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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 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**” 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 (collectively refer to as the “**Group**”). 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.*

ANNUAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3	67,509	46,267
Cost of sales	4	(36,042)	(24,559)
Gross profit		31,467	21,708
Other income		401	942
Other gains/(losses), net		208	(151)
Selling and distribution expenses	4	(985)	(675)
Administrative expenses	4	(20,409)	(9,268)
Operating profit		10,682	12,556
Finance income		9	41
Finance cost		(134)	(130)
Finance cost, net		(125)	(89)
Profit before income tax		10,557	12,467
Income tax expense	5	(3,594)	(2,732)
Profit for the year attributable to owners of the Company		6,963	9,735
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		(691)	(1,655)
Total comprehensive income for the year		6,272	8,080
Earnings per share for profit attributable to equity holders of the Company for the year			
Basic and diluted earnings per share (<i>HK cents per share</i>)	6	2.2	3.2

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		7,425	9,328
Intangible asset		75	–
Prepayments and deposits		2,235	18
Deferred tax assets		64	11
		<u>9,799</u>	<u>9,357</u>
Current assets			
Inventories		23,194	27,573
Trade receivables	7	16,884	3,821
Prepayments, deposits and other receivables		2,129	2,210
Cash and cash equivalents		49,040	6,562
		<u>91,247</u>	<u>40,166</u>
Total assets		<u><u>101,046</u></u>	<u><u>49,523</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	8	4,000	–
Reserves		88,398	39,615
Total equity		<u>92,398</u>	<u>39,615</u>
LIABILITIES			
Non-current liability			
Lease liabilities	9	2,338	2,575
		<u>2,338</u>	<u>2,575</u>
Current liabilities			
Trade payables	9	1,503	3,386
Accruals and other payables		2,306	3,313
Current income tax liabilities		2,124	477
Lease liabilities		377	157
		<u>6,310</u>	<u>7,333</u>
Total liabilities		<u><u>8,648</u></u>	<u><u>9,908</u></u>
Total equity and liabilities		<u><u>101,046</u></u>	<u><u>49,523</u></u>

NOTES TO THE CONSOLIDATED 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 machinery product. 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 shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited on 15 November 2019 (the “Listing”).

The 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 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 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 consolidated financial statements have been prepared under historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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 Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvement Project	Annual Improvements to HKFRS Standards 2015–2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
HKFRIC–Int 23	Uncertainty over Income Tax Treatments

The adoption of these new standards and amendments to standards did not have any significant impact on the current period or any prior period.

The Group has early adopted HKFRS 16 “Leases” since the year ended 31 December 2017 using full retrospective approach and the relevant accounting policies have been consistently applied to the consolidated financial statements of the Group throughout the years presented.

- (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:

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendment)	Interest rate Benchmark Reform	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective.

3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of our Company. 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 our Group's manufacturing of machinery products for the year ended 31 December 2019. In this regard, management considers there is only one operating segment under the requirements of HKFRS 8 "Operating Segments".

Our executive directors assess the performance of the operating segment based on a measure of revenue and gross profit.

(a) Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group

For the year ended 31 December 2019, there were four customers (2018: three), which individually contributed over 10% of our Group's total revenue. Revenue contributed from our major customers were as follows:

	2019	2018
	HK\$'000	HK\$'000
Customer A	18,161	9,431
Customer B	10,071	–
Customer C	8,403	3,508
Customer D	7,604	8,779
	<u>7,604</u>	<u>8,779</u>

(b) Segment revenue by customers' geographical location

Our Group is domiciled in the PRC and Hong Kong. Our Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Singapore	32,555	24,082
Malaysia	18,737	5,603
Hong Kong	4,537	6,445
Japan	4,105	961
The United States of America	2,346	1,312
The PRC	2,018	3,153
Canada	1,003	650
Taiwan	945	753
Northern Ireland	875	2,350
Thailand	142	734
Others	246	224
	67,509	46,267

Others include Turkey, the Philippines and New Zealand.

(c) Details of contract liabilities

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contract liabilities, included in accruals and other payables	175	–

Note:

As at 31 December 2019, contract liabilities represent advanced payments received from the customers for goods that have not yet been transferred to the customers, the contract liabilities mainly included the advance payments received from sale of machinery products. The contract liabilities increased during the year due to fluctuation in sales with advanced payments.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Sales contracts	–	482

As at 31 December 2019, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15 "Revenue from Contracts with Customers" the transaction price allocated to these unsatisfied performance obligations were not disclosed.

