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BEST LINKING GROUP HOLDINGS LIMITED

永聯豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8617)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

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

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

INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 June 2022 respectively (the “**Reporting Period**”), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding periods in 2021 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

	Note	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	36,202	33,464	68,769	47,543
Cost of sales		(18,573)	(20,387)	(36,902)	(29,946)
Gross profit		17,629	13,077	31,867	17,597
Other income		129	137	227	169
Other gains/(losses), net		871	(357)	850	(447)
Selling and distribution expenses		(774)	(367)	(1,348)	(564)
Administrative expenses		(2,987)	(2,224)	(5,816)	(4,773)
Operating profit		14,868	10,266	25,780	11,982
Finance income		17	5	24	11
Finance expenses		(12)	(25)	(49)	(40)
Finance income/(expenses), net		5	(20)	(25)	(29)
Profit before income tax	4	14,873	10,246	25,755	11,953
Income tax expense	5	(2,481)	(1,530)	(4,180)	(1,651)
Profit for the period		12,392	8,716	21,575	10,302
Other comprehensive income/(loss):					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		(2,721)	764	(2,616)	501
Total comprehensive income for the period		9,671	9,480	18,959	10,803
Earnings per share for profit attributable to shareholders of the Company for the period					
Basic and diluted earnings per share (HK cents per share)	6	3.10	2.18	5.39	2.58

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

As at 30 June 2022

	<i>Note</i>	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	16,150	13,088
Prepayments and deposits		4,584	5,850
Deferred tax assets		103	107
		<u>20,837</u>	<u>19,045</u>
Current assets			
Inventories		21,730	25,575
Trade receivables	9	56,495	38,895
Prepayments, deposits and other receivables		5,777	4,298
Current tax recoverable		–	–
Cash and cash equivalents		55,775	56,387
		<u>139,777</u>	<u>125,155</u>
Total assets		<u><u>160,614</u></u>	<u><u>144,200</u></u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		4,000	4,000
Reserves		144,490	125,531
Total equity		<u><u>148,490</u></u>	<u><u>129,531</u></u>
LIABILITIES			
Non-current liability			
Lease liabilities		–	–
		<u>–</u>	<u>–</u>
Current liabilities			
Trade payables	10	1,914	8,343
Accruals and other payables		1,943	1,901
Current income tax liabilities		8,240	4,346
Lease liabilities		27	79
		<u>12,124</u>	<u>14,669</u>
Total liabilities		<u><u>12,124</u></u>	<u><u>14,669</u></u>
Total equity and liabilities		<u><u>160,614</u></u>	<u><u>144,200</u></u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

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

	Share capital HK\$'000	Combined capital HK\$'000	Attributable to owners of the Company				Retained earnings HK\$'000	Total HK\$'000
			Share premium HK\$'000	Capital reserve HK\$'000 Note a	Statutory reserve HK\$'000 Note b	Exchange reserve HK\$'000 Note c		
Balance at 1 January 2022 (audited)	4,000	-	26,511	13,000	3,205	3,767	79,048	129,531
Profit for the period	-	-	-	-	-	-	21,575	21,575
Other comprehensive income/(loss)								
Currency translation differences	-	-	-	-	-	(2,616)	-	(2,616)
Total comprehensive (loss)/ income for the period	-	-	-	-	-	(2,616)	21,575	18,959
Transactions with equity holders:								
Issuance of ordinary shares pursuant to the capitalisation	-	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to the listing	-	-	-	-	-	-	-	-
Listing related expenses charged to share premium	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	682	-	(682)	-
	-	-	-	-	682	-	(682)	-
Balance at 30 June 2022 (unaudited)	<u>4,000</u>	<u>-</u>	<u>26,511</u>	<u>13,000</u>	<u>3,887</u>	<u>1,151</u>	<u>99,941</u>	<u>148,490</u>

Notes:

(a) Capital reserve

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

(b) Statutory reserve

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

(c) Exchange reserve

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

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

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	2,896	783
Income tax paid	(253)	(275)
Interest received	(23)	11
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	2,620	519
	<hr/>	<hr/>
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,076)	(27)
Prepayments for purchase of property, plant and equipment	(304)	–
Purchase of intangible assets	–	–
	<hr/>	<hr/>
Net cash used in investing activities	(3,380)	(27)
	<hr/>	<hr/>
Cash flows from financing activities		
Repayments of advance to a shareholder	–	–
Payment of lease liabilities	(54)	(90)
Payment of listing expenses to be capitalised into equity	–	–
Proceeds from shares issued pursuant to the Listing	–	–
Dividends paid	–	–
	<hr/>	<hr/>
Net cash used in financing activities	(54)	(90)
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	(814)	402
Cash and cash equivalents at beginning of the period	56,387	43,130
Currency translation differences	202	54
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	55,775	43,586
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.1.1 Amended standards and interpretations

