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## **BEST LINKING GROUP HOLDINGS LIMITED**

**永聯豐集團控股有限公司**

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

**(Stock Code: 8617)**

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

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of Best Linking Group Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**” or “**our**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 June 2021 (the “**Reporting Period**”), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding period in 2020 as follows:

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2021

	Note	Three months ended 30 June		Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	33,464	15,296	47,543	22,634
Cost of sales		(20,387)	(10,234)	(29,946)	(14,321)
<b>Gross profit</b>		<b>13,077</b>	<b>5,062</b>	<b>17,597</b>	<b>8,313</b>
Other income		137	347	169	384
Other gains/(losses), net		(357)	(2)	(447)	(82)
Selling and distribution expenses		(367)	(129)	(564)	(173)
Administrative expenses		(2,224)	(2,577)	(4,773)	(3,913)
<b>Operating profit</b>		<b>10,266</b>	<b>2,701</b>	<b>11,982</b>	<b>4,529</b>
Finance income		5	11	11	12
Finance expenses		(25)	(31)	(40)	(66)
Finance income/(expenses), net		(20)	(20)	(29)	(54)
<b>Profit before income tax</b>	4	<b>10,246</b>	<b>2,681</b>	<b>11,953</b>	<b>4,475</b>
Income tax expense	5	(1,530)	(562)	(1,651)	(820)
<b>Profit for the period</b>		<b>8,716</b>	<b>2,119</b>	<b>10,302</b>	<b>3,655</b>
<b>Other comprehensive income/(loss):</b>					
<b>Items that may be subsequently reclassified to profit or loss</b>					
Currency translation differences		764	12	501	(781)
<b>Total comprehensive income for the period</b>		<b>9,480</b>	<b>2,131</b>	<b>10,803</b>	<b>2,874</b>
Earnings per share for profit attributable to shareholders of the Company for the period					
Basic and diluted earnings per share (HK cents per share)	6	2.18	0.53	2.58	0.91

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2021*

	<i>Note</i>	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	7,647	8,507
Prepayments and deposits		4,085	4,261
Deferred tax assets		79	78
		<u>11,811</u>	<u>12,846</u>
<b>Current assets</b>			
Inventories		27,873	23,867
Trade receivables	9	36,913	22,028
Prepayments, deposits and other receivables		1,307	5,564
Current tax recoverable		–	152
Cash and cash equivalents		43,586	43,130
		<u>109,679</u>	<u>94,741</u>
<b>Total assets</b>		<u><b>121,490</b></u>	<u><b>107,587</b></u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the Company			
Share capital		4,000	4,000
Reserves		107,877	97,074
<b>Total equity</b>		<u><b>111,877</b></u>	<u><b>101,074</b></u>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Lease liabilities		26	79
		<u>26</u>	<u>79</u>
<b>Current liabilities</b>			
Trade payables	10	6,812	4,465
Accruals and other payables		1,447	1,868
Current income tax liabilities		1,224	–
Lease liabilities		104	101
		<u>9,587</u>	<u>6,434</u>
<b>Total liabilities</b>		<u><b>9,613</b></u>	<u><b>6,513</b></u>
<b>Total equity and liabilities</b>		<u><b>121,490</b></u>	<u><b>107,587</b></u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**

*For the six months ended 30 June 2021*

	Share capital <i>HK\$'000</i>	Combined capital <i>HK\$'000</i>	Attributable to owners of the Company				Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
			Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>Note a</i>	Statutory reserve <i>HK\$'000</i> <i>Note b</i>	Exchange reserve <i>HK\$'000</i> <i>Note c</i>		
<b>Balance at 1 January 2020 (audited)</b>	4,000	–	42,511	13,000	2,170	(636)	31,353	92,398
Profit for the period	–	–	–	–	–	–	3,655	3,655
<b>Other comprehensive income/(loss)</b>								
Currency translation differences	–	–	–	–	–	(781)	–	(781)
Total comprehensive (loss)/income for the period	–	–	–	–	–	(781)	3,655	2,874
<b>Transactions with equity holders:</b>								
Issuance of ordinary shares pursuant to the capitalisation	–	–	–	–	–	–	–	–
Issuance of ordinary shares pursuant to the listing	–	–	–	–	–	–	–	–
Listing related expenses charged to share premium	–	–	–	–	–	–	–	–
Dividend paid	–	–	(8,000)	–	–	–	–	(8,000)
Transfer to statutory reserve	–	–	–	–	165	–	(165)	–
	–	–	(8,000)	–	165	–	(165)	(8,000)
<b>Balance at 30 June 2020 (unaudited)</b>	<u>4,000</u>	<u>–</u>	<u>34,511</u>	<u>13,000</u>	<u>2,335</u>	<u>(1,417)</u>	<u>34,843</u>	<u>87,272</u>

