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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 2020

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 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	69,499	67,509
Cost of sales	4	<u>(43,362)</u>	<u>(36,042)</u>
Gross profit		26,137	31,467
Other income		632	401
Other (losses)/gains, net		(1,047)	208
Selling and distribution expenses	4	(1,080)	(985)
Administrative expenses	4	<u>(8,346)</u>	<u>(20,409)</u>
Operating profit		<u>16,296</u>	<u>10,682</u>
Finance income		69	9
Finance cost		<u>(113)</u>	<u>(134)</u>
Finance cost, net		<u>(44)</u>	<u>(125)</u>
Profit before income tax		16,252	10,557
Income tax expense	5	<u>(2,608)</u>	<u>(3,594)</u>
Profit for the year attributable to owners of the Company		<u>13,644</u>	<u>6,963</u>
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Currency translation differences		<u>3,032</u>	<u>(691)</u>
Total comprehensive income for the year		<u>16,676</u>	<u>6,272</u>
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	<u>3.4</u>	<u>2.2</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		8,507	7,425
Intangible asset		–	75
Prepayments and deposits		4,261	2,235
Deferred tax assets		78	64
		<u>12,846</u>	<u>9,799</u>
Current assets			
Inventories		23,867	23,194
Trade receivables	7	22,028	16,884
Prepayments, deposits and other receivables		5,564	2,129
Current income tax recoverable		152	–
Cash and cash equivalents		43,130	49,040
		<u>94,741</u>	<u>91,247</u>
Total assets		<u>107,587</u>	<u>101,046</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	8	4,000	4,000
Reserves		97,074	88,398
Total equity		<u>101,074</u>	<u>92,398</u>
LIABILITIES			
Non-current liability			
Lease liabilities		79	2,338
		<u>79</u>	<u>2,338</u>
Current liabilities			
Trade payables	9	4,465	1,503
Accruals and other payables		1,868	2,306
Current income tax liabilities		–	2,124
Lease liabilities		101	377
		<u>6,434</u>	<u>6,310</u>
Total liabilities		<u>6,513</u>	<u>8,648</u>
Total equity and liabilities		<u>107,587</u>	<u>101,046</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands 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 and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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 “**Business**”) 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 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 disclosure 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 judgement in the process of applying the Group’s accounting policies.

2.1.1 Amended standards and interpretations

(a) Amended standards and interpretations adopted by the Group

The Group has applied the following amendments to standard for the first time for their annual reporting period commencing 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendment to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform

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

- (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:

		Effective for accounting periods beginning on or after
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, HKFRS16 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

The Group is in the process of making an assessment of the impact of these new standards, amendments to standards and interpretations of HKFRS and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

3 REVENUE AND SEGMENT INFORMATION

The CODM has been identified as the executive directors of our Company. Management has determined the operating segments based on the information reviewed by our executive director for the purpose of allocating resources and assessing performance. The only component in internal reporting to the executive directors is our Group's manufacturing and trading of machinery products for the year ended 31 December 2020. In this regard, management considers there is only one operating segment under the requirements of HKFRS 8 "Operating Segments".

The directors assess the performance of the operating segment 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.

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

For the year ended 31 December 2020, there were four customers (2019: four), which individually contributed over 10% of our Group's total revenue. Revenue contributed from our major customers were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	13,053	18,161
Customer B	N/A*	10,071
Customer C	N/A*	8,403
Customer D	8,043	7,604
Customer E	10,109	N/A*
Customer F	7,159	N/A*

* The corresponding customers did not contribute over 10% of total revenue of the Group for the respective years.

(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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Singapore	24,120	32,555
Hong Kong	18,134	4,537
Northern Ireland	10,109	875
Malaysia	8,555	18,737
Japan	3,421	4,105
The PRC	1,391	2,018
Philippines	1,215	–
Thailand	1,009	142
Taiwan	823	945
Canada	166	1,003
Others (<i>Note</i>)	556	246
The United States of America	–	2,346

Note:

Others include Vietnam and New Zealand.