(a) Amended standards and interpretations adopted by the Group

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021, as described in those annual consolidated financial statements. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

Certain new and amended standards and interpretations have been published that are mandatory for financial year beginning on or after 1 January 2022 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 beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018–2020 (amendments)	1 January 2022
Amendments to Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance Contracts	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 chief operating decision-maker has been identified as the executive Directors.

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

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

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

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

4 PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories and consumable	16,460	18,207	33,186	25,966
Wages, salaries, bonuses and other benefits	2,862	2,706	5,548	4,801
Pension costs — defined contribution plans	148	127	380	324
Mandatory provident fund scheme	21	16	45	31
Employee benefit expenses, including directors' emoluments	3,031	2,849	5,973	5,156
Amortisation	—	—	—	—
Depreciation	398	826	722	856
Legal and professional fees	778	834	1,352	1,445
Other expenses	1,667	262	2,833	1,860
	<u>22,334</u>	<u>22,978</u>	<u>44,066</u>	<u>35,283</u>

5 INCOME TAX EXPENSE

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax				
— PRC enterprise income tax	975	56	1,238	109
— Hong Kong profits tax	1,506	1,474	2,942	1,542
Total current income tax	2,481	1,530	4,180	1,651
Deferred income tax	—	—	—	—
Income tax expense	2,481	1,530	4,180	1,651

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.

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to shareholders of our Company	12,392	8,716	21,575	10,302
Weighted average number of shares in issue (thousand)	400,000	400,000	400,000	400,000
Basic earnings per share (HK cents per share)	3.10	2.18	5.39	2.58

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

7 DIVIDENDS

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

8 PROPERTY PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK\$4.5 million (six months ended 30 June 2021: HK\$22,000) in value.

9 TRADE RECEIVABLES

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Up to 30 days	22,522	20,499
31–60 days	11,599	9,768
61–90 days	10,496	4,890
91–120 days	3,263	3,738
121–300 days	8,615	–
	<u>56,495</u>	<u>38,895</u>

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

10 TRADE PAYABLES

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Up to 30 days	1,565	7,057
31–60 days	300	1,271
61–90 days	15	–
Over 3 months	34	15
	<u>1,914</u>	<u>8,343</u>

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

11 RELATED PARTY TRANSACTIONS

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

(b) Key management compensation

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

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	1,235	1,050
Retirement benefit costs — defined contribution plans	32	35
	<u>1,267</u>	<u>1,085</u>

12 CAPITAL COMMITMENTS

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

	At 30 June	At 31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Property, plant and equipment		
Not later than one year	6,579	8,251
Later than one year but not later than five years	47	822
	<u>6,626</u>	<u>9,073</u>

13 CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading premium manufacturer of slewing rings and other mechanical parts, and an “one-stop service” provider as it is able to source other slewing rings, machineries and mechanical parts and components for machineries of its customers.

We manufacture slewing rings that conform to applicable Japanese Industrial Standards (JIS), which has higher quality control requirements than that adopted in many other countries in the world. Since 2020, the Group has utilised the proceeds from the listing of the Company’s shares on GEM of the Stock Exchange (the “**Listing**”) and has developed new products and provided a wider range of services by manufacturing other mechanical parts and components for machineries besides slewing rings. Most machineries and parts supplied by the leading suppliers in Japan were fit for the Group’s sourcing needs and with specifications not commonly supplied by other market suppliers.

The COVID-19 outbreak has caused many organisations and companies to rethink and reconfigure their businesses for a changed world. The Group’s superiority as an “one-stop service” provider has been even more accentuated amid the COVID-19 outbreak, with the surging demand for sourcing other slewing rings, machineries, mechanical parts and components for its customers. The Group continued to demonstrate its competence and business resilience in such adverse environment, with continuous successes in global sales and further reinforcement of the Group’s brand recognition and awareness. The Group is positioned as one of the fastest growing “one-stop service” providers in the field of slewing rings.