	Attributable to owners of the Company							
	Share capital HK\$'000	Combined capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 Note a	Statutory reserve HK\$'000 Note b	Exchange reserve HK\$'000 Note c	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2021 (audited)	4,000	-	34,511	13,000	2,676	2,396	44,491	101,074
Profit for the period	-	-	-	-	-	-	10,302	10,302
<b>Other comprehensive income/(loss)</b>								
Currency translation differences	-	-	-	-	-	501	-	501
Total comprehensive (loss)/ income for the period	-	-	-	-	-	501	10,302	10,803
<b>Transactions with equity holders:</b>								
Issuance of ordinary shares pursuant to the capitalisation	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to the listing	-	-	-	-	-	-	-	-
Listing related expenses charged to share premium	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	165	-	(165)	-
	-	-	-	-	165	-	(165)	-
<b>Balance at 30 June 2021(unaudited)</b>	<b>4,000</b>	<b>-</b>	<b>34,511</b>	<b>13,000</b>	<b>2,841</b>	<b>2,897</b>	<b>54,628</b>	<b>111,877</b>

Notes:

**(a) Capital reserve**

Capital reserves of the Group represents the difference between the share capital of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

**(b) Statutory reserve**

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profit after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

**(c) Exchange reserve**

Exchange reserve of the Group comprises all currency translation differences arising from translation difference of the financial statements of the Group's subsidiary in the PRC.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

*For the six months ended 30 June 2021*

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Cash generated from operations	783	224
Income tax paid	(275)	(1,595)
Interest received	11	12
	<u>519</u>	<u>(1,359)</u>
<b>Net cash generated from/(used in) operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(27)	(261)
Prepayments for purchase of property, plant and equipment	–	–
Purchase of intangible assets	–	–
	<u>(27)</u>	<u>(261)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Repayments of advance to a shareholder	–	–
Payment of lease liabilities	(90)	(151)
Payment of listing expenses to be capitalised into equity	–	–
Proceeds from shares issued pursuant to the Listing	–	–
Dividends paid	–	(8,000)
	<u>(90)</u>	<u>(8,151)</u>
<b>Net cash used in financing activities</b>		
Increase/(decrease) in cash and cash equivalents	402	(9,771)
Cash and cash equivalents at beginning of the year	43,130	49,040
Currency translation differences	54	(87)
	<u>43,586</u>	<u>39,182</u>
<b>Cash and cash equivalents at end of the period</b>		

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 26 October 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and trading of slewing rings and machinery products. The ultimate holding company of the Company is C Centrum Holdings Limited ("C Centrum"). The ultimate shareholder of the Group is Mr. Chan Yuk Pan ("Mr. YP Chan").

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The unaudited condensed consolidated financial statements have been prepared under historical cost convention.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

#### *2.1.1 New and amended standards and interpretations*

##### *(a) New and amended standards and interpretations adopted by the company*

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020, as described in those annual consolidated financial statements. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) *New and amended standards and interpretations which have been issued but are not yet effective and have not been early adopted by the Group:*

Certain new and amended standards and interpretations have been published that are mandatory for financial year beginning on or after 1 January 2021 have not been early adopted by the Company. These are:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
HKFRS 17	Insurance contract	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of assets between an investor and its associate or joint venture	To be determined

### **3 REVENUE AND SEGMENT INFORMATION**

The chief operating decision-maker has been identified as the executive Directors.

