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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 2021

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

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Revenue	3	132,250	69,499
Cost of sales	4	(77,740)	(43,362)
Gross profit		54,510	26,137
Other income		382	632
Other losses, net		(465)	(1,047)
Selling and distribution expenses	4	(2,106)	(1,080)
Administrative expenses	4	(10,472)	(8,346)
Operating profit		41,849	16,296
Finance income		24	69
Finance cost		(7)	(113)
Finance income/(cost), net		17	(44)
Profit before income tax		41,866	16,252
Income tax expense	5	(6,780)	(2,608)
Profit for the year attributable to owners of the Company		35,086	13,644
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		1,371	3,032
Total comprehensive income for the year		36,457	16,676
Earnings per share for profit attributable to equity holders of the Company for the year			
Basic and diluted earnings per share (HK cents per share)	6	8.8	3.4

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		13,088	8,507
Prepayments and deposits		5,850	4,261
Deferred tax assets		107	78
		19,045	12,846
Current assets			
Inventories		25,575	23,867
Trade receivables	7	38,895	22,028
Prepayments, deposits and other receivables		4,298	5,564
Current income tax recoverable		–	152
Cash and cash equivalents		56,387	43,130
		125,155	94,741
Total assets		144,200	107,587
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	8	4,000	4,000
Reserves		125,531	97,074
Total equity		129,531	101,074
Liabilities			
Non-current liability			
Lease liabilities		–	79
		–	79
Current liabilities			
Trade payables	9	8,343	4,465
Accruals and other payables		1,901	1,868
Current income tax liabilities		4,346	–
Lease liabilities		79	101
		14,669	6,434
Total liabilities		14,669	6,513
Total equity and liabilities		144,200	107,587

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 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.

2.1.1 Amended standards and interpretations

(a) Amended standards 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 2021:

- COVID-19 — Related rent concessions — amendments to HKFRS 16
- Interest Rate Benchmark Reform — Phase 2 — amendment to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16

The adoption of the above amendments to standards did not have any significant impact on the significant accounting policies of the Group and the presentation of these consolidated financial statements.

- (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 (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 2021. 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 2021, there were three customers (2020:four), which individually contributed over 10% of our Group’s total revenue. Revenue contributed from our major customers were as follows:

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Customer A	23,609	13,053
Customer B	17,684	N/A
Customer C	16,601	8,043
Customer E	N/A	10,109
Customer F	N/A	7,159

* 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:

	2021 HK\$'000	2020 HK\$'000
Singapore	45,858	24,120
Hong Kong	40,961	18,134
Philippines	20,007	1,215
Malaysia	10,412	8,555
Japan	7,171	3,421
Taiwan	1,494	823
New Zealand	1,439	58
The PRC	1,436	1,391
Vietnam	1,379	498
Northern Ireland	1,215	10,109
Thailand	–	1,009
Others (<i>Note</i>)	878	166
	<u>132,250</u>	<u>69,499</u>

Note:

Others include Canada, Iceland and Korea.

(c) Details of contract liabilities

	2021 HK\$'000	2020 HK\$'000
Contract liabilities, included in accruals and other payables	<u>4</u>	<u>8</u>

Note: As at 31 December 2021, 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.

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Sales contracts	<u>8</u>	<u>175</u>

As at 31 December 2021, 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:

	2021 HK\$'000	2020 <i>HK\$'000</i>
The PRC	18,006	12,535
Hong Kong	932	233
	<u>18,938</u>	<u>12,768</u>

4 EXPENSES BY NATURE

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
Cost of inventories and consumable	69,982	36,865
Provision/(reversal of) for slow moving inventories, net	22	(3)
Employee benefit expenses, including directors' emoluments	10,620	8,027
Amortisation	–	76
Depreciation	1,835	1,734
Legal and professional fees	1,688	1,563
Auditors' remuneration		
— Audit services	1,050	950
— Non-audit services	50	50
Utilities	761	610
Transportation expenses	1,873	866
Other expenses	<u>2,437</u>	<u>2,050</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>90,318</u>	<u>52,788</u>

