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# Link-Asia International Co. Ltd.
# 環亞國際實業有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1143)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Link-Asia International Co. Ltd. 環亞國際實業有限公司 (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 2020 (the "**Period**").

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
*For the six months ended 30 June 2020*

| | Note | Six months ended 30 June 2020 HK$'000 (unaudited) | 2019 HK$'000 (unaudited) (re-presented) |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | *3* | **260,005** | 292,656 |
| Cost of sales | | **(201,506)** | (232,932) |
| **Gross profit** | | **58,499** | 59,724 |
| Other income | *4* | **5,832** | 6,767 |
| Other gains and losses | *5* | **(9,971)** | 1,946 |
| Impairment loss on trade receivables, other receivables and loans to other parties | | **(8,568)** | (19,233) |
| Reversal of allowance for trade receivables | | **116** | – |
| Selling and distribution expenses | | **(27,618)** | (16,355) |
| Administrative expenses | | **(72,587)** | (76,997) |
| Other operating expenses | | **(7,408)** | (8,782) |
| **Loss from operations** | | **(61,705)** | (52,930) |
| Share of loss of associates | | **(3,059)** | – |
| Finance costs | *6* | **(2,998)** | (3,254) |
| **Loss before tax** | | **(67,762)** | (56,184) |
| Income tax expense | *7* | **(2,160)** | (1,682) |
| **Loss for the period from continuing operations** | *8* | **(69,922)** | (57,866) |
| **Discontinued operation** | | | |
| Profit for the period from discontinued operation | 9 | **–** | 3,327 |
| **Loss for the period** | | **(69,922)** | (54,539) |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT'D)

*For the six months ended 30 June 2020*

| | Note | Six months ended 30 June | |
|---|---|---|---|
| | | **2020** | 2019 |
| | | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) (re-presented) |
| **Attributable to:** | | | |
| Owners of the Company | | **(69,918)** | (56,169) |
| Non-controlling interests | | **(4)** | 1,630 |
| | | **(69,922)** | (54,539) |
| **Loss per share** | | | |
| **From continuing and discontinued operations** | | | |
| Basic (HK cents per share) | *11* | **(20.521)** | (18.895) |
| Diluted (HK cents per share) | | **N/A** | N/A |
| **From continuing operations** | | | |
| Basic (HK cents per share) | *11* | **(20.521)** | (19.466) |
| Diluted (HK cents per share) | | **N/A** | N/A |

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

*For the six months ended 30 June 2020*

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Loss for the period** | **(69,922)** | (54,539) |
| **Other comprehensive income for the period, net of tax** | | |
| *Item that will not be reclassified to profit or loss:* | | |
| Fair value change of equity investments at fair value through other comprehensive income ("FVTOCI") | **(16,184)** | 9,478 |
| *Item that will be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **(1,010)** | 515 |
| | **(17,194)** | 9,993 |
| **Total comprehensive income for the period** | **(87,116)** | (44,546) |
| **Attributable to:** | | |
| Owners of the Company | **(87,112)** | (46,399) |
| Non-controlling interests | **(4)** | 1,853 |
| | **(87,116)** | (44,546) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

| | Note | 30 June 2020 HK$'000 (unaudited) | 31 December 2019 HK$'000 (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **22,314** | 32,960 |
| Right-of-use assets | | **47,808** | 62,520 |
| Investment properties | | **30,000** | 30,000 |
| Investment in associates | | **20,245** | – |
| Intangible assets | | **23,044** | – |
| Refundable deposit | | **18,000** | – |
| Rental deposits | | **–** | 8,659 |
| Loans to other parties | | **–** | 26,209 |
| Equity investments at FVTOCI | | **6,167** | 9,608 |
| Deferred tax assets | | **1,938** | 1,938 |
| **Total non-current assets** | | **169,516** | 171,894 |
| **Current assets** | | | |
| Inventories | | **76,195** | 79,927 |
| Trade receivables | *12* | **127,891** | 131,052 |
| Prepayments, deposits, other receivables and other assets | | **60,632** | 81,113 |
| Loans to other parties | | **51,951** | 25,115 |
| Amount due from a non-controlling interest | | **477** | – |
| Equity investments at FVTOCI | | **–** | 3,789 |
| Current tax assets | | **–** | 586 |
| Bank and cash balances | | **194,226** | 241,364 |
| **Total current assets** | | **511,372** | 562,946 |
| **TOTAL ASSETS** | | **680,888** | 734,840 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)**
*As at 30 June 2020*