(c) **Details of contract liabilities**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract liabilities, included in accruals and other payables	<u>8</u>	<u>175</u>

Note:

As at 31 December 2020, 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 decreased during the year due to fluctuation in sales with advanced payments.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Sales contracts	<u>175</u>	<u>–</u>

As at 31 December 2020, 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 of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC	12,535	9,585
Hong Kong	<u>233</u>	<u>150</u>
	<u>12,768</u>	<u>9,735</u>

4 EXPENSES BY NATURE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories and consumable	36,865	27,668
(Reversal of)/provision for slow moving inventories, net	(3)	315
Employee benefit expenses, including directors' emoluments	8,027	8,478
Amortisation	76	7
Depreciation	1,734	1,891
Listing expenses	–	13,092
Legal and professional fees	1,563	357
Auditors' remuneration		
— Audit services	950	1,035
— Non-audit services	50	170
Utilities	610	938
Transportation expenses	866	741
Other expenses	2,050	2,744
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses and administrative expenses	52,788	57,436
	<hr/> <hr/>	<hr/> <hr/>

5 INCOME TAX EXPENSE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
— PRC enterprise income tax	935	1,457
— Hong Kong profits tax	1,725	2,190
— Over provision of prior periods	(38)	–
	<hr/>	<hr/>
Total current income tax	2,622	3,647
	<hr/>	<hr/>
Deferred income tax	(14)	(53)
	<hr/>	<hr/>
Income tax expense	2,608	3,594
	<hr/> <hr/>	<hr/> <hr/>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before income tax	<u>16,252</u>	<u>10,557</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	2,436	1,412
Expenses not deductible for tax purposes	391	2,428
Research and development tax credit (<i>Note</i>)	(181)	(245)
Over provision of prior periods	(38)	–
Income not subject to tax	<u>–</u>	<u>(1)</u>
Income tax expense	<u><u>2,608</u></u>	<u><u>3,594</u></u>

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 8 November 2023.

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 (Note 8).

	2020	2019
Profit attributable to equity holders of our Company (<i>HK\$'000</i>)	13,644	6,963
Weighted average number of shares in issue (<i>thousand</i>)	<u>400,000</u>	<u>312,877</u>
Basic earnings per share (<i>HK cents per share</i>)	<u><u>3.4</u></u>	<u><u>2.2</u></u>

Diluted earnings per share for the years ended 31 December 2019 and 2020 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

7 TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	<u><u>22,028</u></u>	<u><u>16,884</u></u>

As at 31 December 2019 and 2020, the carrying amounts of trade receivables approximated their fair values.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Up to 30 days	3,174	4,628
31–60 days	4,290	4,171
61–90 days	5,259	4,881
91–120 days	9,305	3,204
	<u>22,028</u>	<u>16,884</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
USD	16,846	16,248
RMB	303	586
JPY	16	–
HK\$	4,863	50
	<u>22,028</u>	<u>16,884</u>

The maximum exposure to credit risk as at 31 December 2019 and 2020 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 <i>HK\$'000</i>
Authorised:			
At 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, 1 January 2020 and 31 December 2020		<u><u>10,000,000,000</u></u>	<u><u>100,000</u></u>

	<i>Note</i>	Number of ordinary shares	Nominal value of ordinary share HK\$	Share premium HK\$'000
Issued and paid:				
At 1 January 2019		100	1	–
Issuance of ordinary shares pursuant to the capitalisation	<i>(b)</i>	299,999,900	2,999,999	(3,000)
Issuance of ordinary shares pursuant to the Listing	<i>(c)</i>	100,000,000	1,000,000	54,000
Listing related expenses charged to share premium	<i>(c)</i>	–	–	(8,489)
At 31 December 2019 and 1 January 2020		400,000,000	4,000,000	42,511
Dividends paid	<i>(d)</i>	–	–	(8,000)
At 31 December 2020		<u>400,000,000</u>	<u>4,000,000</u>	<u>34,511</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.
- (d) On 29 May 2020, the proposed final dividend of HK2.0 cents per share, amount to HK\$8,000,000 for the year ended 31 December 2019 were approved. Such dividend was recorded for as a reduction of share premium of the Group pursuant to the Article of Association and the Company Law, Cap. 22 (Law of 1961, as consolidated or revised from time to time) of the Cayman Islands. The final dividend was paid on 30 June 2020.