5 INCOME TAX EXPENSE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
— PRC enterprise income tax	661	935
— Hong Kong profits tax	6,197	1,725
— Over provision of prior periods	(49)	(38)
	<hr/>	<hr/>
Total current income tax	6,809	2,622
	<hr/>	<hr/>
Deferred income tax	(29)	(14)
	<hr/>	<hr/>
Income tax expense	6,780	2,608
	<hr/> <hr/>	<hr/> <hr/>

(i) Hong Kong profits tax

In accordance with the two-tiered profits tax rates regime effective from 1 January 2018, Hong Kong profits tax is calculated at 8.25% on the first HK\$2,000,000, and 16.5% on the remaining balance of the estimated assessable profits of an operating subsidiary for the year ended 31 December 2021.

(ii) The PRC enterprise income tax (“EIT”)

Under the Enterprise Income Tax Law of the PRC (the “**EIT Law**”), the applicable income tax rate for Kyoei Seiki Co., Limited (“**Kyoei Seiki**”) in the PRC is 25%.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the “**Certificate**”) and completing the tax reduction and exemption filing with the tax authorities. Kyoei Seiki renewed the Certificate when it expired on 8 November 2020 and the renewed Certificate will expire on 8 November 2023. During the years ended 31 December 2020 and 2021, as a result of Kyoei Seiki qualifying for High New Technology Enterprise status, the applicable tax rate of Kyoei Seiki is 15%.

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:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Profit before income tax	<u>41,866</u>	<u>16,252</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	6,652	2,436
Expenses not deductible for tax purposes	399	391
Research and development tax credit (<i>Note</i>)	(222)	(181)
Over provision of prior periods	<u>(49)</u>	<u>(38)</u>
Income tax expense	<u>6,780</u>	<u>2,608</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.

	2021 HK\$'000	2020 <i>HK\$'000</i>
Profit attributable to equity holders of our Company (<i>HK\$'000</i>)	35,086	13,644
Weighted average number of shares in issue (<i>thousand</i>)	<u>400,000</u>	<u>400,000</u>
Basic earnings per share (<i>HK cents per share</i>)	<u>8.8</u>	<u>3.4</u>

Diluted earnings per share for the years ended 31 December 2020 and 2021 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

7 TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<u>38,895</u>	<u>22,028</u>

As at 31 December 2020 and 2021, the carrying amounts of trade receivables approximated their fair values.

The Group's sales are on credit terms primarily from 60 days to 120 days.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Up to 30 days	20,499	3,174
31-60 days	9,768	4,290
61-90 days	4,890	5,259
91-120 days	<u>3,738</u>	<u>9,305</u>
	<u>38,895</u>	<u>22,028</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
USD	37,181	16,846
RMB	268	303
JPY	–	16
HK\$	<u>1,446</u>	<u>4,863</u>
	<u>38,895</u>	<u>22,028</u>

The maximum exposure to credit risk as at 31 December 2020 and 2021 was the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

As at 31 December 2020 and 2021, no provision of impairment for trade receivables were made as the expected loss rate were minimal.

8 SHARE CAPITAL AND SHARE PREMIUM

		Number of ordinary shares	Nominal value of ordinary share HK\$'000
Authorised:			
At 31 December 2020 and 31 December 2021		10,000,000,000	100,000
	Note	Number of ordinary shares	Nominal value of ordinary share HK\$ Share premium HK\$'000
Issued and paid:			
At 1 January 2020		400,000,000	42,511
Dividends paid	(a)	—	(8,000)
At 31 December 2020 and 1 January 2021		400,000,000	34,511
Dividends paid	(b)	—	(8,000)
At 31 December 2021		400,000,000	26,511

Notes:

- (a) 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 2020 was 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.
- (b) On 8 November 2021, the proposed interim dividend of HK2.0 cents per share, amount to HK\$8,000,000 for the year ended 31 December 2021 was 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 interim dividend was paid on 13 December 2021.

