needed for them to nearly achieve a breakeven.

The outlook of Nanfang's business for the remainder of the year continues to be bleak. The best hope we have for them is for realizing some breakthrough from the major shareholder upon the ultimate settlement of the legal issues with the other shareholder.

Financial Review

The Group's revenue for the six months ended 30 June 2022 was HK\$125.5 million, a decrease of 2.4% or HK\$3.0 million over the same period last year. Revenue of our E-Commerce segment and our IDM segment dropped, whereas revenue of the Other Services segment increased. The discussion and analysis of the Group's business performance during the period are set out in the section headed "Management Discussion and Analysis – Business Review".

The Group's operating expenses before depreciation for the first half of 2022 were HK\$83.9 million, representing a decrease of 2.1% or HK\$1.8 million from HK\$85.7 million for the corresponding period in 2021. It is mainly due to the year-on-year decrease of HK\$2.1 million to HK\$9.2 million on the costs of purchases corresponding to the decreased revenue from customers for security tokens and supplies to customers for projects. Staff costs were HK\$59.0 million the first half of 2022, a decrease of 0.4% or HK\$0.2 million when compared to the corresponding period last year. The other operating costs were HK\$15.7 million in the first half of 2022 as compared to HK\$15.2 million in last review period, representing an increase of 3.3% or HK\$0.5 million year-on-year. Depreciation charges in the first six months in 2022 were HK\$4.2 million, as compared to HK\$4.1 million recorded in the corresponding period in 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 period's presentation. After the reclassifications, the profit from operations for the period ended 30 June 2021 has been changed from HK\$35.8 million to HK\$38.6 million whereas the net profit for the period ended 30 June 2021 remains unchanged.

The Group's profit from operations for the review period in 2022 was HK\$37.3 million, a decrease of HK\$1.3 million or 3.4% as compared to the corresponding period in 2021.

The Group recorded a surge of other net loss by HK\$18.5 million year-on-year for the review period. This was mainly due to an aggregate fair value loss of HK\$25.9 million recorded for our investments in financial instruments which had mark-to-market losses under the severe headwind in the global financial markets arising from macro global issues such as drastic increase in interest rate in the US and other central banks, the Russian-Ukraine war and resulting geopolitical stress during the first half of 2022. The investments were mainly in a discretionary single bonds portfolio and investment funds. Together with other investment related income, the foreign exchange gain and the funding support from the Employment Support Scheme 2022, the other net loss came to HK\$19.7 million for the first half of 2022.

During the first half of 2022, the Group had a share of loss of HK\$0.04 million from its associate, Nanfang, reduced by HK\$1.4 million year-on-year.

The Group's unaudited after tax profit for the first six months of 2022 was HK\$14.6 million, decreased by HK\$15.4 million or 51.5% as compared to the corresponding period in 2021.

Basic earnings per share for the first six months of 2022 were HK 1.83 cents, lower than that for 2021 at HK 3.78 cents by HK 1.95 cents. Diluted earnings per share for the first half of 2022 were HK 1.83 cents, lower than that for the same period in 2021 at HK 3.77 cents by HK 1.94 cents.

Dividend

The Board has resolved to declare an interim dividend of HK 1.83 cents per share (2021: HK 2.8 cents per share) for the six months ended 30 June 2022 to shareholders, a drop of 34.6%. The interim dividend payout ratio is about 100% of the Group's profit for the period and is higher than the ratios for the previous years at about 75%.

Liquidity and Financial Position

As at 30 June 2022, the Group had total cash and bank deposits of HK\$199.0 million (31 December 2021: HK\$209.2 million). The Group held investments in financial instruments as at 30 June 2022. 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 2022 amounted to HK\$524.6 million (31 December 2021: HK\$564.5 million) and HK\$340.9 million (31 December 2021: HK\$378.6 million) respectively. The decrease in net assets is mainly due to the distribution of the 2021 final dividend at the amount of HK\$51.3 million.

As at 30 June 2022, the Group had no borrowings (31 December 2021: Nil).

Significant Investments Held

As at 30 June 2022, the Group held investments in other financial assets with an aggregate carrying amount of HK\$232.9 million (31 December 2021: HK\$266.6 million). These assets were financial assets measured at fair value through profit or loss ("FVPL") and comprised of:

- (i) a discretionary single bonds portfolio with carrying value of HK\$148.3 million and shares in Tracker Fund of Hong Kong (stock code: 2800) with carrying value of HK\$3.4 million, together as listed debt and equity securities; and
- (ii) units in investment funds with carrying value of HK\$81.2 million.

