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Link-Asia International MedTech Group Limited

環亞國際醫療科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1143)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Link-Asia International MedTech Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2021*

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	324,797	260,005
Cost of sales		<u>(254,211)</u>	<u>(201,506)</u>
Gross profit		70,586	58,499
Other income	4	5,400	5,832
Other gains and losses	5	478	(9,971)
Impairment loss on trade receivables and loans to other parties		(12,000)	(8,568)
Reversal of impairment loss on trade receivables		465	116
Reversal of impairment loss on loans to other parties		3,063	–
Selling and distribution expenses		(16,972)	(27,618)
Administrative expenses		(71,696)	(72,587)
Other operating expenses		<u>(7,598)</u>	<u>(7,408)</u>
Loss from operations		(28,274)	(61,705)
Share of results of associates		34	(3,059)
Finance costs	6	<u>(1,820)</u>	<u>(2,998)</u>
Loss before tax		(30,060)	(67,762)
Income tax expense	7	<u>(2,069)</u>	<u>(2,160)</u>
Loss for the period		<u><u>(32,129)</u></u>	<u><u>(69,922)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT'D)*For the six months ended 30 June 2021*

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Attributable to:			
Owners of the Company		(32,042)	(69,918)
Non-controlling interests		(87)	(4)
		<u>(32,129)</u>	<u>(69,922)</u>
Loss per share			
Basic (HK cents per share)	<i>10</i>	<u>7.02</u>	<u>20.52</u>
Diluted (HK cents per share)		<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(32,129)	(69,922)
Other comprehensive income/(expense) for the period, net of tax		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value change of equity investments at fair value through other comprehensive income (“FVTOCI”)	–	(16,184)
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	3,016	(1,010)
Other comprehensive income/(expense) for the period, net of tax	3,016	(17,194)
Total comprehensive income/(expense) for the period	(29,113)	(87,116)
Attributable to:		
Owners of the Company	(29,026)	(87,112)
Non-controlling interests	(87)	(4)
	(29,113)	(87,116)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021	31 December 2020
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment		17,068	19,203
Right-of-use assets		43,873	48,904
Investment properties		30,000	30,000
Investments in associates		14,930	12,316
Intangible assets		35,370	35,478
		<hr/>	<hr/>
Total non-current assets		141,241	145,901
		<hr/>	<hr/>
Current assets			
Inventories		101,486	92,651
Trade receivables	<i>11</i>	140,336	165,413
Prepayments, deposits, other receivables		64,312	46,556
Loans to other parties		12,060	38,695
Amount due from a director		–	450
Equity investments at FVTPL		1,120	–
Current tax assets		82	82
Bank and cash balances		208,621	167,657
		<hr/>	<hr/>
Total current assets		528,017	511,504
		<hr/>	<hr/>
TOTAL ASSETS		669,258	657,405
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)*As at 30 June 2021*

		30 June 2021	31 December 2020
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the Company			
Share capital		12,325	8,559
Reserves		308,182	286,903
		320,507	295,462
Non-controlling interests		385	472
Total equity		320,892	295,934
LIABILITIES			
Non-current liabilities			
Bond payable		2,000	–
Lease liabilities		7,038	30,922
Total non-current liabilities		9,038	30,922
Current liabilities			
Trade payables	<i>12</i>	59,549	87,353
Accruals and other payables		202,637	187,266
Lease liabilities		40,132	20,677
Borrowings		18,595	18,595
License rights payable		7,789	8,099
Product warranty provisions		4,611	4,611
Current tax liabilities		6,015	3,948
Total current liabilities		339,328	330,549
Total liabilities		348,366	361,471
TOTAL EQUITY AND LIABILITIES		669,258	657,405

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

These condensed financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2020. A number of new or amended standards are effective from 1 January 2021 but they do not have a material effect on the Group’s financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group has four reportable segments as follows:

EMS	— Electronic manufacturing services
Distribution of Communications Products	— Marketing and distribution of communications products
Securities and Other Assets Investment	— Equity investment property agency service and other operations
Real Estate Supply Chain Services	— Real estate advisory service and real estate purchase service