(d) Non-current assets by geographical location

The total amounts of non-current assets by location are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
The PRC	9,649	9,096
Hong Kong	150	261
	9,799	9,357

4 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories and consumable	27,668	15,886
Provision for slow moving inventories	315	–
Employee benefit expenses, including directors' emoluments	8,478	6,987
Amortisation	7	26
Depreciation	1,891	2,871
Listing expenses	13,092	4,681
Legal and professional fees	357	7
Auditors' remuneration		
— Audit services	1,035	127
— Non-audit services	170	–
Utilities	938	896
Transportation expenses	741	1,158
Other expenses	2,744	1,863
Total cost of sales, selling and distribution expenses and administrative expenses	57,436	34,502

5 INCOME TAX EXPENSE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current income tax		
— PRC enterprise income tax	1,457	904
— Hong Kong profits tax	2,190	1,833
	<u>3,647</u>	<u>2,737</u>
Total current income tax		
	(53)	(5)
Deferred income tax		
	3,594	2,732
Income tax expense	<u><u>3,594</u></u>	<u><u>2,732</u></u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the Group entities as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before income tax	10,557	12,467
Tax calculated at tax rates applicable to profits of the respective subsidiaries	1,412	1,951
Expenses not deductible for tax purposes	2,428	954
Research and development tax credit (<i>Note</i>)	(245)	(172)
Income not subject to tax	(1)	(1)
	<u>3,594</u>	<u>2,732</u>
Income tax expense	<u><u>3,594</u></u>	<u><u>2,732</u></u>

The weighted average applicable tax rate was 34.0% for the year ended 31 December 2019 (2018: 21.9%).

Note:

According to relevant laws and regulations promulgated by the State Tax Bureaus of the PRC, enterprises engaging in research and development activities are entitled to claim 75% of the research and development expenses from 1 January 2017 to 31 December 2019.

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners 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.

	2019	2018
Profit attributable to equity holders of our Company (<i>HK\$'000</i>)	6,963	9,735
Weighted average number of shares in issue (<i>thousand</i>)	312,877	300,000
Basic earnings per share (<i>HK cents per share</i>)	2.2	3.2

Diluted earnings per share for the years ended 31 December 2019 and 2018 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

7 TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	16,884	3,821

As at 31 December 2018 and 2019, the carrying amounts of trade receivables approximated their fair values.

The Group's sales are on credit terms primarily from 30 days to 90 days.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Up to 30 days	4,628	1,967
31–60 days	4,171	784
61–90 days	4,881	1,070
91–120 days	3,204	–
	16,884	3,821

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
USD	16,248	2,891
RMB	586	930
HK\$	50	–
	16,884	3,821

The maximum exposure to credit risk as at 31 December 2018 and 2019 was the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

8 SHARE CAPITAL AND SHARE PREMIUM

	<i>Note</i>	Number of ordinary shares	Nominal value of ordinary share HK\$'000	
Authorised:				
At 26 October 2018 (date of incorporation) and 31 December 2018 and 1 January 2019		38,000,000	380	
Increase in authorised share capital	(a)	<u>9,962,000,000</u>	<u>99,620</u>	
At 31 December 2019		<u>10,000,000,000</u>	<u>100,000</u>	
	<i>Note</i>	Number of ordinary shares	Nominal value of ordinary share HK\$	Share premium HK\$'000
Issued and paid:				
Issuance of ordinary share at 26 October 2018 (date of incorporation)		1	–	–
Issuance of ordinary shares pursuant to the Reorganisation		<u>99</u>	<u>1</u>	<u>–</u>
At 31 December 2018 and 1 January 2019		100	1	–
Issuance of ordinary shares pursuant to the capitalisation	(b)	299,999,900	2,999,999	(3,000)
Issuance of ordinary shares pursuant to the Listing	(c)	100,000,000	1,000,000	54,000
Listing related expenses charged to share premium	(c)	<u>–</u>	<u>–</u>	<u>(8,489)</u>
At 31 December 2019		<u>400,000,000</u>	<u>4,000,000</u>	<u>42,511</u>

Notes:

- (a) On 21 October 2019, the authorised share capital of the Company was increased to HK\$100,000,000 comprising 10,000,000,000 shares of HK\$0.01 each.
- (b) Pursuant to the sole shareholder's written resolutions dated 21 October 2019 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company issued 299,999,900 additional shares (the "Capitalisation Shares"), credited as fully paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK\$2,999,999 standing to the credit of the share premium account of the Company.
- (c) On 15 November 2019, pursuant to the initial public offering of the Company's shares, the Company issued 100,000,000 ordinary shares at a price of HK\$0.55 per share for a total proceeds (before related fees and expenses) of HK\$55,000,000. Total share issuance costs amounting to HK\$8,489,000 were accounted for as a deduction from share premium.

