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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 2022**

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 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	281,893	324,797
Cost of sales		<u>(232,766)</u>	<u>(254,211)</u>
Gross profit		49,127	70,586
Other income	4	12,187	5,400
Other gains and losses	5	4,474	478
Impairment loss on trade receivables and loans to other parties		–	(12,000)
Reversal of impairment loss on trade receivables		–	465
Reversal of impairment loss on loans to other parties		–	3,063
Selling and distribution expenses		(14,658)	(16,972)
Administrative expenses		(53,396)	(71,696)
Research and development expenditure		<u>(7,331)</u>	<u>(7,598)</u>
Loss from operations		(9,597)	(28,274)
Share of results of associates		346	34
Finance costs	6	<u>(1,683)</u>	<u>(1,820)</u>
Loss before tax		(10,934)	(30,060)
Income tax expense	7	<u>(1,890)</u>	<u>(2,069)</u>
Loss for the period		<u>(12,824)</u>	<u>(32,129)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT'D)*For the six months ended 30 June 2022*

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Attributable to:			
Owners of the Company		(13,539)	(32,042)
Non-controlling interests		715	(87)
		<u>(12,824)</u>	<u>(32,129)</u>
Loss per share			
Basic (HK cents per share)	<i>10</i>	<u>1.42</u>	<u>7.02</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 2022

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(12,824)	(32,129)
Other comprehensive income/(expense) for the period, net of tax		
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>2,561</u>	<u>3,016</u>
Other comprehensive income/(expense) for the period, net of tax	<u>2,561</u>	<u>3,016</u>
Total comprehensive income/(expense) for the period	<u><u>(10,263)</u></u>	<u><u>(29,113)</u></u>
Attributable to:		
Owners of the Company	<u>(10,978)</u>	(29,026)
Non-controlling interests	<u>715</u>	<u>(87)</u>
	<u><u>(10,263)</u></u>	<u><u>(29,113)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Note</i>	30 June 2022	31 December 2021
		HK\$'000	HK\$'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment		25,060	29,636
Right-of-use assets		37,005	54,466
Intangible assets		74,318	36,835
Rental deposits		2,951	3,215
		139,334	124,152
Total non-current assets			
Current assets			
Inventories		86,445	118,915
Trade receivables	<i>11</i>	137,434	162,232
Prepayments, deposits and other receivables		110,816	106,639
Loans to other parties		10,516	9,388
Investments at fair value through profit or loss (“FVTPL”)		–	1,229
Bank and cash balances		189,996	145,574
		535,207	543,977
Assets classified as held-for-sale		10,194	9,849
		545,401	553,826
Total current assets			
TOTAL ASSETS		684,735	677,978

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONT'D)**

As at 30 June 2022

	<i>Note</i>	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the Company			
Share capital		24,154	18,487
Reserves		376,986	347,390
		<u>401,140</u>	<u>365,877</u>
Non-controlling interests		836	121
		<u>401,976</u>	<u>365,998</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		22,452	36,514
Bonds payable		–	2,000
		<u>22,452</u>	<u>38,514</u>
Current liabilities			
Trade payables	12	36,881	58,694
Accruals and other payables		184,960	175,737
Lease liabilities		16,790	22,075
Borrowings		14,587	614
Bonds payable		1,000	–
License rights payable		–	7,789
Product warranty provisions		2,816	3,584
Current tax liabilities		3,273	4,973
		<u>260,307</u>	<u>273,466</u>
Total current liabilities		<u>260,307</u>	<u>273,466</u>
TOTAL EQUITY AND LIABILITIES		<u><u>684,735</u></u>	<u><u>677,978</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with HKAS 34 Interim Financial Reporting. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

The unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollar ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, which are measured at fair values. The accounting policies used in preparing the unaudited interim condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2022 as described below.