3. REVENUE AND SEGMENT INFORMATION (CONT'D)

	EMS HK\$'000 (unaudited)	Distribution of Communications Products HK\$'000 (unaudited)	Securities and Other Assets Investment HK\$'000 (unaudited)	Real Estate Supply Chain Services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
6 months ended 30 June 2021:					
Revenue from external customers	297,985	23,909	340	2,563	324,797
Intersegment revenue	–	–	–	–	–
Segment profit/(loss)	10,635	310	(17,257)	(21,860)	(28,172)
Other material non-cash items:					
— Impairment loss on trade receivables and loans to other parties	–	–	–	(12,000)	(12,000)
— Reversal of impairment loss on loans to other parties	–	–	3,063	–	3,063
— Share of profit of associates	–	–	–	34	34
As at 30 June 2021:					
Segment assets	480,881	16,960	93,479	97,605	688,925
Segment liabilities	271,448	42,787	33,519	18,510	366,264
6 months ended 30 June 2020:					
Revenue from external customers	231,234	15,782	322	12,667	260,005
Intersegment revenue	2,783	–	–	–	2,783
Segment profit/(loss)	3,677	(2,544)	(24,634)	(41,124)	(64,625)
Other material non-cash items:					
— Impairment loss on trade receivables and loans to other parties	(1,637)	–	(3,559)	(3,372)	(8,568)
— Impairment loss on associates' goodwill	–	–	–	(9,455)	(9,455)
— Share of loss of associates	–	–	–	(3,059)	(3,059)
As at 31 December 2020:					
Segment assets	482,529	25,326	75,598	93,543	676,996
Segment liabilities	281,392	51,464	33,914	8,976	375,746

3. REVENUE AND SEGMENT INFORMATION (CONT'D)

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Reconciliations of segment profit or loss		
Total loss of reportable segments	(28,172)	(64,625)
Intersegment elimination	–	(29)
Unallocated amounts:		
Consultancy fee	–	(1,500)
Directors' emoluments	(360)	(525)
Interest income on loans to other parties	–	708
Legal and professional fees	(1,276)	(1,648)
Other unallocated head office and corporate expenses	(252)	(143)
	<u>(30,060)</u>	<u>(67,762)</u>
Consolidated loss before tax for the period	<u>(30,060)</u>	<u>(67,762)</u>
Reconciliations of segment assets and liabilities:		
	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Assets		
Total assets of reportable segments	688,925	676,996
Elimination of intersegment assets	(23,459)	(23,459)
Unallocated amounts:		
Bank and cash balances	50	51
Prepayments, deposits and other receivables	3,742	3,817
	<u>669,258</u>	<u>657,405</u>
Consolidated total assets	<u>669,258</u>	<u>657,405</u>
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Liabilities		
Total liabilities of reportable segments	366,264	375,746
Elimination of intersegment liabilities	(23,459)	(23,459)
Unallocated amounts:		
Accruals and other payables	5,561	9,184
	<u>348,366</u>	<u>361,471</u>
Consolidated total liabilities	<u>348,366</u>	<u>361,471</u>

Geographical information

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition.