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.

	2020 HK\$'000	2019 HK\$'000
Trade payables	<u>4,465</u>	<u>1,503</u>

As at 31 December 2019 and 2020, the ageing analysis of the trade payables, based on invoice date, are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Up to 30 days	3,012	965
31–60 days	1,144	209
61–90 days	210	329
Over 3 months	99	–
	<u>4,465</u>	<u>1,503</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
RMB	2,057	1,503
HK\$	2,406	–
USD	2	–
	<u>4,465</u>	<u>1,503</u>

As at 31 December 2019 and 2020, the carrying amounts of trade payables approximate their fair values.

10 DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividends declared and paid in respect of 2019 of HK2.0 cents per share	8,000	–
Proposed final dividend of HKNil cents (2019: HK2.0 cents) per ordinary share (<i>Note (i)</i>)	–	8,000
	<u>–</u>	<u>8,000</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.

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 and the resulting mandatory extension of holidays in China and quarantine measures taken by multiple countries led to the temporary suspension of operation of the Group’s manufacturing plant. This suspension of operation and the continuing challenging local and global market conditions had a material impact on the Group’s overall performance and financial results for the Reporting Period. Nevertheless, its production activities resumed in late March 2020. Given the current development of the COVID-19 outbreak, the Group anticipates a challenging year ahead.

Having said that, most recent market trends have revealed that the manufacturing sector has made a swift comeback to near-normal activity levels, in terms of production and work resumption in China. It has emerged stronger and healthier after a swift recovery from the public health crisis based on the (i) positive signs in the recovery of the COVID-19 outbreak is being contained in China and Hong Kong and (ii) the number of confirmed cases continues to decline.

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 existing customers. Such mechanical parts and components are fundamental parts of machineries which the Group had sourced for its customers in the past.

Our business has improved quarter-over-quarter during the year ended 31 December 2020 (the “**Reporting Period**”). In the three months ended 30 September 2020 (“**Q3 2020**”) and three months ended 31 December 2020 (“**Q4 2020**”), our top-line revenue grew by approximately 38.3% and 30.0%, respectively, as compared to the same period in 2019.

The overall performance of the Group in the second half of 2020 significantly improved as compared with the first half of 2020 and returned to similar levels for the same period in 2019. The Group will continue its effort to promote its brand as well as to provide quality products and seize business opportunities in various regions.

The following table sets forth the breakdown of quantities sold by product category for the years ended 31 December 2019 and 2020:

	For the year ended 31 December					
	2020		2019		+/(−)	
	Sets	(%)	Sets	(%)	Sets	(%)
Quantities sold						
Slewing rings						
— ODM	2,202	22.3	3,198	29.2	(996)	(31.1)
— OEM	130	1.3	297	2.7	(167)	(56.2)
— OBM	322	3.2	533	4.9	(211)	(39.6)
— Others	319	3.2	749	6.8	(430)	(57.4)
	<u>2,973</u>	<u>30.0</u>	<u>4,777</u>	<u>43.6</u>	<u>(1,804)</u>	<u>(37.8)</u>
Other machineries and parts						
— Other machineries	10	0.1	—	—	10	N/A
— Other parts	6,912	69.9	6,184	56.4	728	11.8
	<u>6,922</u>	<u>70.0</u>	<u>6,184</u>	<u>56.4</u>	<u>738</u>	<u>11.9</u>
Total	<u><u>9,895</u></u>	<u><u>100.0</u></u>	<u><u>10,961</u></u>	<u><u>100.0</u></u>	<u><u>1,066</u></u>	<u><u>(9.7)</u></u>