| | *Note* | **30 June 2020** *HK$'000* **(unaudited)** | 31 December 2019 *HK$'000* (audited) (re-presented) |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | **7,134** | 5,945 |
| Reserves | | **358,279** | 405,068 |
| | | **365,413** | 411,013 |
| Non-controlling interests | | **486** | – |
| **Total equity** | | **365,899** | 411,013 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | | **21,147** | 33,246 |
| **Total non-current liabilities** | | **21,147** | 33,246 |
| **Current liabilities** | | | |
| Trade payables | *13* | **58,508** | 54,422 |
| Accruals and other payables | | **182,644** | 173,050 |
| Lease liabilities | | **24,084** | 26,359 |
| Amount due to a director | | **150** | 204 |
| Borrowings | | **17,701** | 26,701 |
| License rights payable | | **5,580** | 5,968 |
| Product warranty provisions | | **2,059** | 2,059 |
| Current tax liabilities | | **3,116** | 1,818 |
| **Total current liabilities** | | **293,842** | 290,581 |
| **TOTAL EQUITY AND LIABILITIES** | | **680,888** | 734,840 |

# 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 2019 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 2019 except as stated below.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS") and Interpretations. The Group has not early adopted any other standard, Interpretation or amendment that has been issued but is not yet effective.

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 2019. A number of new or amended standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

### New Accounting Policies

In current period, the Group has the following new accounting policies applicable to its new Real Estate Supply Chain Services operation.

*(a) Intangible assets — Exclusive Agency Right*

The intangible asset represents exclusive agency right of a certain number of apartments in a real estate project in Thailand that valid until 17 March 2021 and may extend for a further six months at the request of the Group.

The intangible asset is stated at cost, less accumulated amortisation and accumulated impairment. The initial cost includes payments made to project owner for the acquisition of the exclusive agency right. The amortisation is calculated by number of apartments sold during the period over the total number of apartments with exclusive agency right granted by the project owner.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

**New Accounting Policies (cont'd)**

*(b) Revenue recognition*

Revenue from the real estate supply chain services operation provides two type of services, the real estate advisory service and real estate purchase service. The real estate advisory service provides the customer with real estate investment advice and help them to source investment opportunities in South East Asia and Pan Asia markets. Real estate purchase service provides services for obtaining the legal title of real estate investment on behalf of customer. The customer will negotiate the price of the two services together, and the customer usually pay a lump sum fee that represents the sum of the consideration of the two services.

Real estate advisory service and real estate purchase service are two distinct performance obligations. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis estimated using the expected cost plus a margin approach.

The Group recognises revenue from real estate advisory service and real estate purchase service at a point in time upon completion of each service.

According to the related terms of real estate purchase services, the Group has contracted to arrange delivery and transfer of legal title to the customers within a period specified in the service agreement. If the Group fails to fulfil the obligation on time, the customer has the unilateral right to cancel the contract, and recover all the payments made to the Group, together with the interest determined based on the formula specified in the service agreement.

The Group recognises revenue from real estate advisory service only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognised to date will not occur should the legal title to the subject real estate not be transferred to the customer within the timeframe specified in the service agreement.