For the six months ended 30 June (unaudited)	EMS		Distribution of Communications Products		Securities and Other Assets Investment		Real Estate Supply Chain Services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Primary geographical markets										
— The People's Republic of China (the "PRC") (including Hong Kong)	34,823	31,925	-	68	340	322	2,563	12,667	37,726	44,982
— The United States of America (the "U.S.A.")	13,770	4,780	20,546	14,558	-	-	-	-	34,316	19,338
— Switzerland	112,311	102,816	-	-	-	-	-	-	112,311	102,816
— France	52,033	25,665	-	-	-	-	-	-	52,033	25,665
— Thailand	7,167	9,328	-	-	-	-	-	-	7,167	9,328
— United Kingdom	10	402	-	-	-	-	-	-	10	402
— Others	77,871	59,101	3,363	1,156	-	-	-	-	81,234	60,257
Segment revenue	<u>297,985</u>	<u>234,017</u>	<u>23,909</u>	<u>15,782</u>	<u>340</u>	<u>322</u>	<u>2,563</u>	<u>12,667</u>	<u>324,797</u>	<u>262,788</u>
Intersegment revenue										
— The U.S.A.	-	(2,783)	-	-	-	-	-	-	-	(2,783)
Revenue from external customers	<u>297,985</u>	<u>231,234</u>	<u>23,909</u>	<u>15,782</u>	<u>340</u>	<u>322</u>	<u>2,563</u>	<u>12,667</u>	<u>324,797</u>	<u>260,005</u>
Timing of revenue recognition										
Products and services transferred at a point in time	297,985	231,234	23,909	15,782	-	-	2,563	12,667	324,457	259,683
Products and services transferred over time	-	-	-	-	340	322	-	-	340	322
Total	<u>297,985</u>	<u>231,234</u>	<u>23,909</u>	<u>15,782</u>	<u>340</u>	<u>322</u>	<u>2,563</u>	<u>12,667</u>	<u>324,797</u>	<u>260,005</u>

4. OTHER INCOME

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Bank interest income	174	647
Government grant	943	374
Interest income on loans to other parties	3,183	2,381
Others	1,100	2,430
	<u>5,400</u>	<u>5,832</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net foreign exchange loss	(676)	(516)
Loss on disposal of property, plant and equipment	(84)	–
Fair value gain on listed equity securities	1,238	–
Impairment loss on goodwill from investments in associates	–	(9,455)
	<u>478</u>	<u>(9,971)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on loans from independent third parties	82	1,178
Interest on bank loans	246	–
Interest on corporate bonds	14	–
Interest on lease liabilities	1,478	1,820
	<u>1,820</u>	<u>2,998</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax Provision for the period	<u>2,069</u>	<u>1,828</u>
Current tax — Overseas Provision for the period	<u>–</u>	<u>332</u>
	<u>2,069</u>	<u>2,160</u>

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong is 8.25%, and profits above that amount is subject to the tax rate of 16.5%.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Consultancy fee	422	16,228
Cost of goods sold		
Cost of inventories sold	252,974	195,743
Allowance for inventories	2,024	2,974
Reversal of allowance for inventories (<i>note (i)</i>)	(3,089)	(5,424)
	251,909	193,293
Cost of real estate supply chain services		
Commission paid to external sales channels	1,639	5,083
Commission paid to internal staff	555	1,174
Amortisation of exclusive agency right	108	1,956
	2,302	8,213
Depreciation		
Property, plant and equipment	5,717	11,874
Right-of-use assets	14,955	14,177
Operating lease charges — Land and buildings	1,913	5,387
Other operating expenses		
Research and development expenditures (<i>note (ii)</i>)	7,562	7,408
Employee benefits expense including directors' emoluments		
Salaries, bonus and allowances	86,839	80,455
Retirement benefit scheme contributions	6,547	3,205
Equity-settled share-based payments	2,401	–
	95,787	83,660

Notes:

- (i) The Group makes allowance for inventories under respective aging criteria in different operating segments. The reversal of allowance represents the amount of inventories subsequently used in production or sold.
- (ii) During the six months period ended 30 June 2021, research and development expenditure includes approximately HK\$7,540,000 (30 June 2020: HK\$7,377,000) relating to employee benefits expense, which is included in the respective total amount as disclosed separately above.

9. DIVIDENDS

No dividends have been paid or proposed during the six months ended 30 June 2021, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2020: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the following:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	<u>32,042</u>	<u>69,918</u>
	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>456,649,957</u>	<u>340,711,993</u>
Effect of dilutive potential ordinary shares arising from share options	<u>12,673,767</u>	<u>N/A</u>
Weighted average number of ordinary shares used in diluted loss per share calculation	<u>469,323,724</u>	<u>N/A</u>

For the six months ended 30 June 2021 and 2020, there is no dilutive effect on the loss per share as the exercise of the Company's outstanding share options would result in the decrease in the loss per share.