9 TRADE PAYABLES

Trade payables at the end of each reporting period comprise amounts outstanding to contract creditors and suppliers. The average credit period taken for trade purchase is generally from 0–90 days.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<u>1,503</u>	<u>3,386</u>

As at 31 December 2018 and 2019, the ageing analysis of the trade payables, based on invoice date, are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Up to 30 days	965	708
31–60 days	209	612
61–90 days	329	1,279
Over 3 months	<u>–</u>	<u>787</u>
	<u>1,503</u>	<u>3,386</u>

As at 31 December 2018 and 2019, the carrying amounts of trade payables are denominated in the following currencies:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
RMB	1,503	2,325
HK\$	<u>–</u>	<u>1,061</u>
	<u>1,503</u>	<u>3,386</u>

As at 31 December 2018 and 2019, the carrying amounts of trade payables approximate their fair values.

10 DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Proposed final dividend of HK2.0 cents (2018: Nil) per ordinary share (<i>Note (i)</i>)	8,000	–
Dividends declared and paid to the controlling shareholder (<i>Note (ii)</i>)	<u>–</u>	<u>19,460</u>

- (i) The final dividend is not accounted for as a dividend payable in these financial statements until it has been approved at the forthcoming annual general meeting of the Company.
- (ii) Dividends during the year ended 31 December 2018 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for the year ended 31 December 2018, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

BUSINESS REVIEW

Our Group is a premium manufacturer of slewing rings and also an “one-stop service” provider as we are able to source other slewing rings, machineries and other mechanical parts and components of machineries for 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 plan, the shares of the Company were successfully listed on GEM of the Stock Exchange on 15 November 2019.

The following table sets forth the breakdown of our products sold by product categories for the years ended 31 December 2018 and 2019.

	For the year ended 31 December					
	2019		2018		+ / (-)	
	<i>Sets</i>	<i>(%)</i>	<i>Sets</i>	<i>(%)</i>	<i>Sets</i>	<i>(%)</i>
Quantities sold						
Slewing rings						
— ODM	3,198	29.2	2,283	17.3	915	40.1
— OEM	297	2.7	412	3.1	(115)	(27.9)
— OBM	533	4.9	109	0.8	424	389.0
— Others	749	6.8	463	3.5	286	61.8
	4,777	43.6	3,267	24.7	1,510	46.2
Other machineries and parts	6,184	56.4	9,943	75.3	(3,759)	(37.8)
Total	10,961	100.0	13,210	100.0	(2,249)	(17.0)

Slewing rings

We manufacture slewing rings for local and overseas customers primarily on an original design manufacturing (“**ODM**”) basis. Our ODM customers include companies engaged in general wholesale trading and distributor of machineries and equipment or their parts, which will re-sell our products to the end-users in the market and may provide the related after-sales service. Our ODM business leverages on our in-depth market knowledge and know-how accumulated through years of experience since our inception. We are able to produce different models of slewing rings for our customers’ selection. In cases where replacement of slewing rings is required, we can manufacture slewing rings which have already ceased production by the original manufacturer.

We also manufacture for some overseas customers on an original equipment manufacturing (“**OEM**”) basis. Some of the leading Japanese manufacturers of various machineries and equipment or their affiliates are our OEM customers. Our OEM business includes the manufacture and sale of products based on customers’ specifications and guidelines. We also derive our revenue from sales of our proprietary branded products under an original brand manufacturer (“**OBM**”) basis.

Our revenue on sales of slewing rings for the year ended 31 December 2019 was higher than that for the year ended 31 December 2018. The increase was principally attributable to the increase in the number of slewing rings delivered to our customers in the second and third quarters of 2019 and the increase in sales of ODM and OBM products and the increase in unit selling prices of our slewing rings for the year ended 31 December 2019 as compared to the year ended 31 December 2018.