The overall performance of the Group during the Reporting Period improved significantly as compared with the six months ended 30 June 2021 (“**1H 2021**”). The Group’s revenue increased by 44.6% to HK\$68.8 million for the Reporting Period, as compared to HK\$47.5 million for 1H 2021. Most products recorded notable growth, especially slewing rings. The Group will continue its effort to promote its brand as well as to provide high quality products and seize business opportunities in various regions.

REVENUE

The Group's revenue increased by 44.6% or HK\$21.3 million from HK\$47.5 million for the six months ended 30 June 2021 ("1H 2021") to HK\$68.8 million for the Reporting Period.

The following table sets forth the breakdown of our revenue by product category for the Reporting Period and 1H 2021:

	For the six months ended 30 June					
	2022		2021		+ / (-)	
	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>
	(Unaudited)		(Unaudited)			
Revenue						
Slewing rings	38,514	56.0	15,980	33.6	22,534	141.0
Machineries and other parts						
Machineries	14,078	20.5	19,567	41.2	(5,489)	(28.1)
Other parts	16,177	23.5	11,996	25.2	4,181	34.9
	<u>30,255</u>	<u>44.0</u>	<u>31,563</u>	<u>66.4</u>	<u>(1,308)</u>	<u>(4.1)</u>
Total	<u>68,769</u>	<u>100.0</u>	<u>47,543</u>	<u>100.0</u>	<u>21,226</u>	<u>44.6</u>
Quantities sold						
	<i>Sets</i>	<i>(%)</i>	<i>Sets</i>	<i>(%)</i>		
Slewing rings	3,462	11.9	1,068	38.1	2,394	224.2
Machineries and other parts						
Machineries	32	0.1	17	0.6	15	88.2
Other parts	25,645	88.0	1,722	61.3	23,923	1389.3
	<u>25,677</u>	<u>88.1</u>	<u>1,739</u>	<u>61.9</u>	<u>23,938</u>	<u>1376.5</u>
Total	<u>29,139</u>	<u>100.0</u>	<u>2,807</u>	<u>100.0</u>	<u>26,332</u>	<u>938.1</u>

Slewing rings

The Group manufactures slewing rings for local and overseas customers primarily on original design manufacturing (“ODM”), original equipment manufacturing (“OEM”) and original brand manufacturing (“OBM”) basis. We have an international customer base and are able to produce slewing rings adopting applicable national standards and can at the same time meet customers’ requirements. Because of our advantages, the Group had attracted several new ODM customers in 2021 and 2022 and they continued to contribute to the revenue of the ODM and sourcing business within the Group during the Reporting Period. These new customers included a nominated supplier of a theme park and resort in Hong Kong. We sourced the slewing rings and delivered to the theme park as instructed by such nominated supplier. Another new customer is a subsidiary of a then listed company on the Singapore Exchange which has been our existing customer for over 10 years. Such group was principally engaged in the distribution of heavy machinery and diesel engine parts and has an international customer base. Furthermore, one of our largest customers has enlarged its customer base and increased the demand of our larger size slewing rings which led to the increase in our revenue and profit.

As a result, revenue from slewing rings increased by approximately HK\$22.5 million to HK\$38.5 million for the Reporting Period, compared to 1H 2021, representing an increase of 141.0%. The sales of slewing rings accounted for approximately 56.0% in revenue, and approximately 61.8% of the Group’s total gross profit. The overall quantities of the slewing rings sold for the Reporting Period increased by 2,394 sets, representing an increase of 224.2%.

Machineries and other parts

The Group also sources machineries, 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 2020, the Group has developed new products and provided a wider range of servicing by manufacturing other mechanical parts and components for machineries besides slewing rings. Revenue from the machineries and other parts remained stable for the Reporting Period comparing to 1H 2021.

Following the rapid growth in 2021, machineries and parts remained strong in 2022. This was attributable to the Group's development in manufacturing new mechanical parts and components for machineries in 2020 which continued to grow in recent years. For the sourcing business, most machineries and parts supplied by the leading suppliers in Japan were fit for the Group's sourcing needs and with specifications not commonly supplied by other suppliers in the market. In addition to the revenue generated from the overseas markets in particular Japan, Singapore and the Philippines during the Reporting Period, the Group has also served local customer, who relied on both its products and services, in notable public as well as private projects in Hong Kong such as Hong Kong International Airport Three Runway System Project. This was mainly due to the fact that there had been more customers enjoying the Group's "one-stop service" and thus, ordering machineries and mechanical parts from us.