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	8,343	4,465

As at 31 December 2020 and 2021, the ageing analysis of the trade payables, based on invoice date, are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Up to 30 days	7,057	3,012
31-60 days	1,271	1,144
61-90 days	–	210
Over 3 months	15	99
	8,343	4,465

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
RMB	622	2,057
HK\$	7,719	2,406
USD	2	2
	8,343	4,465

As at 31 December 2020 and 2021, the carrying amounts of trade payables approximate their fair values.

10 DIVIDENDS

(a) Dividends declared and paid during the year

	2021 HK\$'000	2020 HK\$'000
Interim dividends declared and paid in respect of 2021 of HK2.0 cents per share	8,000	—
Final dividends declared and paid in respect of 2020 of HK2.0 cents per share	<u>—</u>	<u>8,000</u>

(b) Dividends for the year

	2021 HK\$'000	2020 HK\$'000
Interim dividends of HK2.0 cents per share	8,000	—
Proposed final dividends of HK2.0 cents per share (<i>Note</i>)	<u>8,000</u>	<u>—</u>
	<u>16,000</u>	<u>—</u>

Note:

The proposed final dividend have been proposed by the directors after the report date. The proposed final dividend, subject to the shareholders' approval at the forthcoming annual general meeting, is not reflected as dividend payables as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a 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 produced in many other countries in the world. Since 2020, the Group has utilised the proceeds from the Listing and 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 in amid the COVID-19 outbreak, with the surging demand for sourcing other slewing rings, machineries, mechanical parts and components for its customers.

During the year, despite the energy shortage caused by the huge consumption of electricity by factories in the PRC which led to power cuts in both domestic and non-domestic sectors across China, the impact to the Group was minimal. The Group has taken a swift response by fine-tuning and adjusting the production planning and actively monitoring the production costs.

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 Group will continue its effort to promote its brand as well as to provide quality products and seize business opportunities in various regions.

The overall performance of the Group in 2021 significantly improved as compared with 2020. The Group’s revenue increased by 90.3% to HK\$132.3 million for the year ended 31 December 2021, as compared to HK\$69.5 million for the year ended 31 December 2020. Most products recorded notable growth, especially in the machineries and other parts. 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.

The following table sets forth the breakdown of quantities sold by product category for the years ended 31 December 2020 and 2021:

	For the year ended 31 December					
	2021		2020		+ / (-)	
	<i>sets</i>	<i>(%)</i>	<i>Sets</i>	<i>(%)</i>	<i>Sets</i>	<i>(%)</i>
Quantities sold						
Slewing rings						
— ODM	2,375	3.0	2,202	22.3	173	7.9
— OEM	158	0.2	130	13.0	28	21.5
— OBM	153	0.2	322	3.2	(169)	(52.5)
— Others	1,164	1.5	319	3.2	845	264.9
	<u>3,850</u>	<u>4.8</u>	<u>2,973</u>	<u>30.0</u>	<u>877</u>	<u>29.5</u>
Machineries and other parts						
— Other parts						
— ODM	68,305	85.8	2,816	28.5	65,489	2,325.6
— Other	7,372	9.3	4,096	41.4	3,276	80.0
	<u>75,677</u>	<u>95.1</u>	<u>6,912</u>	<u>69.9</u>	<u>68,765</u>	<u>994.9</u>
— Other machineries	<u>71</u>	<u>0.1</u>	<u>10</u>	<u>0.1</u>	<u>61</u>	<u>610.0</u>
	<u>75,748</u>	<u>95.2</u>	<u>6,922</u>	<u>70.0</u>	<u>68,826</u>	<u>994.3</u>
Total	<u><u>79,598</u></u>	<u><u>100.0</u></u>	<u><u>9,895</u></u>	<u><u>100.0</u></u>	<u><u>69,703</u></u>	<u><u>704.4</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 for the provision of 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 sales 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.

For slewing rings not manufactured by the Group, the Group also sources such slewing rings for its recurring customers. The slewing rings that we source for our customers are mainly (i) models which we do not currently produce; and (ii) those which would not be commercially worthwhile for our Group to produce ourselves when compared to sourcing due to small scale orders or low profit margin.