Other machineries and parts

We also source other slewing rings, machineries and mechanical parts and components of machineries for customers. We maintain such line of business to complement our main line of business which is the manufacture and sale of slewing rings to enable our customers to enjoy a more comprehensive “one-stop service” from us. The slewing rings that we source for our customers are mainly (i) models which we do not currently produce; and (ii) those which would not be commercially sound for our Group to produce when compared to outsourcing due to small scale orders or low profit margin. The mechanical parts and components included but not limited to undercarriage parts such as track chains, rollers and track shoes.

Our revenue on sales of other machinery parts for the year ended 31 December 2019 was higher than that for the year ended 31 December 2018. The increase was mainly due to the difference in product mix of other machineries and parts for both years.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by 45.9% or HK\$21.2 million from HK\$46.3 million for the year ended 31 December 2018 to HK\$67.5 million for the year ended 31 December 2019.

The following table sets forth the breakdown of our revenue by product category for the year ended 31 December 2018 and 2019:

	For the year ended 31 December					
	2019		2018		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Revenue						
Slewing rings						
— ODM	42,818	63.4	31,114	67.3	11,704	37.6
— OEM	951	1.4	1,272	2.7	(321)	(25.2)
— OBM	5,569	8.3	1,304	2.8	4,265	327.1
— Others	10,612	15.7	7,620	16.5	2,992	39.3
	<u>59,950</u>	<u>88.8</u>	<u>41,310</u>	<u>89.3</u>	<u>18,640</u>	<u>45.1</u>
Other machineries and parts	<u>7,559</u>	<u>11.2</u>	<u>4,957</u>	<u>10.7</u>	<u>2,602</u>	<u>52.5</u>
Total	<u><u>67,509</u></u>	<u><u>100.0</u></u>	<u><u>46,267</u></u>	<u><u>100.0</u></u>	<u><u>21,242</u></u>	<u><u>45.9</u></u>

Slewing rings

We manufacture slewing rings for local and overseas customers primarily on ODM, OEM and OBM basis. Revenue from slewing rings for the year ended 31 December 2019 grew by HK\$18.6 million to HK\$60.0 million, representing a growth of 45.1% as compared to the year ended 31 December 2018. The growth was mainly attributed to the increase in sales on the ODM basis and OBM basis during the year. The sales for products under ODM and OBM basis had increased by 37.6% and 327.1%, respectively.

Other machineries and parts

We also source other slewing rings, machineries and mechanical parts and components for customers. Such mechanical parts and components included but not limited to undercarriage parts such as track chains, rollers and track shoes. Revenue from the other machineries and parts also increased by 52.5% year-on-year or HK\$2.6 million to HK\$7.6 million. The increase of revenue was mainly due to the difference in product mix of other machineries and parts for both years.

Geographical location

The following table sets forth a breakdown of our revenue by geographical location of our customers for the years ended 31 December 2018 and 2019:

	For the year ended 31 December					
	2019		2018		+/(-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Singapore	32,555	48.2	24,082	52.1	8,473	35.2
Malaysia	18,737	27.8	5,603	12.1	13,134	234.4
Hong Kong	4,537	6.7	6,445	13.9	(1,908)	(29.6)
Japan	4,105	6.1	961	2.1	3,144	327.2
The United States of America	2,346	3.4	1,312	2.8	1,034	78.8
The PRC	2,018	3.0	3,153	6.8	(1,135)	(36.0)
Canada	1,003	1.5	650	1.4	353	54.3
Taiwan	945	1.4	753	1.6	192	25.5
Northern Ireland	875	1.3	2,350	5.1	(1,475)	(62.8)
Thailand	142	0.2	734	1.6	(592)	(80.7)
Others	246	0.4	224	0.5	22	9.8
	<u>67,509</u>	<u>100.0</u>	<u>46,267</u>	<u>100.0</u>	<u>21,242</u>	<u>45.9</u>

Revenue generated from the Singaporean market increased from HK\$24.1 million for the year ended 31 December 2018 by 35.2% to HK\$32.6 million for the year ended 31 December 2019 and for the Malaysian market from HK\$5.6 million for the year ended 31 December 2018 by 234.4% to HK\$18.7 million for the year ended 31 December 2019. Revenue generated from the Singaporean and Malaysian markets accounted for 76.0% of total revenue for the year ended 31 December 2019, while it only accounted for 64.2% for the year ended 31 December 2018.