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

The adoption of this amendment to HKFRSs and HKASs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

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 2022:					
Revenue from external customers	270,054	8,565	20	3,254	281,893
Intersegment revenue	–	–	–	–	–
Segment profit/(loss)	6,331	3,456	(17,959)	(1,123)	(9,295)
Other material non-cash items:					
— Share of profit of associates	–	–	–	346	346
As at 30 June 2022:					
Segment assets	463,987	6,135	109,788	91,801	671,711
Segment liabilities	<u>233,709</u>	<u>24,961</u>	<u>23,927</u>	<u>9,887</u>	<u>292,484</u>
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	<u>271,448</u>	<u>42,787</u>	<u>33,519</u>	<u>18,510</u>	<u>366,264</u>

3. REVENUE AND SEGMENT INFORMATION (CONT'D)

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Reconciliations of segment profit or loss		
Total loss of reportable segments	(9,295)	(28,172)
Intersegment elimination	–	–
Unallocated amounts:		
Consultancy fee	–	–
Directors' emoluments	(360)	(360)
Interest expenses	(46)	–
Legal and professional fees	(1,118)	(1,276)
Other unallocated head office and corporate expenses	(115)	(252)
	<u>(10,934)</u>	<u>(30,060)</u>
Consolidated loss before tax for the period	<u>(10,934)</u>	<u>(30,060)</u>
Reconciliations of segment assets and liabilities:		
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Assets		
Total assets of reportable segments	671,711	650,938
Elimination of intersegment assets	(20,516)	(21,045)
Unallocated amounts:		
Bank and cash balances	7	58
Property, plant and equipment	6,985	12,368
Right-of-use assets	7,268	16,561
Prepayments, deposits and other receivables	19,280	19,098
	<u>684,735</u>	<u>677,978</u>
Consolidated total assets	<u>684,735</u>	<u>677,978</u>
	2022	2021
	HK\$'000	HK\$'000
Liabilities		
Total liabilities of reportable segments	292,484	313,040
Elimination of intersegment liabilities	(20,516)	(21,045)
Unallocated amounts:		
Accruals and other payables	1,696	499
Lease liabilities	8,095	17,486
Bonds payable	1,000	2,000
	<u>282,759</u>	<u>311,980</u>
Consolidated total liabilities	<u>282,759</u>	<u>311,980</u>

3. REVENUE AND SEGMENT INFORMATION (CONT'D)

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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)	23,512	34,823	-	-	20	340	3,254	2,563	26,786	37,726
— The United States of America (the "U.S.A.")	38,621	13,770	8,456	20,546	-	-	-	-	47,077	34,316
— Switzerland	56,751	112,311	-	-	-	-	-	-	56,751	112,311
— France	45,383	52,033	-	-	-	-	-	-	45,383	52,033
— Belgium	29,007	-	-	-	-	-	-	-	29,007	-
— Thailand	10,513	7,167	-	-	-	-	-	-	10,513	7,167
— United Kingdom	9	10	-	-	-	-	-	-	9	10
— Others	66,258	77,871	109	3,363	-	-	-	-	66,367	81,234
Segment revenue	<u>270,054</u>	<u>297,985</u>	<u>8,565</u>	<u>23,909</u>	<u>20</u>	<u>340</u>	<u>3,254</u>	<u>2,563</u>	<u>281,893</u>	<u>324,797</u>
Intersegment revenue										
— The U.S.A.	-	-	-	-	-	-	-	-	-	-
Revenue from external customers	<u>270,054</u>	<u>297,985</u>	<u>8,565</u>	<u>23,909</u>	<u>20</u>	<u>340</u>	<u>3,254</u>	<u>2,563</u>	<u>281,893</u>	<u>324,797</u>
Timing of revenue recognition										
Products and services transferred at a point in time	270,054	297,985	8,565	23,909	-	-	3,254	2,563	281,873	324,457
Products and services transferred over time	-	-	-	-	20	340	-	-	20	340
Total	<u>270,054</u>	<u>297,985</u>	<u>8,565</u>	<u>23,909</u>	<u>20</u>	<u>340</u>	<u>3,254</u>	<u>2,563</u>	<u>281,893</u>	<u>324,797</u>