Slewing rings

The Group manufactures slewing rings for local and overseas customers primarily on an original design manufacturing (“ODM”) basis. The ODM customers include companies engaged in general wholesale trading and the distribution of machineries and equipments or their parts, which will be re-sold to end-users in the market and may provide related after-sales services. The ODM business leverages on the Group’s in-depth market knowledge and know-how accumulated through years of experience since the Group’s inception. The Group is able to produce different models of slewing rings for its customers. In the case of replacement of slewing rings, the Group can also manufacture slewing rings which already ceased production.

In addition, the Group manufactures for some overseas customers on an OEM basis. Some of the leading Japanese manufacturers of machineries and equipments or their affiliates are our OEM customers. The OEM business includes the manufacture and sale of products based on customers’ specifications and guidelines. The Group also derives its revenue from the sales of our proprietary branded products under an original brand manufacturer (“OBM”) basis.

The decrease in sales of slewing rings was mainly attributed to the mandatory extension of holidays in China and temporary suspension of operation of the Group’s manufacturing plant during the COVID-19 outbreak in the three months ended 31 March 2020 (“Q1 2020”) and the crisis continued to have an impact in the three months ended 30 June 2020 (“Q2 2020”). The Group’s customers also faced challenging times during the COVID-19 outbreak.

Other machineries and parts

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

A major reason behind the increase in quantities sold in other machineries and parts is due to the Group’s development of new products and services by manufacturing other mechanical parts and components for machineries in late Q2 2020 and Q3 2020. New products enable the Group to broaden the scope of its business with existing customers, leading to the growth of its sourcing business. Such mechanical parts and components are fundamental parts of machineries which the Group had sourced for its customers in the past.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by 3.0% or HK\$2.0 million from HK\$67.5 million for the year ended 31 December 2019 to HK\$69.5 million for the year ended 31 December 2020.

The following table sets forth the breakdown of our revenue by product category for the years ended 31 December 2019 and 2020:

	For the year ended 31 December					
	2020		2019		+/(−)	
	HK\$’000	(%)	HK\$’000	(%)	HK\$’000	(%)
Revenue						
Slewing rings						
— ODM	25,972	37.4	42,818	63.4	(16,846)	(39.3)
— OEM	421	0.6	951	1.4	(530)	(55.7)
— OBM	3,534	5.1	5,569	8.3	(2,035)	(36.5)
— Others rings	5,033	7.2	10,612	15.7	(5,579)	(52.6)
	34,960	50.3	59,950	88.8	(24,990)	(41.7)
Other machineries and parts						
— Other machineries	17,220	24.8	—	—	17,220	N/A
— Other parts	17,319	24.9	7,559	11.2	9,760	129.1
	34,539	49.7	7,559	11.2	26,980	356.9
Total	69,499	100.0	67,509	100.0	1,990	2.9

Slewing rings

The Group manufactures slewing rings for local and overseas customers primarily on ODM, OEM and OBM basis. Revenue from slewing rings dropped by approximately HK\$25.0 million to HK\$35.0 million, representing a decrease of 41.7%. The decrease in overall was mainly attributed to the mandatory extension of holidays in China and temporary suspension of operation of the Group's manufacturing plant during the COVID-19 outbreak in Q1 2020 and the crisis continued to have an impact in Q2 2020. Furthermore, one of the Group's major ODM customers was acquired by another construction part company during 2020. Such customer is currently under reorganisation and the sales from them decreased by approximately HK\$2.3 million when compared to 2019.

Other machineries and parts

The Group also sources other slewing rings, machineries and mechanical parts and components for customers. Such machineries, mechanical parts and components included but not limited to excavators, undercarriage parts such as track chains, rollers and track shoes. Since late Q2 2020, the Group has developed new products and wider range of sourcing by manufacturing other mechanical parts and components for machineries besides slewing rings. Revenue from the other machineries and parts increased by approximately 356.9% year-on-year or HK\$27.0 million from HK\$7.6 million for the year ended 31 December 2019 to HK\$34.5 million for the year ended 31 December 2020.