Management has determined the operating segments based on the information reviewed by our executive Directors for the purpose of allocating resources and assessing performance. The only component in internal reporting to the executive Directors is the Group’s manufacturing and trading of slewing rings and machinery products for the Reporting Period.

In this regard, management considers there is only one operating segment under the requirements of HKFRS 8 “Operating Segments”.

The performance of the operating segment is assessed by our executive Directors based on a measure of revenue and gross profit.

All of our Group’s revenue are from contracts with customers and are recognised at a point in time.



#### 4 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived in the manner as shown below:

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cost of inventories and consumable	18,207	9,064	25,966	11,606
Wages, salaries, bonuses and other benefits	2,706	1,925	4,801	3,541
Pension costs — defined contribution plans	127	139	324	246
Mandatory provident fund scheme	16	16	31	29
Employee benefit expenses, including directors' emoluments	2,849	2,080	5,156	3,816
Amortisation	—	23	—	27
Depreciation	826	411	856	820
Legal and professional fees	834	1,169	1,445	1,261
Listing related expenses	—	—	—	—
Other expenses	262	193	1,860	877
	<u>22,978</u>	<u>12,940</u>	<u>35,283</u>	<u>18,407</u>

#### 5 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current income tax				
— PRC enterprise income tax	56	89	109	124
— Hong Kong profits tax	1,474	473	1,542	698
Total current income tax	<u>1,530</u>	<u>562</u>	<u>1,651</u>	<u>822</u>
Deferred income tax	—	—	—	(2)
Income tax expense	<u>1,530</u>	<u>562</u>	<u>1,651</u>	<u>820</u>

## 6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of our Company by the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation of shares.

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to shareholders of our Company	8,716	2,119	10,302	3,655
Weighted average number of shares in issue (thousand)	400,000	400,000	400,000	400,000
Basic earnings per share (HK cents per share)	2.18	0.53	2.58	0.91

Diluted earnings per share for the Reporting Period were the same as the basic earnings per share as there was no potential dilutive ordinary shares outstanding during the periods.

## 7 DIVIDENDS

The Board does not recommend the payment of dividend for the Reporting Period.

## 8 PROPERTY PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK\$22,000 (six months ended 30 June 2020: HK\$261,000) in value.

## 9 TRADE RECEIVABLES

The ageing analysis of the trade receivables, based on invoice date, is as follows:

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Up to 30 days	22,902	3,174
31–60 days	9,639	4,290
61–90 days	1,805	5,259
91–120 days	2,033	9,305
121–300 days	534	–
	36,913	22,028

The Group's sales are on credit terms primarily from 30 days to 120 days.

## 10 TRADE PAYABLES

The ageing analysis of the trade payables, based on invoice date, is as follows:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Up to 30 days	5,894	3,012
31–60 days	729	1,144
61–90 days	–	210
Over 3 months	189	99
	<u>6,812</u>	<u>4,465</u>

The average credit period taken for trade purchase is generally from 0–90 days.

## 11 RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had no transaction with any related party during the Reporting Period.

### (b) Key management compensation

Key management include executive Directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	<b>Six months ended 31 March</b>	
	<b>2021 HK\$'000 (Unaudited)</b>	2020 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	1,050	978
Retirement benefit costs — defined contribution plans	35	32
	<u>1,085</u>	<u>1,010</u>

## 12 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the Reporting Period but not recognised as liabilities is as follows:

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
Property, plant and equipment		
Not later than one year	5,762	5,125
Later than one year but not later than five years	409	405
	<u>6,171</u>	<u>5,530</u>

## 13 Contingent liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a premium manufacturer of slewing rings and other mechanical parts, and also a “one-stop service” provider as it is able to source other slewing rings, machineries and mechanical parts and components for machineries for its customers. A slewing ring is a necessary transmission part for some large-size machineries and equipment, which can ensure the relative rotational motion between objects, as well as bearing the axial force, radial force and tilting moment simultaneously. In order to cope with the Group’s business expansion, the shares of the Company (the “**Shares**”) were successfully listed on GEM of the Stock Exchange on 15 November 2019 (the “**Listing Date**”).