4. OTHER INCOME

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Bank interest income	391	174
Government grant	1,425	943
Interest income on loans to other parties	2,353	3,183
Overprovision of the RCA license fee	5,850	-
Others	2,168	1,100
	<u>12,187</u>	<u>5,400</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net foreign exchange gain/(loss)	2,803	(676)
Loss on disposal of property, plant and equipment	–	(84)
Fair value (loss)/gain on listed equity securities	(109)	1,238
Gain on disposal of a subsidiary	1,780	–
	<u>4,474</u>	<u>478</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on loans from independent third parties	140	82
Interest on bank loans	–	246
Interest on bonds payable	46	14
Interest on lease liabilities	1,497	1,478
	<u>1,683</u>	<u>1,820</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	1,711	2,069
Current tax — Overseas		
Provision for the period	179	–
	<u>1,890</u>	<u>2,069</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	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Consultancy fee	–	422
Cost of goods sold		
Cost of inventories sold	235,259	252,974
Allowance for inventories	5,078	2,024
Reversal of allowance for inventories (<i>note (i)</i>)	(8,861)	(3,089)
	231,476	251,909
Cost of real estate supply chain services		
Commission paid to external sales channels	–	1,639
Commission paid to internal staff	1,290	555
Amortisation of exclusive agency right	–	108
	1,290	2,302
Depreciation		
Property, plant and equipment	4,697	5,717
Right-of-use assets	9,455	14,955
Operating lease charges — Land and buildings	1,839	1,913
Other operating expenses		
Research and development expenditures (<i>note (ii)</i>)	7,331	7,562
Employee benefits expense including directors' emoluments		
Salaries, bonus and allowances	77,195	86,839
Retirement benefit scheme contributions	7,217	6,547
Equity-settled share-based payments	2,788	2,401
	87,200	95,787

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 2022, research and development expenditure includes approximately HK\$7,331,000 (30 June 2021: HK\$7,540,000) 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 2022, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2021: Nil).

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	<u>13,539</u>	<u>32,042</u>
	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>956,057,645</u>	<u>456,649,957</u>

No diluted loss per share for the six months ended 30 June 2022 and 2021 as the outstanding share options do not have any dilutive effect.

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 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0–90 days	97,459	120,666
91–180 days	38,927	40,655
181–365 days	576	353
Over 365 days	472	558
	<u>137,434</u>	<u>162,232</u>

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 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0–90 days	34,341	56,483
91–180 days	2,358	1,866
181–365 days	108	–
Over 365 days	74	345
	<u>36,881</u>	<u>58,694</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the six months ended 30 June 2022, the outbreak of Omicron has caused the most severe infections spread since COVID-19 pandemic first emerged, both our Hong Kong and PRC operations were affected by the implementation of related prevention control and quarantine measures across the country. Moreover, the Shanghai office had been closed for nearly two months and the management arranged the Hong Kong office had been work from home for three months and work in shifts until now to reduce the transmission risk. As a result, some of the Group's undergoing projects were postponed or growth slowly.

During the six months ended 30 June 2022, the revenue decreased by approximately 13.2% from approximately HK\$324.8 million for the period ended 30 June 2021 to approximately HK\$281.9 for the period ended 30 June 2022.

As the uncertain global economic environment, the Board and management of the Company strive to develop the existing core business and explore new business prudently to maintain the Group in a good financial position.

As at 30 June 2022, the Group maintained a solid financial position with bank and cash balances totaling approximately HK\$190.0 million (as at 31 December 2021: 145.6 million).