The increase in revenue from other machineries and parts was mainly due to the development of new products and services under this category.

Geographical location

The following table sets forth a breakdown of our revenue by geographical location of our customers for the years ended 31 December 2020 and 2019:

	For the year ended 31 December					
	2020		2019		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Singapore	24,120	34.7	32,555	48.2	(8,435)	(25.9)
Hong Kong	18,134	26.1	4,537	6.7	13,597	299.7
Northern Ireland	10,109	14.5	875	1.3	9,234	1,055.3
Malaysia	8,555	12.3	18,737	27.8	(10,182)	(54.3)
Japan	3,421	4.9	4,105	6.1	(684)	(16.7)
The PRC	1,391	2.0	2,018	3.0	(627)	(31.1)
Philippines	1,215	1.7	0	0.0	1,215	N/A
Thailand	1,009	1.5	142	0.2	867	610.6
Taiwan	823	1.2	945	1.4	(122)	(12.9)
Canada	166	0.2	1,003	1.5	(837)	(83.4)
Others	556	0.9	246	0.4	310	126.0
The United States	–	0.0	2,346	3.5	(2,346)	(100.0)
	69,499	100.0	67,509	100.0	1,990	2.9

ASEAN countries continue to be the key market for the Group, especially the Singaporean and Malaysian markets where the Group has footprints for about 10 years. By leveraging the opportunity of initiatives behind The Belt and Road Initiative, Malaysia has cooperated with China to carry out a number of infrastructure construction projects. Those infrastructural constructions have driven the domestic demand for slewing rings for construction equipments. We have built a strong foundation with customers in these countries and the traditional demand for natural resources from forestry and mining activities for construction and heavy equipments also benefit our Group.

However, globally, the Group's customers may also face challenging times during the COVID-19 outbreak. The challenges caused by the pandemic have affected the operation and business performance of various industries in the short run for countries such as Singapore, Malaysia, Japan, the U.S. and other European countries where most of the Group's customers are located. Revenue generated from the Singaporean market decreased from approximately HK\$32.6 million for the year ended 31 December 2019 by approximately 25.9% or HK\$8.5 million to HK\$24.1 million for the year ended 31 December 2020 while for the revenue generated from the Malaysian market decreased from approximately HK\$18.7 million for the year ended 31 December 2019 by approximately 54.3% or HK\$10.2 million to HK\$8.6 million for the year ended 31 December 2020. The decrease was mainly due to the preventive measures imposed by many governments such as a nationwide lockdown.

In response to the ongoing COVID-19 pandemic and in order to meet the needs of diverse business of our customers, the Group has devoted more resources to accelerate our products development. At the same time, the Group's sourcing business in Hong Kong plays an important role. Thus, this strategic adjustment initiative has proven to be beneficial to the Group in maintaining its competitive advantage as "one-stop service" provider, which led to the increase in revenue from Hong Kong, Northern Ireland and The Philippines. Revenue generated from the market in Hong Kong increased from approximately HK\$4.5 million for the year ended 31 December 2019 by approximately 299.7% or HK\$13.6 million to HK\$18.1 million for the year ended 31 December 2020, while revenue generated from the market in Northern Ireland increased from approximately HK\$0.9 million for the year ended 31 December 2019 by approximately 1,055.3% or HK\$9.2 million to HK\$10.1 million for the year ended 31 December 2020, and for the market in The Philippines is flourishing and was approximately HK\$1.2 million for the year ended 31 December 2020.