The outbreak of the novel coronavirus (COVID-19) pandemic (the “**COVID-19 outbreak**”) in 2020 has caused many organisations and companies to rethink and reconfigure their businesses for a changed world. The Group’s “one-stop service” provider with competitive advantages has been even more accentuated in amid of COVID-19 outbreak, with the surging demand for sourcing other slewing rings, machineries, mechanical parts and components for its customers. The Group has taken a prudent approach and adjusted its business strategies to face the challenges, when appropriate. The sourcing part of the business in Hong Kong has played an important role and it has emerged stronger and healthier after a swift recovery from the public health crisis.

Furthermore, the Group has been developing new products and services by manufacturing other mechanical parts and components for machineries, in addition to slewing rings. These new products enable the Group to broaden the scope of its business with its existing customers. Such mechanical parts and components are fundamental parts of machineries which the Group had sourced for its customers in the past.

In the first half year of 2021, the Group continued to demonstrate its competence and business resilience even in such adverse times, with continuous sales successes worldwide and further reinforcement of the Group’s brand recognition and awareness, positioning the Group as one of the fast growing “one-stop service” provider. The Group will continue its effort to promote its brand as well as to provide quality products and seize business opportunities in various regions. During the six months ended 30 June 2021, significant total revenue growth of 110.1% was achieved comparing to the six months ended 30 June 2020.

## REVENUE

The Group's revenue increased by 110.1% or HK\$24.9 million from HK\$22.6 million for the six months ended 30 June 2020 ("1H 2020") to HK\$47.5 million for the Reporting Period.

The following table sets forth the breakdown of our revenue by product category for the Reporting Period and 1H 2020:

	For the six months ended 30 June					
	2021		2020		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
	(Unaudited)		(Unaudited)			
<b>Revenue</b>						
Slewing rings	15,980	33.6	11,678	51.6	4,302	36.8
Other machineries and parts						
Other machineries	19,567	41.2	8,327	36.8	11,240	135.0
Other parts	11,996	25.2	2,629	11.6	9,367	356.3
	<u>31,563</u>	<u>66.4</u>	<u>10,956</u>	<u>48.4</u>	<u>20,607</u>	<u>188.1</u>
Total	<u>47,543</u>	<u>100.0</u>	<u>22,634</u>	<u>100.0</u>	<u>24,909</u>	<u>110.1</u>
<b>Quantities sold</b>						
	Sets	(%)	Sets	(%)		
Slewing rings	1,068	38.1	981	47.6	87	8.9
Other machineries and parts						
Other machineries	17	0.6	5	0.2	12	240.0
Other parts	1,722	61.3	1,076	52.2	646	60.0
	<u>1,739</u>	<u>61.9</u>	<u>1,081</u>	<u>52.4</u>	<u>658</u>	<u>60.9</u>
Total	<u>2,807</u>	<u>100.0</u>	<u>2,062</u>	<u>100.0</u>	<u>745</u>	<u>36.1</u>

### Slewing rings

The Group manufactures slewing rings for local and overseas customers primarily on ODM, OEM and OBM basis. Revenue from slewing rings increased by approximately HK\$4.3 million to HK\$16.0 million for the Reporting Period, compared to 1H 2020, representing an increase of 36.8%. The comparatively low revenue and volume for the Reporting Period was mainly attributed to the mandatory extension of holidays in China and quarantine measures taken by multiple countries which led to the temporary suspension of operation of the Group's manufacturing plant during the outbreak of the COVID-19 pandemic.

Slewing rings accounting for approximately 33.6% of total revenue, and the gross profit generated from sales of slewing rings amounted to approximately 45.0% of the Group's total gross profit.

The overall quantities of the slewing rings sold for the Reporting Period increased by 87 sets, representing an increase of 8.9%.

### **Other machineries and parts**

The Group also sources other slewing rings, machineries and mechanical parts and components for its customers. Such machineries, mechanical parts and components included but not limited to excavators and undercarriage parts such as track chains, rollers and track shoes. Since 2020, the Group has developed new products and wider range of servicing by manufacturing other mechanical parts and components for machineries besides slewing rings. In the Reporting Period, significant revenue growth of 188.1% was achieved in other machineries and parts especially with a record high shipment of 17 units of other machineries. Most machineries and parts supplied by the leading supplier in Japan were fit for the Group's sourcing needs and with specifications not commonly supplied by other market suppliers.