Our growth on revenue will be driven by ASEAN countries, especially Singaporean and Malaysian markets where we have footprints for the last 9 years. By leveraging the opportunity of The Belt and Road Initiative, Malaysia has cooperated with China to carry out a number of infrastructure construction projects. Those ongoing and expected infrastructure constructions are expected to drive the domestic demand for slewing rings for construction equipment. We have built a strong foundation with customers in these countries and the traditional demand such as forestry and mining activities on their natural resources for construction and heavy equipment are also benefiting our Group.

On the other hand, revenue generated from the PRC Market decreased from HK\$3.2 million for the year ended 31 December 2018 by 36.0% to HK\$2.0 million for the year ended 31 December 2019 and for the Hong Kong Market from HK\$6.4 million for the year ended 31 December 2018 by 29.6% to HK\$4.5 million for the year ended 31 December 2019. The decrease was mainly due to the influence of the product mix shifting and the continuous price competition amongst competitors.

Cost of sales

The following table sets for the breakdown of our costs of sales for the year ended 31 December 2018 and 2019:

	For the year ended 31 December					
	2019		2018		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Cost of sales						
Cost of inventories and consumables	27,668	76.8	15,886	64.7	11,782	74.2
Depreciation	1,578	4.4	2,496	10.2	(918)	(36.8)
Overheads	2,266	6.2	2,160	8.8	106	5.0
Direct labour costs	4,530	12.6	4,017	16.3	513	12.8
Total	36,042	100.0	24,559	100.0	11,483	46.8

The cost of sales primarily consists of cost of inventories and consumables, depreciation on plant and machinery, overheads and direct labour costs relating to our production. The Group's cost of sales increased from HK\$24.6 million for the year ended 31 December 2018 by 46.8% or HK\$11.5 million to HK\$36.0 million for the year ended 31 December 2019, which was primarily due to the increase in revenue and direct labour costs during the year.

Administrative expenses

The administrative expenses of the Group in 2019 increased from HK\$9.3 million for the year ended 31 December 2018 by 119.4% or HK\$11.1 million to HK\$20.4 million for the year ended 31 December 2019. Such increase was mainly due to the increase in non-recurring listing related expenses of approximately HK\$8.4 million; increase in staff cost by approximately by HK\$0.9 million; and the net increase in other administrative expenses by approximately HK\$1.8 million. Other administrative expenses mainly represent the auditor's remuneration and the legal and professional fees, which assisted the Group to enhance its corporate governance and compliance aspects after the Listing.

Profit attributable to shareholders of the company

Profit attributable to equity holders of the Company was approximately HK\$7.0 million for the year ended 31 December 2019, as compared to approximately HK\$9.7 million for the year ended 31 December 2018.

Excluding the non-recurring listing related expenses of approximately HK\$13.1 million and HK\$4.7 million, being charged to the consolidated statement of comprehensive income during 2019 and 2018, respectively, profit attributable to equity holders of the Company would have been approximately HK\$20.1 million and HK\$14.4 million for the year ended 31 December 2019 and 2018, respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has financed its business with internally generated cash flows and proceeds received from the Listing. As at 31 December 2019, the Group's cash and cash equivalents were HK\$49.0 million, increased by 642.4% or HK\$42.4 million, as compared with HK\$6.6 million as at 31 December 2018. The increase was mainly attributable to the receipt of proceeds from the Listing. 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 fund for future developments.

As at 31 December 2019, the Group's total current assets and current liabilities were HK\$91.2 million (as at 31 December 2018: HK\$40.2 million) and HK\$6.3 million (as at 31 December 2018: HK\$7.3 million) respectively, representing a current ratio of 14.5 times (as at 31 December 2018: 5.5 times). As at 31 December 2019, the Group did not have any bank borrowings (as at 31 December 2018: Nil). As at 31 December 2019, the gearing ratio of the Group was not applicable as it had no outstanding debt (as at 31 December 2018: Nil). The gearing ratio equals total interest bearing borrowings divided by total equity and multiplied by 100%.

CAPITAL STRUCTURE

As at 31 December 2019, 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 a price of HK\$0.55 per share, and successfully listed its shares on 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. As at the report date, the directors considered 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**”).

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 and the Group’s actual business progress for the year ended 31 December 2019:

Business plan as set out in the Prospectus

Actual business progress as at 31 December 2019

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

The Group was in the process of purchasing 3 units of machines and had committed and paid deposits amounted to approximately HK\$3.4 million for the machineries.