During 2021, the increase in sales of slewing rings was mainly attributed to the ODM business and the business in the sourcing of other slewing rings we do not produce. We have an international customer base which have attracted several new ODM customers. We are able to produce slewing rings adopting the applicable national standards and can meet the customers' requirements at the same time. Meanwhile, benefiting from the sales marketing efforts as well as the promotion of our advantages as an “one-stop service” provider, more and more customers have approached us and used our sourcing service. The new customers include 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.

Machineries and other parts

The Group also sources machineries, mechanical parts and components for its customers. It complements the line of business enabling customers to enjoy a more comprehensive “one-stop service”. Such machineries, mechanical parts and components include but not limited to excavators and undercarriage parts such as track chains, rollers and track shoes. Since 2020, the Group has developed new products and provided a wider range of services by manufacturing other mechanical parts and components for machineries besides slewing rings.

The major reason for the increase in sales in machineries and other parts was due to the Group's relationship with leading suppliers in Japan which were in a position to produce slewing rings, machineries, mechanical parts and components not commonly supplied by other market suppliers. Meanwhile, the Group's development of new products and services by manufacturing other mechanical parts and components for machineries in 2020 had continued to grow in 2021. These newly developed products had enabled the Group to broaden the scope of its business with existing customers as well as the finding of new customers, which led to the growth of its sourcing business as 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 significantly by 90.3% or HK\$62.8 million from HK\$69.5 million for the year ended 31 December 2020 to HK\$132.3 million for the year ended 31 December 2021. Most products recorded notable growth, especially in the Machineries and other parts.

The following table sets forth the breakdown of our revenue by product category for the years ended 31 December 2020 and 2021:

	For the year ended 31 December					
	2021		2020		+/(−)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Revenue						
Slewing rings						
— ODM	34,473	26.1	25,972	37.4	8,501	32.7
— OEM	525	0.4	421	0.6	104	24.7
— OBM	1,477	1.1	3,534	5.1	(2,057)	(58.2)
— Others rings	22,481	17.0	5,033	7.2	17,448	346.7
	<u>58,956</u>	<u>44.6</u>	<u>34,960</u>	<u>50.3</u>	<u>23,996</u>	<u>68.6</u>
Machineries and other parts						
— Other parts						
— ODM	8,311	6.3	5,581	8.0	2,730	48.9
— Others	25,856	19.6	11,738	16.9	14,118	120.3
	34,167	25.8	17,319	24.9	16,848	97.3
— Other machineries	<u>39,127</u>	<u>29.6</u>	<u>17,220</u>	<u>124.8</u>	<u>21,907</u>	<u>127.2</u>
	<u>73,294</u>	<u>55.4</u>	<u>34,539</u>	<u>49.7</u>	<u>38,755</u>	<u>112.2</u>
Total	<u><u>132,250</u></u>	<u><u>100.0</u></u>	<u><u>69,499</u></u>	<u><u>100.0</u></u>	<u><u>62,751</u></u>	<u><u>90.3</u></u>

Slewing rings

The Group manufactures slewing rings for local and overseas customers primarily on ODM, OEM and OBM basis. Revenue from slewing rings increased by approximately HK\$24.0 million to HK\$59.0 million for the year ended 31 December 2021 (the “**Reporting Period**”), as compared to year ended 31 December 2020, representing an increase of 68.6%.

The increase in sales of slewing rings was mainly attributed to the ODM business and the sourcing business of other slewing rings. 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 new ODM customers. The new customers contributed approximately HK\$3.6 million attribute to the revenue of the ODM business. Meanwhile, benefiting from the marketing efforts as well as the promotion of our advantages as an “one-stop service” provider, more and more customers have approached us and used our sourcing service which attributed to approximately HK\$17.4 million in revenue. These new customers include 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.

The sales of slewing rings accounted for approximately 44.6% in revenue, and approximately 52.1% of the Group’s total gross profit.