## 3. REVENUE AND SEGMENT INFORMATION

The Group has four (2019: three) reportable segments as follows:

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

A new operating segment, Real Estate Supply Chain Services has been formed during the period. Certain subsidiaries formerly under Securities and Other Assets Investment segment form the constituents of this new operating segment.

| | **EMS**<br>*HK$'000*<br>(unaudited) | **Distribution of Communications Products**<br>*HK$'000*<br>(unaudited) | **Securities and Other Assets Investment**<br>*HK$'000*<br>(unaudited) | **Real Estate Supply Chain Services**<br>*HK$'000*<br>(unaudited) | **Total**<br>*HK$'000*<br>(unaudited) |
|---|---|---|---|---|---|
| **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, other 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 30 June 2020:** | | | | | |
| Segment assets | 424,548 | 21,306 | 104,622 | 152,458 | 702,934 |
| Segment liabilities | 248,158 | 35,247 | 42,367 | 7,084 | 332,856 |
| **6 months ended 30 June 2019 (re-presented):** | | | | | |
| Revenue from external customers | 269,068 | 17,876 | 5,712 | – | 292,656 |
| Intersegment revenue | 6,851 | – | – | – | 6,851 |
| Segment profit/(loss) | 5,030 | (1,874) | (30,960) | – | (27,804) |
| Other material non-cash items: | | | | | |
| — Impairment loss on trade receivables, other receivables and loans to other parties | (1,800) | – | – | – | (1,800) |
| **As at 31 December 2019 (audited):** | | | | | |
| Segment assets | 411,877 | 20,487 | 236,408 | – | 668,772 |
| Segment liabilities | 237,663 | 32,015 | 41,599 | – | 311,277 |

## 3. REVENUE AND SEGMENT INFORMATION (CONT'D)

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) (re-presented) |
| **Reconciliations of segment profit or loss from continuing operations:** | | |
| Total loss of reportable segments | **(64,625)** | (27,804) |
| Intersegment elimination | **(29)** | 352 |
| Unallocated amounts: | | |
| Consultancy fee | **(1,500)** | (6,000) |
| Directors' emoluments | **(525)** | (1,480) |
| Interest income on loans to other parties | **708** | 3,528 |
| Interest on loans from independent third parties | **–** | (1,207) |
| Impairment loss on loans to other parties | **–** | (17,433) |
| Legal and professional fees | **(1,648)** | (3,851) |
| Other unallocated head office and corporate expenses | **(143)** | (2,289) |
| Consolidated loss before tax for the period from continuing operations | **(67,762)** | (56,184) |

### 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* (re-presented) | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* (re-presented) |
| **Primary geographical markets** | | | | | | | | | | |
| — The People's Republic of China (the "PRC") (including Hong Kong) | **31,925** | 40,179 | **68** | – | **322** | 5,712 | **12,667** | – | **44,982** | 45,891 |
| — The United States of America (the "U.S.A.") | **4,780** | 29,193 | **14,558** | 16,418 | **–** | – | **–** | – | **19,338** | 45,611 |
| — Switzerland | **91,871** | 107,232 | **–** | – | **–** | – | **–** | – | **91,871** | 107,232 |
| — France | **25,665** | 18,926 | **–** | – | **–** | – | **–** | – | **25,665** | 18,926 |
| — Thailand | **9,328** | 10,051 | **–** | – | **–** | – | **–** | – | **9,328** | 10,051 |
| — United Kingdom | **11,347** | 12,232 | **–** | – | **–** | – | **–** | – | **11,347** | 12,232 |
| — Others | **59,101** | 58,106 | **1,156** | 1,458 | **–** | – | **–** | – | **60,257** | 59,564 |
| Segment revenue | **234,017** | 275,919 | **15,782** | 17,876 | **322** | 5,712 | **12,667** | – | **262,788** | 299,507 |
| Intersegment revenue | | | | | | | | | | |
| — The U.S.A. | **(2,783)** | (6,851) | **–** | – | **–** | – | **–** | – | **(2,783)** | (6,851) |
| Revenue from external customers | **231,234** | 269,068 | **15,782** | 17,876 | **322** | 5,712 | **12,667** | – | **260,005** | 292,656 |
| **Timing of revenue recognition** | | | | | | | | | | |
| Products and services transferred at a point in time | **231,234** | 269,068 | **15,782** | 17,876 | **322** | 5,712 | **12,667** | – | **260,005** | 292,656 |
| Total | **231,234** | 269,068 | **15,782** | 17,876 | **322** | 5,712 | **12,667** | – | **260,005** | 292,656 |