To enlarge our market share and strengthen our marketing efforts

The Group has taken action including the enrolment in various exhibitions.

To increase our level of automation

The Group is in the process of identifying and appointing the consultant company for such purpose.

To establish our enterprise resource planning (ERP) system

The Group is in the process of identifying and appointing the system service provider.

To expand our finance department

The Group is in the process of identifying suitable and quality candidates for the purpose of filling its open positions.

**Business plan as set out
in the Prospectus****Actual business progress
as at 31 December 2019**

To enhance staff training

The Group has taken action and prepared training courses for enrolment by staff.

Working capital

The Group has utilised approximately HK\$0.3 million as working capital for of on-going operations.

An analysis of the planned usage of net proceeds as stated in the Prospectus and the actual utilisation of the net proceeds from 15 November 2019 (“**the Listing Date**”) to 31 December 2019 (the “**Reporting Period**”) are set out below:

Use of proceeds

	Percentage of net proceeds	Net proceeds HK\$'000	Amount utilized HK\$'000	Amount unutilized HK\$'000
To acquire and replace machineries and equipment with an aim to enhance and expand our production capacity at our production facilities in Dongguan, the PRC	60.6%	17,210	3,360	13,850
To enlarge our market share and strengthen our marketing efforts	14.6%	4,146	25	4,121
To increase our level of automation	7.6%	2,158	–	2,158
To establish our ERP system	6.0%	1,704	–	1,704
To expand our finance department	5.0%	1,419	–	1,419
To enhance staff training	0.8%	227	1	226
Working capital	5.4%	1,536	282	1,254
	<u>100.0%</u>	<u>28,400</u>	<u>3,668</u>	<u>24,732</u>

As shown in the table above, as at 31 December 2019, the Group has utilised approximately HK\$3.7 million of the net proceeds from the Listing. The unutilised amount of the net proceeds have been deposited and maintained with licensed banks in Hong Kong.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2019, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 83 employees (as at 31 December 2018: 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 their 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 31 December 2019, the Group did not have any mortgage or charge over its assets.

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. Our 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 or 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 31 December 2019, the Group did not have any material contingent liability.

PROSPECTS

Our goal is to strengthen our position as a premium slewing ring manufacturer, and to leverage on our competitive advantages 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 objective, 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.

EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 (“**COVID-19 outbreak**”) in early 2020, a series of precautionary and control measures have been and will continue to be implemented across the country. The Board is of the view that the ultimate impact of the Group’s business due to the virus is uncertain and beyond prediction as it will be highly dependent on the future development. The Board will closely and continuously monitor the situation and assess the impact to the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares during the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**Annual General Meeting**”) is scheduled to be held on Friday, 29 May 2020. A notice convening the Annual General Meeting will be issued and dispatched to the Shareholders in due course.

DIVIDEND

The Board recommends the payment of final dividend of HK2 cents per share amounting to HK\$8,000,000 (2018: HK\$19.5 million) for the year ended 31 December 2019 to the shareholders whose names appear on the register of members of the Company on Friday, 5 June 2019 subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on Friday, 29 May 2020. The proposed final dividend will be despatched to shareholders on 30 June 2020.

CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the Annual General Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. Monday, 25 May 2020.

The register of members of the Company will be closed from Thursday, 4 June 2020 to Friday, 5 June 2020 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement in the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 3 June 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code regulating the securities transaction of Directors and executive officers named in this annual report, 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognizes that good corporate governance is vital to the success of the Group and sustains 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. The Shares were listed on GEM of the Stock Exchange on 15 November 2019. Therefore, the code provisions as set out in the CG Code were not applicable to the Company prior to the Listing Date. 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. Chan Yuk Pan currently holds both positions for the year ended 31 December 2019 and up to the date of this announcement. As Mr. Chan Yuk Pan 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. Chan Yuk Pan is the suitable candidate to continue to hold both positions.

AUDIT COMMITTEE

The 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 is the chairman of the audit committee. The Company’s audit committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2019.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company's website at www.blg.hk and the website of the Stock Exchange at www.hkexnews.hk. The Company's 2019 annual report will be dispatched to shareholders of the Company and will become available on the above websites in due course. The financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2019. Instead, it was derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2019, which will be included in the Company's 2019 annual report.

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

Hong Kong, 25 March 2020

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 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.