Review of Operations

The EMS and Distribution of Communication Products

The revenue from EMS business decreased by 9.4% to HK\$270.1 million (2021: HK\$298.0 million), whereas the revenue from Distribution of Communications Products business decreased by 64.0% to HK\$8.6 million (2021: HK\$23.9 million).

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\$3.3 million, as compared to approximately HK\$2.6 million for the prior period.

Securities and Other Assets Investment

The Securities and Other Assets Investment business contributed segment revenue of approximately HK\$20,000 (2021: HK\$0.3 million) for the six months ended 30 June 2022, which is principally derived from rental income.

Geographical Analysis

Revenue contributions from the major European countries (the United Kingdom, Switzerland, France and Belgium) totalled approximately HK\$131.1 million (2021: HK\$164.4 million), and accounted for 46.5% of the Group's total turnover for the six months ended 30 June 2022 (2021: 50.6%). The United States (“US”) market contribution approximately HK\$47.1 million (2021: HK\$34.3 million) in revenue and accounted for 16.7% of total revenue (2021: 10.6%). The People's Republic of China, including Hong Kong (the “PRC”) and other countries accounted for approximately HK\$26.8 million (2021: HK\$37.7 million) and HK\$76.9 million (2021: HK\$88.4 million), respectively.

FINANCIAL HIGHLIGHTS

Revenue

For the period ended 30 June 2022, the Group recorded total revenue of HK\$281.9 million (2021: HK\$324.8 million).

Cost of sales

Cost of sales decreased by approximately 8.4% from approximately HK\$254.2 million for the period ended 30 June 2021 to approximately HK\$232.8 million for the period ended 30 June 2022 despite the overall revenue dropped by approximately 13.2% giving a gap of approximately 4.8%. The increase in material cost price level resulting from supply chain chaos and trade disputes between China and USA are considered to be the cause of the gap.

Gross Profit

Gross profit decreased by approximately 30.4% from approximately HK\$70.6 million for the six months ended 30 June 2021 to approximately HK\$49.1 million for the six months ended 30 June 2022. The reason for such decrease is mainly due to the fall in overall revenue and the increase in material cost increase starting from the end of year 2021.

Other income

Other income increased by approximately HK\$6.8 million to approximately HK\$12.2 million for the six months ended 30 June 2022 (2021: HK\$5.4 million). The major components of the other income were i) recognition of overprovision of the RCA license fee payable of approximately HK\$5.8 million; ii) interest income of HK\$0.4 million; iii) government subsidies (the “ESS”) in Hong Kong and government subsidies in China of approximately HK\$1.4 million.

Other gains and losses

Other net gains of approximately HK\$4.5 million in 2022 (2021: net gains of approximately HK\$0.5 million) was primarily contributed by net foreign exchange gain and gain on disposal of a subsidiary.

Impairment losses

The overall impairment losses decreased by approximately HK\$8.5 million for the six months ended 30 June 2022. The decrease was mainly due to the decrease in impairment losses on trade receivables and loans to other parties of approximately HK\$12.0 million, offsetting by decrease in reversal of impairment loss on trade receivables by approximately HK\$0.5 million and reversal of impairment losses on loans to other parties by approximately HK\$3.1 million.

Selling and distribution expenses

Selling and distribution expenses of approximately HK\$14.7 million (2021: HK\$16.9 million) accounted for approximately 5.2% of the Group’s revenue. The decrease are mainly caused by the decrease in staff cost.

Administrative expenses

Administrative expense of approximately HK\$53.4 million (2021: HK\$71.7 million) accounted for approximately 18.9% in 2022 and 22.1% in 2021 of the Group’s revenue, respectively. The administrative expenses included staff costs, directors’ remuneration, operating lease charges and other administrative costs. The decrease are mainly caused by the decrease in staff cost and testing expenses.

Other operating expenses

Other operating expenses of approximately HK\$7.3 million in 2022 (2021: 7.6 million). The other operating expenses mainly included research and development expenses which remained stable as compared to prior period.