Cost of sales

The following table sets out the breakdown of our costs of sales for the years ended 31 December 2020 and 2019:

	For the year ended 31 December					
	2020		2019		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Cost of sales						
Cost of inventories and consumables	36,865	85.0	27,668	76.8	9,197	33.2
Depreciation	1,357	3.1	1,578	4.4	(221)	(14.0)
Overheads	1,331	3.1	2,266	6.2	(935)	(41.3)
Direct labour costs	3,809	8.8	4,530	12.6	(721)	(16.0)
Total	<u>43,362</u>	<u>100.0</u>	<u>36,042</u>	<u>100.0</u>	<u>7,320</u>	<u>20.3</u>

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\$36.0 million for the year ended 31 December 2019 by approximately 20.3% or HK\$7.3 million to HK\$43.4 million for the year ended 31 December 2020, which was primarily due to the increase in revenue and having different product mix during the year.

Administrative expenses

The administrative expenses of the Group decreased from HK\$20.4 million for the year ended 31 December 2019 by approximately 59.3% or HK\$12.1 million to approximately HK\$8.3 million for the year ended 31 December 2020. Such decrease was mainly due to the decrease in non-recurring listing related expenses of approximately HK\$13.1 million; offset by the increase in staff cost by approximately HK\$0.3 million; and the net increase in other administrative expenses by approximately HK\$0.7 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 Listing.

Profit attributable to shareholders of the Company

Profit attributable to equity holders of the Company was approximately HK\$13.6 million for the year ended 31 December 2020, as compared to approximately HK\$7.0 million for the year ended 31 December 2019.

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

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 2020, the Group's cash and cash equivalents were HK\$43.1 million, decreased by approximately 12.0% or HK\$5.9 million, as compared with HK\$49.0 million as at 31 December 2019. The decrease was mainly attributable to the utilisation of the one-off receipt of proceeds from the Listing in 2019. Bank deposits and cash were principally denominated in Hong Kong dollars, United States dollars 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 31 December 2020, the Group's total current assets and current liabilities were approximately HK\$94.7 million (as at 31 December 2019: HK\$91.2 million) and HK\$6.4 million (as at 31 December 2019: HK\$6.3 million) respectively, representing a current ratio of 14.8 times (as at 31 December 2019: 14.5 times). As at 31 December 2020, the Group did not have any bank borrowings (as at 31 December 2019: Nil). As at 31 December 2020, the total interest-bearing bills payables was approximately HK\$0.9 million (as at 31 December 2019: Nil) and the gearing ratio of the Group was 0.9% (as at 31 December 2019: Nil). The gearing ratio equals total interest bearing bills payables divided by total equity and multiplied by 100%.

CAPITAL STRUCTURE

As at 31 December 2020, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of 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 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. 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.

Details of the original allocation of the net proceeds, the revised allocation of the net proceeds, the utilisation of the net proceeds as at 31 December 2020 and the remaining balance after the revised allocation of the net proceeds as at 31 December 2020 are set out as follows:

Use of proceeds

	Percentage of net proceeds	Revised percentage of net proceeds	Net proceeds HK\$'000	Revised Net proceeds HK\$'000	Amount utilized HK\$'000	Amount remaining HK\$'000	Expected timeline for the intended use
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	60.60%	60.60%	17,210	17,210	4,143	13,067	Q2 of 2021
To enlarge our market share and strengthen our marketing efforts	14.60%	4.40%	4,146	1,246	161	1,085	Q2 of 2022
To increase our level of automation	7.60%	7.60%	2,158	2,158	39	2,119	Q2 of 2021
To establish our ERP system	6.00%	6.00%	1,704	1,704	10	1,694	Q2 of 2022
To expand our finance department	5.00%	5.00%	1,420	1,420	64	1,356	Q2 of 2022
To enhance staff training	0.80%	0.80%	227	227	7	220	Q4 of 2021
Working capital	5.40%	15.60%	1,535	4,435	1,873	2,562	Q4 of 2021
	<u>100.00%</u>	<u>100.00%</u>	<u>28,400</u>	<u>28,400</u>	<u>6,297</u>	<u>22,103</u>	

As at 31 December 2020, the Group has utilised approximately HK\$6.3 million (as shown in the “Amount utilized” column of the table above). The unutilised amount of the net proceeds have been deposited with licensed banks in Hong Kong.

