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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

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

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

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

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

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2020, together with the comparative figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

		Three months ended	
		31 March	
	<i>Note</i>	2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	7,338	11,295
Cost of sales		<u>(4,087)</u>	<u>(5,902)</u>
Gross profit		3,251	5,393
Other income		37	46
Other gains/(losses), net		(80)	26
Selling and distribution expenses		(44)	(160)
Administrative expenses		<u>(1,336)</u>	<u>(4,372)</u>
Operating profit		1,828	933
Finance income		1	1
Finance expenses		<u>(35)</u>	<u>(104)</u>
Finance income, net		<u>(34)</u>	<u>(103)</u>
Profit before income tax	4	1,794	830
Income tax expense	5	<u>(258)</u>	<u>(622)</u>
Profit for the period		<u>1,536</u>	<u>208</u>
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		<u>(793)</u>	810
Total comprehensive income for the period		<u>743</u>	<u>1,018</u>
Profit and total comprehensive income for the period			
Attributable to:			
Owners of the Company		<u>743</u>	<u>1,018</u>
Earnings per share for profit attributable to equity holders of the Company for the period			
Basic and diluted earnings per share			
(HK cents per share)	6	<u>0.4</u>	<u>0.1</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	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 2019 (audited)	-	-	-	13,000	1,222	55	25,338	39,615
Profit for the period	-	-	-	-	-	-	208	208
Other comprehensive income								
Currency translation differences	-	-	-	-	-	810	-	810
Total comprehensive (loss)/income for the period	-	-	-	13,000	1,222	865	25,546	40,633
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	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	206	-	(206)	-
	-	-	-	-	206	-	(206)	-
Balance at 31 March 2019 (unaudited)	-	-	-	13,000	1,428	865	25,340	40,633

	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 2020 (audited)	4,000	-	42,511	13,000	2,170	(636)	31,353	92,398
Profit for the period	-	-	-	-	-	-	1,536	1,536
Other comprehensive income								
Currency translation differences	-	-	-	-	-	(793)	-	(793)
Total comprehensive (loss)/income for the period	<u>4,000</u>	<u>-</u>	<u>42,511</u>	<u>13,000</u>	<u>2,170</u>	<u>(1,429)</u>	<u>32,889</u>	<u>93,141</u>
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	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	62	-	(62)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>(62)</u>	<u>-</u>
Balance at 31 March 2020 (unaudited)	<u>4,000</u>	<u>-</u>	<u>42,511</u>	<u>13,000</u>	<u>2,232</u>	<u>(1,429)</u>	<u>32,827</u>	<u>93,141</u>

Notes:

(a) Capital reserve

Capital reserves of the Group represented 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

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 manufacture and trading of slewing rings and machinery products. The ultimate holding company of the Company is C Centrum Holdings Limited ("C Centrum"). The ultimate shareholder of the Group is Mr. Chan Yuk Pan ("Mr. YP Chan").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The 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 judgment in the process of applying the Group's accounting policies.

2.1.1 New and amended standards and interpretations

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

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

HKFRS 3 (Amendment)	1 January 2020
HKAS 1 and HKAS 8 (Amendment)	1 January 2020
Conceptual Framework for Financial Reporting 2018	1 January 2020

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

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

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

	Effective for accounting periods beginning on or after
HKFRS 17	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	To be determined
Insurance Contracts	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	

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

3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of our Company.

Management has determined the operating segments based on the information reviewed by our executive directors for the purpose of allocating resources and assessing performance. The only component in internal reporting to the executive directors is our Group's manufacturing of slewing rings and machinery products for both period. In this regard, management considers there is only one operating segment under the requirements of HKFRS 8 "Operating Segments".

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

4 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories and consumable	2,452	3,781
Wages, salaries, bonuses and other benefits	1,617	1,337
Pension costs — defined contribution plans	107	178
Mandatory provident fund scheme	13	12
Employee benefit expenses, including directors' emoluments	1,737	1,527
Amortisation	4	1
Depreciation	409	547
Legal and professional fees	92	24
Listing related expenses	—	2,748
	4,784	8,628

5 INCOME TAX EXPENSE

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

	Three months ended 31 March	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current income tax		
— PRC enterprise income tax	35	380
— Hong Kong profits tax	225	242
Total current income tax	<u>260</u>	<u>622</u>
Deferred income tax	(2)	—
Income tax expense	<u>258</u>	<u>622</u>

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 31 March	
	2020 (unaudited)	2019 (unaudited)
Profit attributable to equity holders of our Company (HK\$'000)	1,536	208
Weighted average number of shares in issue (thousand)	<u>400,000</u>	<u>300,000</u>
Basic earnings per share (HK cents per share)	<u>0.4</u>	<u>0.1</u>

Diluted earnings per share for the three months ended 31 March 2020 and 2019 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during both period.