11. TRADE RECEIVABLES

The aging analysis of trade receivables as at the end of the reporting period, based on invoice date, and net of allowance, is as follows:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
0–90 days	112,401	136,286
91–180 days	27,102	27,616
181–365 days	777	672
Over 365 days	56	839
	<hr/> 140,336 <hr/>	<hr/> 165,413 <hr/>

12. TRADE PAYABLES

The aging analysis of trade payables as at the end of the reporting period, based on invoice date, is as follows:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
0–90 days	53,786	80,690
91–180 days	5,041	6,289
181–365 days	491	59
Over 365 days	231	315
	<hr/> 59,549 <hr/>	<hr/> 87,353 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The first half of 2021 remained a challenging period for the Group. The continued spread of the coronavirus disease 2019 (“**COVID-19**”) brought impacts to the business conditions around the globe with stringent travel restrictions, border controls and quarantine arrangements during the Period. While, the situation was basically stable in Mainland China where the Group operated. With the effort of the team, the Group’s revenue increased by approximately HK\$64.8 million from approximately HK\$260.0 million in 2020 to HK\$324.8 million in 2021. Loss attributable to equity holders of the Company of approximately HK\$32.0 million was recorded for the Period, representing a decrease of approximately 54.2% compared to loss of approximately HK\$69.9 million for the prior period.

At the same time, the Board and management echelon of the Company strive to continue developing the existing core business and actively explore and find new business growth, especially the high-end medical and healthcare services. The Group established a joint venture company with strategic partners for the endometrial stem cells business development in June 2021.

As at 30 June 2021, the Group maintained a solid financial position with bank and cash balances totalling approximately HK\$208.6 million (31 December 2020: HK\$167.7 million) to meet the needs of daily operation, business development and challenges.

Review of Operations

The EMS and Distribution of Communication Products

The EMS and Distribution of Communication Products businesses contributed approximately HK\$298.0 million (2020: HK\$231.2 million) and HK\$23.9 million (2020: HK\$15.8 million) in revenue respectively during the Period. The order demand has continued to recover since the fourth quarter in 2020, increasing the segment’s revenue by approximately 28.9% and 51.3% respectively.

Real Estate Supply Chain Services

The Real Estate Supply Chain Services business continued to be negatively affected by stringent travel restrictions and border closures being implemented since March 2020. It reported segment revenue of approximately HK\$2.6 million, as compared to approximately HK\$12.7 million for the prior period.

Securities and Other Assets Investment

The Securities and Other Assets Investment business contributed segment revenue of approximately HK\$0.3 million (2020: HK\$0.3 million) for the Period, which is principally derived from rental income from an investment property.

Geographical Analysis

Revenue from major European countries (the United Kingdom, Switzerland, Poland, France, Sweden and Russia) totalled approximately HK\$178.0 million (2020: HK\$139.8 million), and accounted for approximately 54.8% of the Group's total revenue for the Period (2020: 53.8%). The U.S.A. market contributed approximately HK\$34.3 million (2020: HK\$16.5 million) in revenue and accounted for approximately 10.6% of the Group's total revenue (2020: 6.4%). The PRC (including Hong Kong) and other countries generated approximately HK\$37.7 million (2020: HK\$45.0 million) and HK\$74.7 million (2020: HK\$58.7 million) revenue, respectively, during the Period, representing approximately 11.6% (2020: 17.3%) and 23.0% (2020: 22.5%) of the Group's total revenue, respectively.

FINANCIAL HIGHLIGHTS

Revenue

For the Period, the Group recorded total revenue of approximately HK\$324.8 million (2020: HK\$260.0 million).

Cost of sales

Cost of sales increased by approximately 26.2% from approximately HK\$201.5 million in 2020 to approximately HK\$254.2 million in 2021 mainly in line with the increase of the revenue.

Gross profit

Gross profit increased by approximately 20.7% from approximately HK\$58.5 million in 2020 to approximately HK\$70.6 million in 2021, as a result of enlarged turnover achieved during the Period, while the gross profit margin maintained stable of approximately 21.7% in 2021 (2020: 22.5%).