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 services by manufacturing other mechanical parts and components for machineries besides slewing rings. Revenue from the machineries and other parts increased by approximately 112.2% year-on-year or HK\$38.8 million from HK\$34.5 million for the year ended 31 December 2020 to HK\$73.3 million for the year ended 31 December 2021.

Significant revenue growth of 127.2% and 97.3% were achieved in machineries and other parts, respectively as compared to the year ended 31 December 2020. The sales of machineries had seen the biggest growth with a record high shipment of 71 units of machineries during the year. 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 market suppliers.

The major increase in the sales of the other parts was attributable to the Group's development in manufacturing other mechanical parts and components for machineries in 2020 which had continued to grow in 2021. These newly developed products had enabled the Group to broaden the scope of its business with existing customers as well as the finding of new customers, which led to the growth of its sourcing business as such mechanical parts and components are fundamental parts of machineries which the Group had sourced for its customers in the past.

The sales of machineries and other parts accounted for approximately 29.6% and 25.8% of the total revenue, respectively, amounting to approximately 19.3% and 28.6% of the Group's total gross profit, respectively.

Geographical location

The following table sets forth a breakdown of our revenue by geographical location of our customers for the years ended 31 December 2021 and 2020:

	For the year ended 31 December					
	2021		2020		+/(−)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Singapore	45,858	34.7	24,120	34.7	21,738	90.1
Hong Kong	40,961	31.0	18,134	26.1	22,827	125.9
Philippines	20,007	15.1	1,215	1.7	18,792	1,546.7
Malaysia	10,412	7.9	8,555	12.3	1,857	21.7
Japan	7,171	5.4	3,421	4.9	3,750	109.6
Taiwan	1,494	1.1	823	1.2	671	81.5
New Zealand	1,439	1.1	–	–	1,439	N/A
The PRC	1,436	1.1	1,391	2.0	45	3.2
Vietnam	1,379	1.0	–	–	1,379	N/A
Northern Ireland	1,215	0.9	10,109	14.5	(8,894)	(87.9)
Canada	518	0.4	166	0.2	352	212.0
Others	360	0.3	556	0.9	(196)	(35.3)
Thailand	–	–	1,009	1.5	(1,009)	(100.0)
	<u>132,250</u>	<u>100.0</u>	<u>69,499</u>	<u>100.0</u>	<u>62,751</u>	<u>90.3</u>

Association of Southeast Asian Nations (“**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. Such infrastructural constructions have driven the demand for slewing rings for construction equipments. We have built a strong foundation with customers in these countries. At the same time, the traditional demand for natural resources from forestry and mining activities for construction and heavy equipments also benefit our Group.

Revenue generated from the Singaporean market increased from approximately HK\$24.1 million for the year ended 31 December 2020 by approximately 90.1% or HK\$21.7 million to HK\$45.9 million for the year ended 31 December 2021 while the revenue generated from the Malaysian market increased from HK\$8.6 million for the year ended 31 December 2020 by approximately 21.7% or HK\$1.9 million to HK\$10.4 million for the year ended 31 December 2021. Two major customers located in Singapore are both wholesale traders of slewing rings. Our slewing rings were re-sold to other countries such as the United States and Europe through these customers. During the year, contribution by these two major customers in Singapore increased by approximately HK\$19.1 million, or 90.6%, from approximately HK\$21.1 million for the year ended 31 December 2020 to approximately HK\$40.2 million for the year ended 31 December 2021.

Globally, the Group’s customers may still face challenging times during the COVID-19 outbreak. In response to the ongoing COVID-19 pandemic and in order to meet the needs of diverse business activities of our customers, the Group has devoted more resources to enhance our research and development for new products. The Group’s sourcing business in Hong Kong plays an important role. This strategic adjustment initiative has proven to be beneficial to the Group in maintaining its competitive advantage as an “one-stop service” provider, which led to increase in revenue. Revenue generated from Hong Kong, and other overseas markets in Japan, the Philippines and New Zealand during the year had increased by approximately HK\$22.8 million, HK\$3.8 million, HK\$18.8 million and HK\$1.4 million, respectively. This was mainly attributed by the increase in sales of machineries and other parts together with customers utilising the Group’s “one-stop service”, thus, ordering more machineries and mechanical parts alongside slewing rings during the year ended 31 December 2021, when compared to the year ended 31 December 2020.