## 4. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| | | (re-presented) |
| **Continuing operations** | | |
| Bank interest income | **647** | 92 |
| Government grant | **374** | – |
| Interest income on loans to other parties | **2,381** | 3,528 |
| Others | **2,430** | 3,147 |
| | **5,832** | 6,767 |

## 5. OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| | | (re-presented) |
| **Continuing operations** | | |
| Exchange gain/(loss) | **(516)** | 1,946 |
| Impairment loss on goodwill from investments in associates | **(9,455)** | – |
| | **(9,971)** | 1,946 |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| | | (re-presented) |
| **Continuing operations** | | |
| Interest on loans from independent third parties | **1,178** | 1,207 |
| Interest on lease liabilities | **1,820** | 2,045 |
| Other interest expenses | **–** | 2 |
| | **2,998** | 3,254 |

## 7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| | | (re-presented) |
| **Continuing operations** | | |
| Current tax — Hong Kong Profits Tax | | |
| Provision for the period | **1,828** | 900 |
| Current tax — Overseas | | |
| Provision for the period | **332** | 761 |
| Under-provision in prior period | **–** | 21 |
| | **332** | 782 |
| Deferred tax | **–** | – |
| | **2,160** | 1,682 |

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 FROM CONTINUING OPERATIONS

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| | | (re-presented) |
| Consultancy fee | **16,228** | 6,000 |
| Cost of goods sold | | |
| Cost of inventories sold | **195,743** | 218,666 |
| Allowance for inventories | **2,974** | 7,314 |
| Reversal of allowance for inventories *(note (i))* | **(5,424)** | (4,549) |
| | **193,293** | 221,431 |
| Cost of real estate supply chain services | | |
| Commission paid to external sales channels | **5,083** | – |
| Commission paid to internal staff | **1,174** | – |
| Amortisation of exclusive agency right | **1,956** | – |
| | **8,213** | – |
| Depreciation | | |
| Property, plant and equipment | **11,874** | 10,814 |
| Right-of-use assets | **14,177** | 15,656 |
| Operating lease charges — Land and buildings | **5,387** | 4,977 |
| Other operating expenses | | |
| Research and development expenditures *(note (ii))* | **7,408** | 8,602 |
| Employee benefits expense including directors' emoluments | | |
| Salaries, bonus and allowances | **80,455** | 98,060 |
| Retirement benefit scheme contributions | **3,205** | 5,845 |
| | **83,660** | 103,905 |

*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 2020, research and development expenditure includes approximately HK$7,377,000 (30 June 2019: HK$8,596,000) relating to employee benefits expense, which is included in the respective total amount as disclosed separately above.

## 9. DISCONTINUED OPERATION

On 3l December 2019, the Company entered into a sale and purchase agreements to dispose of interests in Anhui Huayuan Guoyi Medical Investment Management Limited (安徽華源國怡醫療投資管理有限公司) ("Guoyi").