Other income

Other income decreased slightly by approximately HK\$0.4 million to HK\$5.4 million for the Period (2020: HK\$5.8 million). The major components of the other income are interest income on loans to other parties and government grant, amounting to approximately HK\$3.2 million and HK\$0.9 million, respectively.

Other gains and losses

Other net gains of approximately HK\$0.5 million in 2021 (2020: net losses of approximately HK\$10.0 million) were due to no impairment loss on goodwill from investment in associates.

Impairment losses

The Group made overall impairment losses of approximately HK\$8.5 million on certain assets for the first half of 2021, representing an increase by approximately HK\$0.1 million (2020: HK\$8.4 million). The increase was mainly due to the increase in impairment losses on loans to other parties of approximately HK\$5.1 million, offsetting by decrease in impairment loss on trade receivables by approximately HK\$1.6 million, reversal of impairment loss on trade receivables by approximately HK\$0.3 million and an increase in reversal of impairment losses for loans to other parties by approximately HK\$3.1 million.

Selling and distribution expenses

Selling and distribution expenses from continuing operations of approximately HK\$17.0 million (2020: HK\$27.6 million) accounted for approximately 5.2% in 2021 and 10.6% in 2020 of the Group's revenue, respectively. The decrease was mainly due to reduction in advertising and promotion for the Real Estate Supply Chain Services business of approximately HK\$14.7 million offsetting by the increase in commission of EMS and Distribution of Communication Products businesses of approximately HK\$4.3 million.

Administrative expenses

Administrative expense of approximately HK\$71.7 million (2020: HK\$72.6 million) accounted for approximately 22.1% in 2021 and 27.9% in 2020 of the Group's revenue, respectively. The administrative expenses included staff costs, directors' remuneration, operating lease charges and other administrative costs. The expenses remained stable as compared to last period.

Other operating expenses

Other operating expenses of approximately HK\$7.6 million in 2021 (2020: 7.4 million). The other operating expenses mainly included research and development expenses which remained stable as compared to last period.

Finance costs

The Group's finance costs were approximately HK\$1.8 million in 2021 and HK\$3.0 million in 2020, represented approximately 0.6% and 1.2% of the revenue in 2021 and 2020, respectively. The decrease in finance costs during the Period was mainly due to the decrease in interest on loans from independent third parties by approximately HK\$1.1 million.

Income tax expenses

The Group's income tax expense from continuing operations represents amounts of income tax paid by the Group, at the applicable tax rate in accordance with the relevant laws and regulations in Hong Kong, the PRC and the U.S.A..

The Group's effective income tax rates for the periods ended 30 June 2021 and 2020, was approximately -6.9% and -3.2%, respectively.

Loss for the period attributable to owners of the Company

The loss attributed to owners of the Company was approximately HK\$32.0 million for the period ended 30 June 2021 (2020: HK\$69.9 million). The Group's net loss margin attributable to owners of the Company for the period ended 30 June 2021 was approximately -9.9% (2020: -26.9%).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations and capital expenditure by internally generated cashflows and borrowings.

The Group's current ratio remains in a healthy position at 1.6 times (31 December 2020: 1.6 times). As at 30 June 2021, the cash and cash equivalents amounted to approximately HK\$208.6 million, representing an increase of approximately HK\$41.0 million from 31 December 2020.

As at 30 June 2021, the Group had total borrowings of HK\$20.6 million (31 December 2020: HK\$18.6 million).

The gearing ratio of the Group was 52.1% as at 30 June 2021 (31 December 2020: 55.0%), which is calculated based on the Group's total liabilities divided by its total assets. Taking into account of liquid assets on hand, the Group has sufficient financial resources to meet its ongoing operational requirements.

CAPITAL STRUCTURE

As at 30 June 2021, the total number of issued shares of the Company is 616,242,570 with a nominal value of HK\$0.02 each (31 December 2020: 427,958,570 shares with a nominal value of HK\$0.02 each).