The sales of machineries and other parts accounted for approximately 20.5% and 23.5% of the total revenue, respectively, amounting to approximately 16.6% and 21.6% of the Group's total gross profit, respectively.

Cost of sales

The cost of sales primarily consists of costs of inventories and consumables, depreciation on plant and machinery, overheads and direct labour costs relating to its production. The Group's cost of sales increased from approximately HK\$29.9 million for 1H 2021 by approximately 23.2% or HK\$7.0 million to HK\$36.9 million for the Reporting Period, primarily due to the increase in direct labour costs, as well as the increase in revenue and having different product mix during the period.

During the Reporting Period, the product mix generated from revenue of slewing rings, machineries and other parts were approximately 56.0%, 20.5% and 23.5%, respectively.

Administrative expenses

The administrative expenses of the Group for the Reporting Period increased from HK\$4.8 million for 1H 2021 by approximately 21.9% or HK\$1.0 million to approximately HK\$5.8 million for the Reporting Period. Such increase was mainly due to the increase in staff cost by approximately HK\$0.9 million and the net increase in other administrative expenses by approximately HK\$0.1 million. Other administrative expenses represent mainly the provision for auditor's remuneration and the legal and professional fees, which assisted the Group to enhance its corporate governance and compliance aspects.

Profit attributable to shareholders of the Company

Profit attributable to equity holders of the Company was approximately HK\$21.6 million for the Reporting Period, as compared to approximately HK\$10.3 million for 1H 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has financed its business with internally generated cash flows and proceeds received from the Listing. As at 30 June 2022, the Group's cash and cash equivalents were HK\$55.8 million, decreased by 1.1% or HK\$0.6 million, as compared with HK\$56.4 million as at 31 December 2021. Bank deposits and cash were principally denominated in Hong Kong dollar, United States dollar and Renminbi. The Group will continue to use the internally generated cash flows and proceeds received from the Listing as a source of funding for future developments.

As at 30 June 2022, the Group's total current assets and current liabilities were HK\$139.8 million (as at 31 December 2021: HK\$125.2 million) and HK\$12.1 million (as at 31 December 2021: HK\$14.7 million) respectively, representing a current ratio of 11.5 times (as at 31 December 2021: 8.5 times). As at 30 June 2022, the Group did not have any bank borrowings (as at 31 December 2021: Nil). As at 30 June 2022, the Group did not have any interest-bearing bills payables (as at 31 December 2021: total interest-bearing bills payables was approximately HK\$7.0 million) and the gearing ratio of the Group was not applicable as it had no outstanding debt as at 30 June 2022 (as at 31 December 2021: the gearing ratio of the Group was 5.4%). The gearing ratio equals total interest-bearing borrowings divided by total equity and multiplied by 100%.

CAPITAL STRUCTURE

As at 30 June 2022, 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 (the “**Share Offer**”), 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. Pursuant to the announcement dated 9 September 2020 issued by the Company (the “**Announcement**”), 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 30 June 2022 and the remaining balance after the revised allocation of the net proceeds as at 30 June 2022 are set out as follows:

Use of proceeds	Revised percentage of net proceeds as stated in the Announcement	Revised net proceeds as stated in the Announcement <i>HK\$'000</i>	Amount utilized as at 30 June 2022 <i>HK\$'000</i>	Amount remaining as at 30 June 2022 <i>HK\$'000</i>	Updated expected timeline of full utilization of the net proceeds
1 To acquire and replace machineries and equipment with an aim to enhance and expand its production capacity at its production facilities in Dongguan, the PRC	60.6%	17,210	(15,164)	2,046	Q4 of 2022
2 To enlarge its market share and strengthen its marketing efforts	4.4%	1,246	(825)	421	Q4 of 2023
3 To increase its level of automation	7.6%	2,158	(1,084)	1,074	Q4 of 2022
4 To establish its ERP system	6.0%	1,704	(824)	880	Q4 of 2023
5 To expand its finance department	5.0%	1,420	(652)	768	Q4 of 2023
6 To enhance staff training	0.8%	227	(14)	213	Q4 of 2023
7 To maintain sound working capital for operation	15.6%	4,435	(4,435)	-	Q4 of 2021
Total	100.0%	28,400	(22,998)	5,402	

Comparison of business objectives and actual business progress

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

Business plan as set out in the Prospectus

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

To enlarge its market share and strengthening its marketing efforts

To increase its level of automation

Actual business progress as at 30 June 2022

The Group was in the process of purchasing 16 units of machines and paid deposits of about HK\$15.2 million for the machineries and the related installation work process. 14 of them (including high speed milling machines and raceway quenching machines) arrived at our production facilities by 30 June 2022 and are being tested. These arrived machineries are currently in use for our production.