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Profit for the period from discontinued operation: | | |
| Revenue | – | 56,320 |
| Cost of Sales | – | (49,222) |
| Other income | – | 488 |
| Other gains and losses | – | (26) |
| Selling expenses | – | (648) |
| Administrative expenses | – | (1,134) |
| Finance cost | – | (904) |
| Profit before tax | – | 4,874 |
| Income tax expense | – | (1,547) |
| Profit for the period from discontinued operation | – | 3,327 |

## 10. DIVIDENDS

No dividends have been paid or proposed during the six months ended 30 June 2020, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2019: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

**From continuing and discontinued operations**

The calculation of the basic loss per share from continuing and discontinued operations is based on the following:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Loss** | | |
| Loss attributable to owners of the Company, used in the basic loss per share from continuing and discontinued operations calculation | **(69,918)** | (56,169) |

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(unaudited)** | (unaudited) (re-presented) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share from continuing and discontinued operations | **340,711,993** | 297,265,570 |

## 11. (LOSS)/EARNINGS PER SHARE (CONT'D)

The comparative figures have been re-presented to reflect the implementation of share consolidation on the basis that every 20 issued and unissued ordinary shares of HK$0.001 each to be consolidated into 1 consolidated share of HK$0.02 each on 29 May 2020.

No diluted loss per share from continuing and discontinued operations is presented as the Company did not have any dilutive potential ordinary shares for the six months periods ended 30 June 2020 and 2019.

**From continuing operations**

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| | | (re-presented) |
| **Loss** | | |
| Loss attributable to owners of the Company, used in the basic loss per share from continuing operations calculation | **(69,918)** | (57,866) |

The weighted average number of ordinary shares used as denominators in calculating the basic loss per share from continuing operations are the same as those set out above.

No diluted loss per share from continuing operations is presented as the Company did not have any dilutive potential ordinary shares for the six months periods ended 30 June 2020 and 2019.

**From discontinued operation**

Basic and diluted earnings per share from discontinued operation are not applicable for the six months ended 30 June 2020. The basic and diluted earnings per share from discontinued operation for the six months ended 30 June 2019 are 0.571 HK cents and 0.571 HK cents respectively. Basic and diluted earnings per share calculation is based on the profit for the period ended 30 June 2019 from discontinued operation attributable to the owners of the Company of HK$1,697,000 and the denominator used are the same as those set out above.

## 12. 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 2020** | 31 December 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0–90 days | **107,692** | 108,667 |
| 91–180 days | **19,392** | 22,142 |
| 181–365 days | **549** | 133 |
| Over 365 days | **258** | 110 |
| | **127,891** | 131,052 |

## 13. 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 2020** | 31 December 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0–90 days | **56,234** | 46,675 |
| 91–180 days | **547** | 6,601 |
| 181–365 days | **670** | 234 |
| Over 365 days | **1,057** | 912 |
| | **58,508** | 54,422 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

The first half of 2020 has been a challenging period for the Group. The world has been devastated by the coronavirus disease 2019 ("**COVID-19**"), with millions of people affected at the time of writing. The global economy has been materially and adversely affected, with global travel restrictions, border controls and quarantine arrangements imposed, which deterred the business supply chain and the prospects for growth.

During the Period, facing the outbreak of COVID-19 and the US-China trade tensions that adversely affect economic environment and confidence, the Group's revenue from continuing operations decreased by approximately HK$32.7 million from approximately HK$292.7 million in 2019 to HK$260.0 million in 2020. Loss attributable to equity holders of the Company of approximately HK$69.9 million was recorded for the Period, representing an increase of approximately 24.5% compared to loss of approximately HK$56.2 million for the prior period.

Over the past decade, the Group has been focusing on the electronic manufacturing services (the "**EMS**") and marketing and distribution of communication products (the "**Distribution of Communication Products**"). The Group has further consolidated its resources in the securities and other Assets investment (the "**Securities and Other Assets Investment**") business and re-deployed these resources to better opportunities. The Group has started to set foot in the real estate advisory service and real estate purchase service (the "**Real Estate Supply Chain Services**") business in Southeast Asia and Pan Asia markets since the second half of 2019 to increase the Group's revenue stream.