On 11 January 2021, an aggregate of 85,580,000 shares of the Company with a nominal value of HK\$0.02 each has been successfully placed at HK\$0.35 per share. The net proceeds from the placing shares (after deduction of commission and other expenses of said placing of new shares) amounted to HK\$29.3 million. For details, please refer to the announcements of the Company dated 30 December 2020 and 11 January 2021.

On 30 June 2021, an aggregate of 102,704,000 shares of the Company with a nominal value of HK\$0.02 each has been successfully placed at HK\$0.224 per share. The net proceeds from the placing shares (after deduction of commission and other expenses of said placing of new shares) amounted to HK\$22.3 million. For details, please refer to the announcements of the Company dated 15 June 2021 and 30 June 2021.

EXCHANGE RISK EXPOSURE

The majority of the Group's sales and purchases are denominated in US dollars, RMB and Euro. Due to the fact that the Hong Kong dollar is pegged to the US dollars, the Group's exposure to this foreign exchange risk is low. The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 30 June 2021, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangement for hedging purpose to reduce any currency risk nor made any over-the-counter contingent forward transactions. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure for the period ended 30 June 2021 amounted to approximately HK\$4.0 million and the capital commitments as at 30 June 2021 amounted to approximately HK\$1.4 million. Both the capital expenditure and capital commitments were mainly related to the acquisition of plant and machinery to cope with the requirement of the EMS operation.

FINANCIAL GUARANTEE CONTRACT

As at 30 June 2021 and 31 December 2020, the Group had an outstanding guarantee (“**the Guarantee**”) with one of the suppliers of an overseas subsidiary (the “**Disposed Subsidiary**”), which was disposed on 7 October 2015, for payment in relation to a sum of USD2.6 million (equivalent to approximately HK\$20.3 million), which represents a trade balance under dispute between the Disposed Subsidiary and the supplier. The supplier subsequently sold the trade balance to a third party.

During 2017, the Disposed Subsidiary agreed with the third party for a final settlement by instalment of USD650,000 (equivalent to approximately HK\$5.1 million). In this regards, as at 30 June 2021 and 31 December 2020, the Group had an outstanding guarantee of the sum limited to USD650,000 subject to the full payment of the final settlement effected by the Disposed Subsidiary.

The Disposed Subsidiary had issued a counter guarantee to indemnify the Group for any loss in relation to the Guarantee. The management of the Group after taking legal advice are of the opinion that it is very highly unlikely that liabilities will be brought against the Group on the above matter.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2021, an investment property of approximately HK\$30.0 million was pledged to an independent third party to secure a loan facility available to the Group.

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Group was holding listed equity investments at a fair value of approximately HK\$1.1 million, which were classified as financial assets at fair value through profit or loss. The fair value gain on listed equity securities of approximately HK\$1.2 million was recorded in profit or loss.

During the Period, there was no significant investment held by the Group.

EVENTS AFTER THE REPORTING PERIOD

On 23 March 2021, the Group entered into two share transfer agreements to dispose of all equity interests in the associates, Zhanju and Rongshu, to the respective controlling shareholders of the associates with considerations of RMB15,300,000 and RMB15,000,000, respectively.

The disposal of the equity interests in Zhanju was completed on 5 July 2021, on which the date the Group lost significant influence over Zhanju. The disposal of Rongshu was not completed at the end of the reporting period and up to the date of approval of these interim financial statements.

HUMAN RESOURCES

As at 30 June 2021, the Group had approximately 1,200 employees in various operating units in Hong Kong, U.S.A. and the PRC. In order to attract and retain high quality talents to ensure smooth operation and cater for the Group's constant expansion, it offers competitive remuneration packages, with reference to market conditions and individual qualifications and experience.

There is 35,671,850 outstanding share option as at 30 June 2021 under the New Share Option Scheme. In addition, 35,671,850 share options was granted to certain Directors and employees of the Group, no share option was exercised, cancelled or lapsed during the period ended 30 June 2021.