On the other hand, the revenue generated from the market in Northern Ireland decreased from approximately HK\$10.1 million for the year ended 31 December 2020 by approximately 87.9% or HK\$8.9 million to HK\$1.2 million for the year ended 31 December 2021. The decrease was mainly due to the change of product mix on the orders placed by a customer in Northern Ireland, when this customer purchased mainly machineries in 2020 while it purchased mainly slewing rings in 2021. The sale price of machineries are generally higher than that for slewing rings.

COST OF SALES

The following table sets out the breakdown of our costs of sales for the years ended 31 December 2021 and 2020:

	For the year ended 31 December					
	2021		2020		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Cost of sales						
Cost of inventories and consumables	70,004	90.1	36,865	85.0	33,139	89.9
Depreciation	1,194	1.5	1,357	3.1	(163)	(12.0)
Overheads	1,646	2.1	1,331	3.1	315	23.7
Direct labour costs	4,896	6.3	3,809	8.8	1,087	28.5
Total	<u>77,740</u>	<u>100.0</u>	<u>43,362</u>	<u>100.0</u>	<u>34,378</u>	<u>79.3</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\$43.4 million for the year ended 31 December 2020 by approximately 79.3% or HK\$34.3 million to HK\$77.7 million for the year ended 31 December 2021, which was primarily due to the increase in revenue and the need to produce a different product mix during the year.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group increased from HK\$8.3 million for the year ended 31 December 2020 by approximately 25.4% or HK\$2.1 million to approximately HK\$10.4 million for the year ended 31 December 2021. Such increase was mainly due to the increase in staff cost by approximately HK\$1.5 million and the net increase in other administrative expenses by approximately HK\$0.4 million. Other administrative expenses mainly represent the provision for auditor's remuneration and the legal and professional fees, which assisted the Group to enhance its corporate governance and compliance aspects.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company was approximately HK\$35.1 million for the year ended 31 December 2021, as compared to approximately HK\$13.6 million for the year ended 31 December 2020.

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 2021, the Group's cash and cash equivalents were HK\$56.4 million, increased by approximately 30.7% or HK\$13.3 million, as compared with HK\$43.1 million as at 31 December 2020. The increase was mainly attributable to increase in profit and net off by 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 2021, the Group's total current assets and current liabilities were approximately HK\$125.2 million (as at 31 December 2020: HK\$94.7 million) and HK\$14.7 million (as at 31 December 2020: HK\$6.4 million) respectively, representing a current ratio of 8.5 times (as at 31 December 2020: 14.8 times). As at 31 December 2021, the Group did not have any bank borrowings (as at 31 December 2020: Nil). As at 31 December 2021, the total interest-bearing bills payables was approximately HK\$7.0 million (as at 31 December 2020: HK\$0.9 million) and the gearing ratio of the Group was 5.4% (as at 31 December 2020: 0.9%). The gearing ratio equals total interest bearing bills payables divided by total equity and multiplied by 100%.

CAPITAL STRUCTURE

As at 31 December 2021, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of obligations under finance leases and equity attributable to owners of the Group, comprising issued share capital, share premium, retained profits and other reserves.