In light 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.

In the past years, the Group increased the workforce in the sales department to strengthen the sales support. In addition, we hired a consultant to design the web pages for the Group and to provide advice in the promotion strategies.

The Group is working out plans with the service provider concerning the development of new equipments for automation and also the redevelopment of the existing equipments to enhance the automation level. The plans included smart automation solutions by acquiring a robotic arm for one of the key steps of the production process, i.e. gear chamfering. The major goals of these plans are to facilitate production and quality control, and reduce manual work and time needed.

The scheduled visit by service provider outside Hong Kong was delayed due to the travel restrictions caused by the COVID-19 outbreak.

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

Business plan as set out in the Prospectus

To establish its enterprise resource planning (ERP) system

Actual business progress as at 30 June 2022

The Group appointed a system service provider and signed a contract in 2021 to develop a system to enhance data management, especially in the areas of staff attendance, payroll accounting and other aspects such as document control, and to enable the Group to track and monitor the production process. There are some modules created for the system which are being tested and are expected to come into use in the second half of 2022.

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

To expand its finance department

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

To enhance staff training

During 2020 and 2021, three of our trained employees were awarded ISO quality management system certificates.

The Group prepared training courses for a number of personnel. An employee in the quality assurance department has received training in metrology to further strengthen our quality assurance process.

To maintain sound working capital for operation

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

As at 30 June 2022, the Group utilised approximately HK\$4.4 million as working capital for the research and development of on-going operations, including the development of new products and services by manufacturing other mechanical parts and components for machineries besides slewing rings.

SIGNIFICANT INVESTMENTS

As at 30 June 2022, the Group did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period ended 30 June 2022, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 81 employees (as at 31 December 2021: 80 employees). Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The emoluments of the Directors are recommended by the remuneration committee of the Company with reference to each employee's respective contribution of time, effort and expertise on the Company's matters. In addition, employees are entitled to performance and discretionary year-end bonuses.

CHARGES ON ASSETS

As at 30 June 2022, the Group's banking facilities were secured by pledged bank deposits with an aggregate amount of approximately HK\$3,000,000 (as at 31 December 2021: HK\$3,000,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE RISK

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

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

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liability.

PROSPECTS

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

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

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

OTHER INFORMATION

PURCHASE, SALES AND REDEMPTION OF SHARES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

Reference is made to an announcement dated 18 June 2021 issued by the Company with regard to a facility letter (the "**Previous Facility Letter**") for a trading facility (the "**Previous Facility**").

On 14 July 2022, the existing lender, DBS Bank (Hong Kong) Limited (the "**Lender**"), has pursuant to its periodic review agreed to replace the Previous Facility with a revised trading facility of up to HK\$15,000,000 (the "**Facility**") for Best Linking Limited ("**Best Linking**"), which is an indirect wholly-owned subsidiary of the Company. Best Linking and the Company, as borrower and corporate guarantor respectively, entered into a revised banking facility letter with the Lender (the "**Facility Letter**"), on the terms and conditions therein contained, including the Lender's right to review any time and the Lender's customary overriding right to demand repayment, as well as the right to call for cash cover on demand for prospective or contingent liability.

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

Please refer to the announcement of the Company dated 14 July 2022 for more details.

SHARE OPTION SCHEME

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

DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period (for the six months ended 30 June 2021: nil).

CODE ON CORPORATE GOVERNANCE

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

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

Reference is made to an announcement dated 31 March 2022 issued by the Company. The Board has established a corporate governance committee (the “**CG Committee**”) with effect from 31 March 2022 to continue the review of the corporate governance policy and the practices of the Company and to ensure the Company is up to date with the latest practices. The appointment of LY Capital as the Company’s compliance adviser has come to an end on 31 March 2022.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

Our Company established an audit committee on 21 October 2019 with written terms of reference in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and paragraphs D.3.3 and D.3.7 of the CG Code. The audit committee comprises three independent non-executive Directors, namely Mr. Chan Wan Tsun Adrian Alan, Ms. Tam Ho Ting and Ms. Tsang Hau Lam. Mr. Chan Wan Tsun Adrian Alan, who has appropriate professional qualification and experience in accounting matters, was appointed the chairman of the audit committee.

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

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

Hong Kong, 8 August 2022

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.