PROSPECTS

With the COVID-19 situation continuing, it is difficult to predict the time of resuming normal international travel and the outlook for a business recovery. Domestic situation in the PRC has gradually returned to normal due to the PRC government's solid and effective measures and the Group's domestic operation has resumed accordingly. However, the situations in the U. S.A. and certain European and Pan Asian countries are still challenging, which constituted the Group's major markets. We hope that the cases in Hong Kong will remain low so that the borders between Hong Kong and both domestic Chinese and international travellers could reopen. In view of the coming second half year, the Group will remain cautiously optimistic and adhere to the business strategy by carefully planning and deploying resources.

The Group has proactively explored and looked for new business growth spots in high-end medical and healthcare services. During the Period, the Group has entered into several strategic investment memorandum related to medical projects with different potential business partners. Of which, the Group further formed a joint venture company for the purpose of engaging in the business of endometrial stem cell storage and fertility health management with Hanguang Technology (Shanghai) Gene Technology Co., Ltd (漢光雲科(上海)生物醫藥科技有限公司) in June 2021.

The relaxation of 3-child policy to improving PRC's population structure would be benefit the Group on business development in medical markets, including assisted reproduction and stem cell treatments. the Group will actively consolidate its resources and act with prudence in pursuing continuous development in our core businesses, and will capture the trends and investment opportunities to diversify income sources for the Group.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of interim dividend for the Period (2020: nil).

Purchase, Sale or Redemption of Listed Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2021 and up to the date of this interim result announcement.

Corporate Governance

The Directors are of the opinion that the Company has complied with the code provisions set out in the Corporate Governance Code (the “**Code**”) under Appendix 14 of the Listing Rules on the Stock Exchange throughout the six months ended 30 June 2021, except for the deviation from code provision A.2.1 of the Code as described below.

Code Provision A.2.1

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not have any officer with the title of “chief executive officer” and this is deviated from the code provision A.2.1 of the Code.

Mr. Lin Dailian, who acts as the Chairman and an executive Director, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 and will continue to consider the feasibility to comply with the said code provision. If compliance with the said provision is determined, appropriate persons will be nominated to assume the different roles of chairman and chief executive officer.

After Mr. Bao Jinqiao (the “**Mr. Bao**”) resigned as an independent non-executive Director and ceased to be a member of each of the remuneration committee, nomination committee and audit committee of the Company (the “**Audit Committee**”) on 19 October 2020 the number of independent non- executive Directors and members of the Audit Committee fell below the requirements under Rules 3.10 and 3.21 of the Listing Rules. Following the appointment of Dr. Sun Xiaohu (the “**Dr. Sun**”) on 6 January 2021 as an independent non-executive Director and the member of the Audit Committee, the Company has complied with Rule 3.10 of the Listing Rules in relation to the composition of the Board and Rule 3.21 of the Listing Rules with regard to the composition of the Audit Committee.

On 19 April 2021, Dr Sun resigned as an independent non-executive Director and the member of the Audit Committee, which resulted the number of independent non- executive Directors and members of the Audit Committee fell below the requirements under Rules 3.10 and 3.21 of the Listing Rules. Following the appointment of Mr. Chak Chi Shing on 7 June 2021 as an independent non-executive Director and the member of the Audit Committee, the Company has complied with Rule 3.10 of the Listing rules in relation to the composition of the Board and Rule 3.21 of the Listing Rules with regard to the composition of the Audit Committee.

Audit Committee and Review of Interim Results

As at the date of this announcement, the Audit Committee has three members comprising Mr. Chak Chi Shing (Chairman), Mr. Li Huiwu and Mr. Yang Weidong, all being independent non-executive Directors.

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021.

By order of the Board
Link-Asia International MedTech Group Limited
Lin Dailian
Chairman and executive Director

Hong Kong, 30 August 2021

As at the date of this announcement, the Board comprises Mr. Lin Dailian (Chairman), Mr. Wang Guozhen, Mr. Duan Chuanhong and Mr. Xia Xiaobing as executive Directors; Mr. Li Huiwu, Mr. Yang Weidong and Mr. Chak Chi Shing as independent non-executive Directors.