As at 30 June 2020, the Group maintained a solid financial position with bank and cash balances totalling HK$194.2 million (31 December 2019: HK$241.4 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$231.2 million (2019: HK$269.1 million) and HK$15.8 million (2019: HK$17.9 million) in revenue respectively during the Period. The dip in revenue from these two segments reflected a general decline that the industry as a whole has experienced over the past few years. In the beginning of 2020, due to the outbreak of COVID-19, factories in China were ordered to shut down amidst lock down measures implemented by the Chinese government to stop its spread. This caused even more pressure on the production, goods delivery and revenue for the Group.

*Real Estate Supply Chain Services*

Real Estate Supply Chain Services business started its contribution to the Group's revenue in first half of 2020. Revenue from the real estate supply chain services operation provides two types of services, comprising the real estate advisory service and real estate purchase service related to investment opportunities in Southeast Asia and Pan Asia markets on behalf of customers. Revenue is recognised at a point in time upon completion of each service. This segment has contributed approximately HK$12.7 million (2019: Nil) for the Period.

Even though the Real Estate Supply Chain Services business has brought in a new revenue stream to the Group, it is heavily and adversely affected by the border control and quarantine measures due to COVID-19. Normal business travelling is suspended between the PRC and Southeast Asian and Pan Asian countries. The Board expected that this business sector will improve with the coming break-through in vaccine and medication of COVID-19.

*Securities and Other Assets Investment*

The Securities and Other Assets Investment business contributed segment revenue from continuing operations of approximately HK$0.3 million (2019: HK$5.7 million) for the Period, which is principally derived from rental income from an investment property.

### Geographical Analysis

Revenue from continuing operations from major European countries (the United Kingdom, Switzerland, Poland and France) totalled approximately HK$139.8 million (2019: HK$150.0 million), and accounted for approximately 53.8% of the Group's total revenue for the Period (2019: 51.3%). The U.S.A. market contributed approximately HK$16.5 million (2019: HK$38.8 million) in revenue and accounted for approximately 6.4% of the Group's total revenue (2019: 13.2%). The PRC (including Hong Kong) and other countries generated approximately HK$45.0 million (2019: HK$45.9 million) and HK$58.7 million (2019: HK$58.0 million) revenue, respectively, during the Period, representing approximately 17.3% (2019: 15.7%) and 22.5% (2019: 19.8%) of the Group's total revenue, respectively.

## FINANCIAL HIGHLIGHTS

### Revenue

For the Period, the Group recorded total revenue from continuing operations of approximately HK$260.0 million (2019: HK$292.7 million).

### Cost of sales

Cost of sales from continuing operations decreased by approximately 13.5% from approximately HK$232.9 million in 2019 to approximately HK$201.5 million in 2020 mainly in line with the decrease of the revenue.

**Gross profit**

Gross profit from continuing operations decreased by approximately 2.1% from approximately HK$59.7 million in 2019 to approximately HK$58.5 million in 2020, as a result of diminished turnover achieved during the Period, while the gross profit margin from continuing operations gently increased from approximately 20.4% in 2019 to 22.5% in 2020.

**Other income**

Other income from continuing operations decreased by approximately HK$0.9 million to HK$5.8 million for the Period (2019: HK$6.8 million). The major components of the other income are interest income on loans to other parties, rent concession and government grant due to COVID-19, amounting to approximately HK$2.4 million, HK$0.6 million and HK$0.4 million, respectively.

**Other gains and losses**

Other net losses of approximately HK$10.0 million in 2020 (2019: net gain of approximately HK$1.9 million) were due to impairment loss on goodwill from investment in associates.

**Impairment losses on trade receivables, other receivables and loans to other parties**

Impairment losses on trade receivables, other receivables and loans to other parties decreased from approximately HK$19.2 million in 2019 to HK$8.6 million in 2020. A valuation of expected credit loss was performed by an independent valuer, based on the credit rating analysis of the debtors.