Other machineries and parts accounting for approximately 66.4% of total revenue, and the gross profit generated from sales of slewing rings amounted to approximately 55.0% of the Group's total gross profit.

All other machineries and parts recorded growth, which is attributed to the increase in sales in the overseas markets in particular Japan, Singapore and the Philippines during the Reporting Period. This was mainly due to the fact there have been more customers enjoying the Group's "one-stop service" and thus, ordering more machineries and mechanical parts during the Reporting Period, when compared to 1H 2020.

### **Cost of sales**

The cost of sales primarily consists of costs of inventories and consumables, depreciation on plant and machinery, overheads and direct labour costs relating to its production. The Group's cost of sales increased from approximately HK\$14.3 million for 1H 2020 by approximately 109.1% or HK\$15.6 million to HK\$29.9 million for the Reporting Period, which was primarily due to the increase in direct labour costs, as well as the increase in revenue and having different product mix during the year.

During the Reporting Period, the product mix of slewing rings and other machineries and parts were approximately 33.6% and 66.4%, respectively.

## **Administrative expenses**

The administrative expenses of the Group for the Reporting Period increased from HK\$3.9 million for 1H 2020 by approximately 22.0% or HK\$0.9 million to approximately HK\$4.8 million. Such increase was mainly due to the increase in staff cost by approximately HK\$0.7 million while the increase in office expenses by approximately HK\$0.1 million and the net increase in other administrative expenses by approximately HK\$0.1 million. Other administrative expenses mainly represent the provision for auditor's remuneration and the legal and professional fees, which assisted the Group to enhance its corporate governance and compliance aspects.

## **Profit attributable to shareholders of the Company**

Profit attributable to equity holders of the Company was approximately HK\$10.3 million for the Reporting Period, as compared to approximately HK\$3.7 million for 1H 2020.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group has financed its business with internally generated cash flows and proceeds received from the Listing. As at 30 June 2021, the Group's cash and cash equivalents were HK\$43.6 million, increased by 1% or HK\$0.5 million, as compared with HK\$43.1 million as at 31 December 2020. Bank deposits and cash were principally denominated in Hong Kong dollar, United States dollar and Renminbi. The Group will continue to use the internally generated cash flows and proceeds received from the Listing as a source of funding for future developments.

As at 30 June 2021, the Group's total current assets and current liabilities were HK\$109.7 million (as at 31 December 2020: HK\$94.7 million) and HK\$9.6 million (as at 31 December 2020: HK\$6.4 million) respectively, representing a current ratio of 11.4 times (as at 31 December 2020: 14.8 times). As at 30 June 2021, the Group did not have any bank borrowings (as at 31 December 2020: Nil). As at 30 June 2021, total interest-bearing bills payables was approximately HK\$0.7 million (as at 31 December 2020: HK\$0.9 million) and the gearing ratio of the Group was 0.6% (as at 31 December 2020: 0.9%). The gearing ratio equals total interest-bearing borrowings divided by total equity and multiplied by 100%.

## **CAPITAL STRUCTURE**

As at 30 June 2021, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of obligations under finance leases and equity attributable to owners of the Group, comprising issued share capital, share premium, retained profits and other reserves.

## USE OF NET PROCEEDS FROM THE LISTING

On 15 November 2019, the Company issued a total of 100,000,000 shares by way of Hong Kong public offering and placing at the price of HK\$0.55 per share, and successfully listed its shares on the GEM of the Stock Exchange. The net proceeds of the share offer received by the Company in relation to the Listing after the deduction of underwriting fees and commissions and all related expenses were approximately HK\$28.4 million. On 9 September 2020, the Board announced and resolved to change the use of the net proceeds as set out in the prospectus (the “**Announcement**”). As at the report date, the Directors consider that these proceeds have been applied in accordance with the proposed application set out in the section headed “Future Plans and Proposed Use of Proceeds” in the prospectus of the Company dated 31 October 2019 (the “**Prospectus**”) and as amended in the Announcement.