During the period ended 30 June 2022, the Group fully disposed of its investment in the corporate bonds measured at fair value through other comprehensive income.

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

| | 1 January 2022 (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 2022 (HK\$'000) |
|---|---------------------------------|--|--|--|---|---|-------------------------------|
| Financial assets measured at FVPL | | | | | | | |
| - Listed debt and equity securities | 161,188 | - | - | - | (10,535) | 1,022 | 151,675 |
| - Units in investment funds | 95,984 | - | - | - | (15,350) | 604 | 81,238 |
| Financial assets measured at FVOCI | | | | | | | |
| - Listed debt securities | 9,430 | - | (8,253) | (1,234) | - | 57 | - |
| | <u>266,602</u> | <u>-</u> | <u>(8,253)</u> | <u>(1,234)</u> | <u>(25,885)</u> | <u>1,683</u> | <u>232,913</u> |

The details of the investments were as below:

(i) Listed debt and equity securities measured at FVPL

As at 30 June 2022, the Group invested in a discretionary single bonds portfolio and the Tracker Fund of Hong Kong.

- (a) The Group seeks to achieve the investment objectives of reducing investment concentration risk and to enhance returns of its cash surplus reserves for shareholders. The Company entered into a discretionary asset management mandate with UBS AG, Hong Kong Branch (the “Manager” 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.

As at 30 June 2022, the portfolio consisted of 53 single bonds with individual nominal value of no more than US\$0.5 million each. The single bond which had the largest carrying value, as at 30 June 2022, in this portfolio was HK\$3.9 million (accounting for 0.7% of the Group's total assets) and the aggregate fair value of the portfolio was HK\$148.3 million (accounting for 28.3% of the Group's total assets). As for bonds issuer type, approximate 48%, 31%, 19% and 2% in this portfolio were corporates, financials, government and others respectively. As for maturity dates, approximately 44% of the bonds will be matured within 5 years, 44% will be matured after 5 years and 12% belongs to perpetual bonds.

During the period, this portfolio recorded a fair value loss of HK\$10.3 million which included accrued interest from the bonds, net of management fees.

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 is 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\$4.4 million during 2021. Fair value loss of HK\$0.2 million was recorded for this investment during the first half of 2022.

During the first half of 2022, with regard to the investments abovementioned, the Group recorded a fair value loss at the aggregate amount of HK\$10.5 million on the listed debt and equity securities measured at FVPL.

(ii) Units in investment funds measured at FVPL

As at 30 June 2022, the Group held USD-denominated units in investment funds which are issued by UBS and HSBC Asset Management with fair value totalling HK\$81.2 million. The investment funds recorded an aggregate fair value loss of HK\$15.4 million for the first half of 2022.

The details of the units of investment funds are as below:

| Name of funds | Investment strategy | Investment cost (US\$ million) | Fair value | Dividend received for the six months ended | Expected rate of return | Maturity date | Redemption |
|--|---|-----------------------------------|--------------------------------------|--|---|-------------------|------------------------------|
| | | | as at 30 June 2022 (US\$ million) | 30 June 2022 (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 | 0.7 | 0.02 | Target gross yield to maturity 4.8% – 5.3% per annum | 30 June 2024 | To redeem on any dealing day |
| 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 | 0.07 | Target gross yield to maturity 5.0% – 5.75% per annum | 22 December 2023 | To redeem on any dealing day |
| 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 | - | No fixed rate of return | No fixed maturity | To redeem on any dealing day |
| 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 | - | No fixed rate of return | No fixed maturity | To redeem on any dealing day |
| 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 | - | No fixed rate of return | No fixed maturity | To redeem on any dealing day |

| Name of funds | Investment strategy | Investment cost <i>(US\$ million)</i> | Fair value as at 30 June 2022 <i>(US\$ million)</i> | Dividend | Expected rate of return | Maturity date | Redemption |
|---|---|---|---|--|-------------------------------|----------------------|------------------------------------|
| | | | | received for the six months ended 30 June 2022 <i>(US\$ million)</i> | | | |
| 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 | 0.02 | No fixed rate of return | No fixed maturity | To redeem on any dealing day |
| 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 | 0.8 | - | No fixed rate of return | No fixed maturity | To redeem on any dealing day |
| Total | | <u>13.0</u> | <u>10.4</u> | <u>0.11</u> | | | |

(iii) Listed debt securities measured at FVOCI

The Group fully disposed of the 2 USD-denominated and non-investment grade corporate bonds during the first half of 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 the first half of 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 (30 June 2021: HK\$1.9 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 30 June 2022.