**Selling and distribution expenses**

Selling and distribution expenses from continuing operations of approximately HK$27.6 million (2019: HK$16.4 million) accounted for approximately 10.6% in 2020 and 5.6% in 2019 of the Group's revenue, respectively. The increase was mainly due to advertising and promotion for the Real Estate Supply Chain Services business of approximately HK$14.7 million.

**Administrative expenses**

Administrative expense from continuing operations of approximately HK$72.6 million (2019: HK$77.0 million) accounted for approximately 27.9% in 2020 and 26.3% in 2019 of the Group's revenue, respectively. The decrease in administrative expenses was mainly due to the reduction in staff costs and directors' remuneration of approximately HK$4.5 million, decrease in consultancy fee of approximately HK$4.5 million, decrease in entertainment of approximately HK$1.3 million, being offset by the net increase in the legal and professional fees of approximately HK$7.3 million.

**Other operating expenses**

Other operating expenses decreased by approximately HK$1.4 million from approximately HK$8.8 million in 2019 to approximately HK$7.4 million in 2020. The decrease in other operating expenses was mainly arising from a reduction of research and development expenses by approximately HK$1.2 million.

### Finance costs

The Group's finance costs from continuing operations were approximately HK$3.0 million in 2020 and HK$3.3 million in 2019, represented approximately 1.2% and 1.1% of the revenue in 2020 and 2019, respectively. The decrease in finance costs during the Period was mainly due to the decrease in interest on lease liabilities by approximately HK$0.2 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 2020 and 2019, was approximately -3.2% and -3.0% (re-presented), respectively.

### Loss for the period attributable to owners of the Company

The loss attributed to owners of the Company was approximately HK$69.9 million for the period ended 30 June 2020 (2019: HK$56.2 million). The Group's net loss margin attributable to owners of the Company for the period ended 30 June 2020 was approximately -26.9% (2019: -19.2% (re-presented)).

### Discontinued operation

On 31 December 2019, Guoyi was disposed at a consideration of approximately HK$0.6 million. The disposal gain was recorded at approximately HK$0.7 million.

A sale and purchase agreement to dispose Guoyi was entered into on 31 December 2019 and completed on the same date. The financial reporting of Guoyi has been reclassified as discontinued operation. No revenue and profit or loss from the discontinued operation was generated for the period ended 30 June 2020. The total revenue of the discontinued operation was approximately HK$56.3 million and the profit was approximately HK$3.3 million for the period ended 30 June 2019.

## 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 1.7 times (2019: 1.9 times). As at 30 June 2020, the cash and cash equivalents amounted to approximately HK$194.2 million, representing a decrease of approximately HK$47.2 million from 31 December 2019.

As at 30 June 2020, the carrying amount of the loans from independent third parties was approximately HK$17.7 million.

The gearing ratio of the Group was 46.3% as at 30 June 2020 (2019: 44.1%), 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 2020, the total number of issued shares of the Company is 356,718,570 with a nominal value of HK$0.02 each (2019: 5,945,311,400 shares with a nominal value of HK$0.001 each).

On 19 February 2020, an aggregate of 1,189,060,000 shares of the Company with a nominal value of HK$0.001 each has been successfully placed at HK$0.035 per share. The net proceeds from the placed shares (after deduction of commission and other expenses of the placing) amounted to approximately HK$41.4 million.

On 29 May 2020, the Company implemented a share consolidation on the basis that every 20 issued and unissued ordinary shares of HK$0.001 each to be consolidated into 1 consolidated share of HK$0.02 each.

## 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 2020, 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 2020 amounted to approximately HK$1.9 million and the capital commitments as at 30 June 2020 amounted to approximately HK$0.2 million. Both the capital expenditure and capital commitments were mainly related to the acquisition of plant and machinery and leasehold improvements to cope with the requirement of the EMS operation.