Nevertheless, the timeframe for the use of net proceeds has been deferred due to the outbreak of the novel coronavirus (COVID-19) pandemic (the “**COVID-19 outbreak**”), which has adversely impacted the business operations of our customers. To cope with the changing market condition, the Board would like to provide an update to the expected timeline for use of the net proceeds from the Listing as supplemental information to the Announcement.

Details of the revised allocation of net proceeds as stated in the Announcement, the utilisation and remaining balance of the revised net proceeds as at 30 June 2021 and the updated expected timeline of full utilization of the net proceeds are set out as follows:

Use of proceeds	Revised percentage of net proceeds as stated in the Announcement	Revised net proceeds as stated in the Announcement <i>HK\$'000</i>	Amount	Amount	Updated expected timeline of full utilization of the net proceeds
			utilized as at 30 June 2021 <i>HK\$'000</i>	remaining as at 30 June 2021 <i>HK\$'000</i>	
1 To acquire and replace machineries and equipment with an aim to enhance and expand its production capacity at its production facilities in Dongguan, the PRC	60.6%	17,210	(4,245)	12,965	Q4 of 2022
2 To enlarge its market share and strengthen its marketing efforts	4.4%	1,246	(231)	1,015	Q4 of 2023
3 To increase its level of automation	7.6%	2,158	(71)	2,087	Q4 of 2022
4 To establish its ERP system	6.0%	1,704	(10)	1,694	Q4 of 2023
5 To expand its finance department	5.0%	1,420	(198)	1,222	Q4 of 2023
6 To enhance staff training	0.8%	227	(11)	216	Q4 of 2023
7 To maintain sound working capital for operation	15.6%	4,435	(3,785)	650	Q4 of 2021
<b>Total</b>	<b>100.0%</b>	<b>28,400</b>	<b>(8,551)</b>	<b>19,849</b>	



## **Comparison of business objectives and actual business progress**

The following is a comparison between the Group's business plans as set out in the Prospectus which were revised on 9 September 2020, and the Group's actual business progress for the Reporting Period:

### **Business plan as set out in the Prospectus**

### **Actual business progress as at 30 June 2021**

To acquire and replace machineries and equipment with an aim to enhance and expand its production capacity at its production facilities in Dongguan, the PRC

The Group was in the process of purchasing 3 units of machines and paid deposits of about HK\$4.2 million for the machineries. Two of them (high speed milling machine and raceway quenching machine) are expected to arrive in the second half of 2021. These new equipments will be used in the major process in the production of products. Meanwhile, the Group is also in the process of identifying 4 more units of machines and is going to finalise the purchase agreements in the following months.

To enlarge its market share and strengthening its marketing efforts

Based on the revised allocation of the proceeds, in view of the COVID-19 outbreak in 2020 and the quarantine measures taken by the PRC and other countries and travel restrictions, the Group had withdrawn its enrolment to several trade exhibitions and will refine its marketing plans.

During last year in 2020, the Group increased the workforce in the sales department to strengthen the sales support. In addition, the Group hired a consultant to design the web pages for the Group companies and provide advice in promotional strategies. In 2021, the Group has further expanded the sales department by employing 1 more staff to support our growth in sales.

To increase its level of automation

The Group is discussing with the potential service provider on the development of new equipment for automation and also the redevelopment of the existing equipment to enhance the automation level. The scheduled visit by service provider outside Hong Kong was delayed due to the travel restrictions caused by the COVID-19 outbreak and could not proceed to further stage.

At the same time, the Group had developed a new equipment to achieve automatic packaging, which is now in use.

**Business plan as set out in the Prospectus**

**Actual business progress as at 30 June 2021**

To establish its enterprise resource planning (ERP) system

The Group is in the process of identifying and appointing the system service provider. The Group is planning to enhance the data management effectiveness especially in personnel attendance, payroll accounting and other aspects such as document control.

Meanwhile, the Group has improved the current system by increasing the capacity and efficiency of data processing.