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 recent volatile market conditions, prevailing market sentiment and overall outlook of the global economy and financial market (including the bond market), 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. Firstly, the Group fully redeemed its investments in the investment funds issued by UBS and HSBC Asset Management in July 2022. After the redemptions, the expected fair value loss to be realised for the year ending 31 December 2022, being the difference between the aggregated redemption proceeds and the carrying value as of 31 December 2021 of the investment funds is of approximately HK\$16.4 million, subject to auditor's review. 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. The expected fair value loss to be realised for the year ending 31 December 2022, being the difference between the sales proceeds and the carrying value as of 31 December 2021 of Tracker Fund of Hong Kong is approximately HK\$0.3 million, subject to auditor's review. After these transactions, the only investment in other financial asset is the discretionary single bonds portfolio managed by UBS.

Before other investment or business opportunities were identified, the cash surplus reserves were parked in bank deposits and 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 during the period ended 30 June 2022.

Capital and Reserves

As at 30 June 2022, the capital and reserves attributable to shareholders was HK\$340.9 million (31 December 2021: HK\$378.6 million), a decrease of about HK\$37.7 million from the end of 2021 after the distribution of the 2021 final dividend.

Charges on Assets and Contingent Liabilities

As at 30 June 2022, the Group has obtained two bank guarantees totaling HK\$2.2 million (31 December 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 (31 December 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 30 June 2022 not provided for in the financial statements amounted to HK\$2.2 million (31 December 2021: HK\$0.3 million), mainly in respect of the purchase of computer equipment for the Group.

Employees and Remuneration Policy

As at 30 June 2022, the Group employed 263 staff (30 June 2021: 264), of which 229 are in Hong Kong and 34 in Guangzhou. The related staff costs for the period came to HK\$59.0 million (30 June 2021: HK\$59.2 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 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 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 Part 2 of Appendix 14 of the Listing Rules. The Company confirms that it has complied with all code provisions during the six months ended 30 June 2022.

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 2022, the Company convened two Board meetings.

All Directors attended the Board meeting held on 22 March 2022. The Directors reviewed and approved, among other things, the 2021 annual results, the 2021 annual report, the effectiveness of Group’s risk management and internal control systems and share option allocations for eligible staff for 2021.

In that meeting, the Directors also considered and discussed factors relating to the independence of two long-serving INEDs, Mr. CHAK Hubert and Mr. CHAU Tak Hay, who had served the Board for more than nine years and the recommendations of the Nomination Committee in this regard, and recommended to the shareholders for their re-election at the annual general meeting 2022. The Board also discussed generally issues relating to the INEDs’ refreshment and succession plan, board size and the directors’ skill set.

All Directors attended the Board meeting held on 21 June 2022 and in the meeting, the Directors noted, among other things, the annual update on the cyber security implementation in the Group, reviewed the Shareholders Communication Policy and the recommended changes thereto, and discussed and approved an execution plan to implement the new policy on board diversity, refreshment & succession and size, and noted the timetable for the 2022 interim results announcement of the Company.

The attendance of Directors in Board meetings of the Company during the six months ended 30 June 2022 is as follows:

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

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 2022.

Audit Committee

The interim results and the interim financial report for the six months ended 30 June 2022 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 HK 1.83 cents per share (2021: HK 2.8 cents per share) for the six months ended 30 June 2022 to shareholders whose names appear on the register of members of the Company on 26 September 2022. Dividend will be paid to shareholders on or around 7 October 2022. The interim dividend payout ratio is about 100% 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 2022, 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, 26 September 2022 to Wednesday, 28 September 2022, 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, 23 September 2022.

Publication of Interim Results and Interim Report

This interim results announcement is published on the respective websites of the Company (www.tradelink.com.hk) and HKEXnews (www.hkexnews.hk). The 2022 interim report of the Company for the six months ended 30 June 2022 will be dispatched to shareholders and published on the aforesaid websites in due course.

Shareholders are given the option to receive corporate communications in website version or in printed form by giving reasonable notice to the Company or to the Company's share registrar. For enhanced efficiency, costs saving and environmental protection, shareholders are encouraged to choose to receive website version of corporate communications.

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

Hong Kong, 23 August 2022

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.