USE OF NET PROCEEDS FROM THE LISTING

On 15 November 2019, the Company issued a total of 100,000,000 shares by way of Hong Kong public offering and placing at 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. Pursuant to the announcement dated 9 September 2020 issued by the Company, 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 2021 and the remaining balance after the revised allocation of the net proceeds as at 31 December 2021 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	11,905	5,305	Q4 of 2022
To enlarge our market share and strengthen our marketing efforts	14.60%	4.40%	4,146	1,246	458	788	Q4 of 2023
To increase our level of automation	7.60%	7.60%	2,158	2,158	481	1,677	Q4 of 2022
To establish our ERP system	6.00%	6.00%	1,704	1,704	824	880	Q4 of 2023
To expand our finance department	5.00%	5.00%	1,420	1,420	424	996	Q4 of 2023
To enhance staff training	0.80%	0.80%	227	227	14	213	Q4 of 2023
Working capital	5.40%	15.6%	1,535	4,435	4,435	–	N/A
	<u>100.00%</u>	<u>100%</u>	<u>28,400</u>	<u>28,400</u>	<u>18,541</u>	<u>9,859</u>	

As at 31 December 2021, the Group has utilised approximately HK\$17.7 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 2021:

Business plan as set out in the prospectus

Actual business progress as at 31 December

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 16 units of machines and paid deposits of about HK\$11.9 million for the machineries. eight of them (high speed milling machines and raceway quenching machines) arrived at our production facilities in 2021 and are being tested. These machineries are expected to come into use in the first half of 2022.

To enlarge our market share and strengthen our marketing efforts

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.

During 2020 and 2021, 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 companies and provide advice in the promotion strategies.

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

To increase our level of automation

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

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

To establish our enterprise resource planning (ERP) system

The Group has appointed the system service provider and signed a contract in 2021. The Group is aiming to develop a system to enhance the data management effectiveness especially in the areas of staff 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 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 had taken action and prepared training courses for a number of technical personnel. An employee in the quality assurance department has received training in metrology to further strengthen our quality assurance process.

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

To maintain sound working capital for operation

Actual business progress as at 31 December

The re-allocation of the 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, increase its financial flexibility, and provide a bigger buffer to cope with the future economic uncertainty.

As at 31 December 2021, the Group had utilised approximately HK\$4.4 million as working capital for the development of on-going operations, including the development of new products and services by manufacturing other mechanical parts and components for machineries besides slewing rings.

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group did not hold any significant investment.

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

During the year ended 31 December 2021, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 80 employees (as at 31 December 2020: 78 employees). Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The emoluments of the Directors are recommended by the remuneration committee of the Company (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 2021, the Group’s banking facilities were secured by pledged bank deposits with an aggregate amount of approximately HK\$3,000,000 (as at 31 December 2020: HK\$2,400,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other 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 any agreement or arrangement 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 2021, 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 its strategies. In addition to serving our customers, employees' health and well-being is also the Group's top priority.

The Group established a pandemic prevention and control measures to safeguard employees' health and safety, introducing flexible remote working arrangement and implementing efficient social distancing measures across all our offices globally.

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

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

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “Annual General Meeting”) is scheduled to be held on Friday, 17 June 2022. A notice convening the Annual General Meeting will be issued and dispatched to the Shareholders in due course.

DIVIDEND

The Board now recommend the payment of final dividend HK2.0 cents per share to the shareholders, amounting to a total sum of HK\$8,000,000 for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM to be held on Friday, 17 June 2022, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022 (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, 13 June 2022.

The register of members of the Company will be closed from Thursday, 23 June 2022 to Friday, 24 June 2022 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement in the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's 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 Wednesday, 22 June 2022.

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 2021 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 2021.

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 2021 and up to the date of this announcement.

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.

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

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

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

Pursuant to the terms of the Facility Letter, among other things, during the term of the Facility Letter, (i) Best Linking shall remain an indirect wholly-owned subsidiary of the Company; (ii) the Company shall procure Mr. Chan Yuk Pan (“**Mr. YP Chan**”), the controlling shareholder of the Company, to remain as the director of the Company and Best Linking; and (iii) Mr. YP Chan shall continue to be the single largest shareholder and hold not less than 50% of the beneficial interest of the Company and Best Linking. As at the date of 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 18 June 2021 for more details.

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.

CODE ON CORPORATE GOVERNANCE

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 as explained under the paragraph "Chairman and Chief Executive Officer" below.

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 announcement, 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 2021 have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial 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 2021 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 ended 31 December 2021. 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 2021 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 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.