## FINANCIAL GUARANTEE CONTRACT

As at 30 June 2020 and 31 December 2019, 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 2020 and 31 December 2019, 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 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 highly unlikely that liabilities will be brought against the Group on the above matter.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

## PLEDGE OF ASSETS

As at 30 June 2020, 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 2020, the Group was holding listed equity investments at a fair value of approximately HK$6.2 million, which were classified as financial assets at fair value through other comprehensive income. Due to the movements of the share prices, net fair value change in respect of such investments of approximately HK$16.2 million was recorded in other comprehensive income. Apart from the change in fair value, the balance of the equity investments decreased significantly due to the disposal of certain equity investments during the Period.

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

## HUMAN RESOURCES

As at 30 June 2020, the Group had approximately 1,300 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.

## PROSPECTS

Since the outbreak of COVID-19 early this year, global economic activities got significantly disrupted intermittently to prevent the spread of COVID-19. As a result, the major economies suffered the largest quarterly contraction in decades for the first half year of 2020.

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 situation did not improve much in the U.S.A. and certain European and Pan Asian countries, which constituted the Group's major markets.

Although there are high uncertainty in the economic outlook, the Group has confidence that the economy will fully recover from COVID-19 as the research and development in vaccine and medication keeps making progress over time. 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.

In respect of the EMS and Distribution of Communication Products businesses, the Group will seek to bolster ties with its business partners in order to seize new opportunities. In terms of EMS business, in particular, the Group will direct greater effort towards the research and development of Internet of things (IoT), Wi-Fi and Bluetooth enabled products, and explore the market opportunity in the PRC.

Regarding to the Real Estate Supply Chain Services business, the Group will continue to proactively look for business opportunities in Southeast Asia and Pan-Asia, especially those opportunities arising from pessimistic market sentiments.

Nevertheless, the Group will actively consolidate its resources and act with prudence in pursuing continuous development in our core businesses, and will seek new business or 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 (2019: 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.

## Events After the Reporting Period

(i) *Obtaining Exclusive Agency Rights through issue of shares*

The Group, Natural Perseverance Limited (the Company's wholly owned subsidiary) (the "**Purchaser**") and Ratchaphruek Global Group Co., Ltd (the "**Vendor**") entered into the a transfer of exclusive agency rights agreement on 28 July 2020, pursuant to which, the Purchaser conditionally agreed to accept the transfer of and the Vendor conditionally agreed to transfer the rights to be the exclusive agent for the sale of certain properties by way of novation at the consideration of HK$27 million, which will be satisfied by the issue and allotment of 71,240,000 shares of the Company at the issue price of HK$0.379 per Share by the Company to the Vendor upon completion. For details, please refer to the announcements of the Company dated 28 July 2020 and 12 August 2020.

The transaction has been completed on 18 August 2020 and 71,240,000 shares has been allotted to the Vendor.

(ii) *The COVID-19 outbreak*

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate the impact on the financial position, cash flows and operating results of the Group. Given the impact of the COVID-19 outbreak remains uncertain, it is not practicable to provide a reasonable estimate of the impact on the Group's financial position, cash flows and operating results as at the date of this announcement for issue.

## 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 2020 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 2020, 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.

On 3 April 2020, Mr. Wang Guozhen (the "**Mr. Wang**") was re-designated from an independent non-executive Director to an executive Director, and was appointed as the president of the Company. He ceased to be a member of each of the remuneration committee, nomination committee and audit committee of the Company (the "**Audit Committee**") with effective 3 April 2020.

Upon the re-designation of Mr. Wang, 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. Yang Weidong on 24 April 2020 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. Li Huiwu (chairman), Mr. Bao Jinqiao 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 2020. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 have also been reviewed by RSM Hong Kong, the external auditor of the Company, 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. RSM Hong Kong's unmodified independent review report to the Board is included in the interim report to be sent to shareholders.

By order of the Board
**Link-Asia International Co. Ltd.**
**Lin Dailian**
*Chairman and executive Director*

Hong Kong, 28 August 2020

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