To expand its finance department

The Group had recruited a senior accountant and an accountant during the third quarter of 2020 and the second quarter of 2021, respectively and continued to identify suitable and high-quality candidates to expand the financial department.

To enhance staff training

During last year in 2020, two trained employees were awarded ISO quality management system certificates.

Also, the group had taken action and prepared training courses for a number of technical personnel.

To maintain sound working capital for operation

The re-allocation of the net proceeds from strengthening its marketing efforts to supplementing the sound working capital for operation of the Company would be beneficial to meet the current operation needs of the Group, increase its financial flexibility, and provide more buffer to cope with the future economic uncertainty.

As at 30 June 2021, the Group had utilised approximately HK\$3.8 million as working capital for the development of on-going operations, including the development of new products and services by manufacturing other mechanical parts and components for machineries besides slewing rings.

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2021, the Group did not hold any significant investment.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the Reporting Period ended 30 June 2021, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2021, the Group had 81 employees (as at 31 December 2020: 78 employees). Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The emoluments of the Directors are recommended by the remuneration committee of the Company with reference to each employee's respective contribution of time, effort and expertise on the Company's matters. In addition, employees are entitled to performance and discretionary year-end bonuses.

## **CHARGES ON ASSETS**

As at 30 June 2021, the Group's banking facilities were secured by pledged bank deposits with an aggregate amount of approximately HK\$3,000,000 (as at 31 December 2020: HK\$2,400,000).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the Prospectus, the Group did not have other plan for material investments and capital assets.

## **FOREIGN EXCHANGE RISK**

Foreign exchange risk is the risk of loss due to changes in foreign exchange rates. The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in these currencies. Currently, the Group has not entered into agreements nor purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of HKD or RMB may have an impact on the operating results of the Group.

The management considers that the foreign exchange risk with respect to USD is not significant as HKD is pegged to USD and transactions denominated in USD are mainly carried out by entities with the same functional currency. The exchange rate of RMB to HKD is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group did not have any material contingent liability.

## **PROSPECTS**

The Group will continue to keep an eye on the development of the COVID-19 pandemic, maintain close communication with customers and suppliers, as well as review and timely adjust its strategies. In addition to serving our customers, employees' health and well-being is also the Group's top priority. The Group established a pandemic prevention and control measures to safeguard employees' health and safety, introducing flexible remote working arrangement and implementing efficient social distancing measures across all our offices globally.

Our goal is to strengthen our position as a premium slewing ring manufacturer, and to leverage on our competitive advantages as "one-stop service" provider to expand the scale of our operation and increase our profit margin. We also aim to increase our competitiveness in this fragmented slewing rings manufacturing industry by (i) increasing our efficiency and productivity; (ii) raising the quality of our products; and (iii) reducing our costs of production and our reliance on manpower. To achieve such objectives, the Group will continue to implement the following strategies:

- acquiring and replacing machineries and equipment with an aim to enhance and expand our production capacity at our production facilities in Dongguan, the PRC;
- enlarging our market share and strengthening our marketing efforts;
- increasing our level of automation;
- establishing our enterprise resource planning (ERP) system;
- expanding our finance department; and
- enhancing staff training.

## OTHER INFORMATION

### PURCHASE, SALES AND REDEMPTION OF SHARES

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

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Reporting Period and up to the date of this announcement.

### LOAN AGREEMENT WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

Reference is made to an announcement dated 10 September 2020 issued by the Company with regard to a facility letter (the "**Previous Facility Letter**") for a trading facility (the "**Previous Facility**").

On 18 June 2021, the existing lender, DBS Bank (Hong Kong) Limited (the "**Lender**"), has pursuant to its periodic review agreed to replace the Previous Facility with a revised trading facility of up to HK\$10,000,000 (the "**Facility**") for Best Linking Limited ("**Best Linking**"), which is an indirect wholly-owned subsidiary of the Company. Best Linking and the Company, as borrower and corporate guarantor respectively, entered into a revised banking facility letter with the Lender (the "**Facility Letter**"), on the terms and conditions therein contained, including the Lender's right to review any time and the Lender's customary overriding right to demand repayment, as well as the right to call for cash cover on demand for prospective or contingent liability.