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 year ended 31 December 2020:

Business plan as set out in the prospectus

Actual business progress as at 31 December 2020

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 paid deposits of about HK \$4.1 million for the machineries. Two of them (high speed milling machine and raceway quenching machine) are expected to arrive in the second quarter of 2021. These new equipments will be used in the major process in the production of products.

To enlarge our market share and strengthen our 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 the year, the Group increased human resources to 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.

To increase our 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 visit plan of service provider from Hong Kong was delayed due to the travel restrictions of the COVID-19 outbreak and could not proceed to further stage.

At the same time, the Group is in the process of developing a new equipment to achieve automatic packaging, which is now in the testing phase.

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

**Actual business progress
as at 31 December 2020**

To establish our 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 our finance department

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

To enhance staff training

During the year, two employees were trained and certified with ISO quality management system. Also, the group had taken action and prepared training courses for numbers of technical personnel.

Working capital

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 more 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 31 December 2020, the Group had utilised approximately HK\$1.9 million as working capital for of on-going operations, including the resources used for development of new products and services by manufacturing other mechanical parts and components for machineries besides slewing rings.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2020, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 78 employees (as at 31 December 2019: 83 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 (the “**Remuneration Committee**”), 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 2020, the Group’s banking facilities were secured by pledged bank deposits with an aggregate amount of approximately HK\$2,400,000 (as at 31 December 2019: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans 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 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 31 December 2020, the Group did not have any material contingent liabilities.

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 the Group's strategies.

Notwithstanding the temporary suspension of production lines during the first half of 2020, the Group has continued to satisfy the global customers' demand as the production lines managed to resume to full capacity shortly after the outbreak of the COVID-19 pandemic. In addition to serving our customers, employees' health and well-being is also the Group's top priority. During the initial outbreak of the COVID-19 pandemic, the Group quickly 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 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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**Annual General Meeting**”) is scheduled to be held on Friday, 11 June 2021. A notice convening the Annual General Meeting will be issued and dispatched to the Shareholders in due course.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK\$0.02 per ordinary share).

CLOSURE OF REGISTERS OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM to be held on Friday, 11 June 2021, the register of members of the Company will be closed from Tuesday, 8 June 2021 to Friday, 11 June 2021 (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 Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, 7 June 2021.

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 the date of this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code regulating the securities transactions 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.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding company was a party and in which any of the Company's directors or members of its management had a material interest, whether directly or indirectly, subsisted in the year ended 31 December 2020 or at any time during the year.

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 year ended 31 December 2020.

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 year ended 31 December 2020 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognizes 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 year ended 31 December 2020 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.

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 ("**Mr. Adrian Chan**"), Ms. Tam Ho Ting and Ms. Tsang Hau Lam. Mr. Adrian Chan, who has appropriate professional qualification and experience in accounting matters, was appointed to serve as the chairman of the audit committee.

During the Reporting Period and up to the date of this report, there was no material uncertainty relating to events or conditions that might cast significant doubt on the Company's ability to continue as a going concern. The Company's annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee.

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 2020 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 draft 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.

EVENT AFTER THE REPORTING PERIOD

The Group had no significant event after the end of the reporting period and up to the date of this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Stock Exchange of Hong Kong Limited website at <http://www.hkex.com.hk> and the Company's website at www.blg.hk. Printed version of the 2020 annual report of Company containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and published on the above respective websites in due course in accordance with the requirements under the GEM Listing Rules.

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

Hong Kong, 22 March 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. Tam Ho Ting and Ms. Tsang Hau Lam.

This announcement will remain on the "Latest Listed Company Information" page on The Stock Exchange of Hong Kong Limited website at www.hkexnews.hk for at least 7 days from the date of its publication and on the Company's website at www.blg.hk.