Finance costs

The Group's finance costs were approximately HK\$1.7 million in 2022 and HK\$1.8 million in 2021, represented approximately 0.6% and 0.6% of the revenue in 2022 and 2021, respectively. The finance costs remained stable as compared to last period.

Income tax expenses

The Group's income tax expense 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 2022 and 2021, was approximately -17.3% and -6.9%, respectively.

Loss for the period attributable to owners of the Company

The loss attributed to owners of the Company was approximately HK\$13.5 million for the period ended 30 June 2022 (2021: HK\$32.0 million). The Group's net loss margin attributable to owners of the Company for the period ended 30 June 2022 was approximately -4.8% (2021: -9.9%).

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 2.1 times (31 December 2021: 2.0 times). As at 30 June 2022, the cash and cash equivalents amounted to approximately HK\$190.0 million, representing an increase of approximately HK\$44.4 million from 31 December 2021.

As at 30 June 2022, the Group had total borrowings of HK\$14.6 million (31 December 2021: HK\$0.6 million).

The gearing ratio of the Group was 41.3% as at 30 June 2022 (31 December 2021: 46.0%), 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 2022, the total number of issued shares of the Company is 1,207,691,855 with a nominal value of HK\$0.02 each (31 December 2021: 924,363,855 shares with a nominal value of HK\$0.02 each).

On 10 June 2022, an aggregate of 230,000,000 new shares have been duly allotted and issued as fully paid to Mr. Sy Ming Yiu (the “**Assignor**”) at the issue price of HK\$0.164 per consideration share under the specific mandate granted by shareholders at the extraordinary general meeting (the “**EGM**”) held on 31 May 2022. For details, please refer to the announcements of the Company dated 18 January 2022 and 10 June 2022 and the circular dated 13 May 2022.

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 2022, 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 2022 amounted to approximately HK\$3.6 million and the capital commitments as at 30 June 2022 amounted to approximately HK\$0.8 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 2022 and 31 December 2021, 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 2022 and 31 December 2021, 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 2022, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2022, the Group had no pledged assets.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments held as at 30 June 2022 (31 December 2021: HK\$1.2 million).

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there were no important events after the reporting period which have material effect on the Group.

HUMAN RESOURCES

As at 30 June 2022, the Group had approximately 1,077 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 30,982,791 outstanding share option as at 30 June 2022 under the New Share Option Scheme. In addition, 53,328,000 share options was granted to certain employees of the Group, 53,328,000 share option was exercised, 5,333,092 share options were lapsed and no share option was cancelled during the period ended 30 June 2022.

PROSPECTS

Since January 2020, the outbreak of the COVID-19 pandemic has continued to adversely affect the global economic environment. The global impact of COVID-19 will trigger profound changes in the international landscape, world order, global supply chains and China's economic, trade and industrial layout. When the pandemic is over, countries around the world will make adjustments to their global supply chains with long-term, strategic implications.

With the China's liberalization of fertility policies, encourage people to have three children. The Group remains a positive attitude towards the high-end medical and health service business in the coming years. However, in view of the uncertainty economic environment affected by mutant strains such as Delta and Omicron in these few months, the Group will develop the assisted reproductive industry prudently and will continue to pay attention to new medical business development opportunities in the 2nd half year of 2022.

In the future, the Group will continuously focus on the business of EMS and Distribution of Communication Products segment to get steady cash flow. The Group will stay alert to the development and situation of the COVID-19 pandemic. The Group will also continue to closely monitor the market conditions and adjust the Group's business strategies to cope with the fluctuations in the transaction value derived from its merchant network as well as to explore and identify any other potential investment opportunities from time to time.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of interim dividend for the period (2021: 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 2022 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 2022, except for the deviation from code provision C.2.1 of the Code as described below.

Code Provision C.2.1

Under code provision C.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 C.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 C.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.

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 2022.

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

Hong Kong, 31 August 2022

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