Pursuant to the terms of the Facility Letter, among other things, during the term of the Facility Letter, (i) Best Linking shall remain an indirect wholly-owned subsidiary of the Company; (ii) the Company shall procure Mr. Chan Yuk Pan ("**Mr. YP Chan**"), the controlling shareholder of the Company, to remain as the director of the Company and Best Linking; and (iii) Mr. YP Chan shall continue to be the single largest shareholder and hold not less than 50% of the beneficial interest of the Company and Best Linking. As at the date of this announcement, Mr. YP Chan's beneficial interest in each of the Company and Best Linking is 75%.

Please refer to the announcement of the Company dated 18 June 2021 for more details.

## SHARE OPTION SCHEME

Our Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”), which was approved by written resolutions passed by its shareholders on 21 October 2019 and became unconditional on 15 November 2019. The Directors consider the purpose of the Share Option Scheme is to reward the participants defined under the Share Option Scheme for their past contribution to the success of the Group and to provide incentive to them to further contribute to our Group. The principal terms of the Share Option Scheme are summarized under the paragraph headed “13. Share Option Scheme” in Appendix IV to the Prospectus and in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share option has been granted under Share Option Scheme since its adoption.

## DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period (for the six months ended 30 June 2020: nil).

## INTEREST OF COMPLIANCE ADVISER

As notified by the Company’s compliance adviser, LY Capital Limited (“**LY Capital**”), neither LY Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and LY Capital on 27 March 2019) as at 30 June 2021.

## CODE ON CORPORATE GOVERNANCE

The Company recognises that good corporate governance is vital to the success of the Group and to sustain the development of the Group. The Company aims at complying with, where appropriate, all code provisions (“**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. The Company’s corporate governance practices are based on the principles and the Code Provisions set out in the CG Code of the GEM Listing Rules.

Throughout the Reporting Period, the Company has complied, to the extent applicable and permissible, with all Code Provisions set out in CG Code with the exception of Code A.2.1. Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. YP Chan currently holds both positions for the Reporting Period and up to the date of this announcement. As Mr. YP Chan has been responsible for the overall management of the Group, including strategic planning as well as sales and business development, the Board considered that Mr. YP Chan is the suitable candidate to continue to hold both positions.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Group has adopted a code regulating the securities transactions of Directors and executive officers named in this announcement, on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). Specific enquiry had been made to all Directors and relevant employees. They have confirmed that they have complied with the Model Code throughout the Reporting Period. The Company has also established written guidelines regulating the transactions of securities of the Company by senior management and employees who are likely to be in possession of any inside information of the Company.

## **AUDIT COMMITTEE**

Our Company established an audit committee on 21 October 2019 with written terms of reference in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and paragraphs C3.3 and C3.7 of the CG Code. The audit committee comprises three independent non-executive Directors; namely Mr. Chan Wan Tsun Adrian Alan, Ms. Tam Ho Ting and Ms. Tsang Hau Lam. Mr. Chan Wan Tsun Adrian Alan, who has appropriate professional qualification and experience in accounting matters, was appointed as the chairman of the audit committee.

The Company's audit committee has reviewed the accounting policies and practices adopted by the Group and has discussed with the management regarding the auditing and financial reporting matters. The audit committee has discussed and reviewed the unaudited condensed consolidated financial statements for the Reporting Period.

## **CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES**

Save as disclosed, the Company does not have any other disclosure obligations under Rules 17.22, 17.23 and 17.24 of the GEM Listing Rules.

By order of the Board  
**Best Linking Group Holdings Limited**  
**Chan Yuk Pan**  
*Chairman*

Hong Kong, 9 August 2021

*As at the date of this announcement, the executive Directors are Mr. Chan Yuk Pan and Mr. Chan Lung Pan; and the independent non-executive Directors are Mr. Chan Wan Tsun Adrian Alan, Ms. Tsang Hau Lam and Ms. Tam Ho Ting.*

*This announcement will remain on the “Latest Listed Company Information” page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at [www.blg.hk](http://www.blg.hk).*