7 DIVIDENDS

No dividend was paid, declared or proposed for the three months ended 31 March 2020 (2019: Nil).

BUSINESS REVIEW

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

The outbreak of the novel coronavirus (COVID-19) epidemic (the “**COVID-19 outbreak**”) in 2020 and the resulting mandatory extension of holidays in China and quarantine measures taken by multiple countries/cities had led to the temporary suspension of operations of the Group’s manufacturing plant. This suspension of operations had a material impact on the net profit for the Group in Q1 2020. Nevertheless, our production activities already resumed in late March 2020. Given the current development of the COVID-19 outbreak, the Group anticipates a challenging year ahead. However, the Group will continue its effort to promote its brand as well as to provide quality products and seize business opportunities in various regions.

REVENUE

The Group’s revenue decreased by 35.0% or HK\$4.0 million from HK\$11.3 million for the three months ended 31 March 2019 to HK\$7.3 million for the three months ended 31 March 2020.

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

	For the three months ended 31 March					
	2020		2019		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
	(unaudited)		(unaudited)		(unaudited)	
Revenue						
Slewing rings	5,716	77.9	10,970	97.1	(5,254)	(47.9)
Other machineries and parts	1,622	22.1	325	2.9	1,297	399.1
Total	<u>7,338</u>	<u>100.0</u>	<u>11,295</u>	<u>100.0</u>	<u>(3,957)</u>	<u>(35.0)</u>
Quantities sold	Sets	(%)	Sets	(%)		
Slewing rings	511	62.0	897	24.4	(386)	(43.0)
Other machineries and parts	313	38.0	2,785	75.6	(2,472)	(88.8)
Total	<u>824</u>	<u>100.0</u>	<u>3,682</u>	<u>100.0</u>	<u>(2,858)</u>	<u>(77.6)</u>

Slewing rings

We manufacture slewing rings for local and overseas customers. Revenue from slewing rings dropped by HK\$5.3 million to HK\$5.7 million, representing a decrease of 47.9%. The decrease was mainly attributed to the mandatory extension of holidays in China and temporary suspension of operations of the Group's manufacturing plant during the COVID-19 outbreak in Q1 2020. The overall quantities of the slewing rings sold had decreased by 386 sets, representing a decrease of 43.0%.

Other machineries and parts

We also source other slewing rings, machineries and mechanical parts and components for customers. Such mechanical parts and components included but not limited to undercarriage parts such as track chains, rollers and track shoes. Revenue from the other machineries and parts increased by 399.1% period-on-period or HK\$1.3 million to HK\$1.6 million. The increase of revenue was mainly due to the difference in product mix of other machineries and parts for both period while the sourcing function in Hong Kong had a comparatively minor impact during the COVID-19 outbreak.

COST OF SALES

The cost of sales primarily consists of cost of inventories and consumables, depreciation on plant and machinery, overheads and direct labour costs relating to our production. The Group's cost of sales decreased from HK\$5.9 million for the three months ended 31 March 2019 by 31% or HK\$1.8 million to HK\$4.1 million for the three months ended 31 March 2020, which was primarily due to the decrease in revenue and the increase direct labour costs during the period.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the three months ended 2020 amounted to approximately HK\$1.3 million, decreased from HK\$4.4 million for the three months ended 31 March 2019 by 69% or HK\$3.1 million. Such decrease was mainly due to the decrease in non-recurring listing related expenses of approximately HK\$2.7 million; the increase in staff cost by approximately HK\$0.2 million; and the net decrease in other administrative expenses by approximately HK\$0.6 million. Other administrative expenses mainly represent the depreciation and the legal and professional fees, which assisted the Group to enhance its corporate governance and compliance aspects after Listing.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company was approximately HK\$1.5 million for the three months ended 31 March 2020, as compared to approximately HK\$0.2 million for the three months ended 31 March 2019. Excluding the non-recurring listing related expenses of approximately HK\$2.7 million, being charged to the unaudited condensed consolidated statement of comprehensive income for the three months ended 31 March 2019, profit attributable to equity holders of the Company would have been approximately HK\$2.9 million for the corresponding period in 2019.

PROSPECTS

Notwithstanding the current development of the COVID-19 outbreak, our production activities already resumed in late March 2020. The Group anticipates a challenging year ahead. However, the Group will continue its effort to promote its brand as well as to provide quality products and seize business opportunities in various regions.

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

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

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2020 (for the three months ended 31 March 2019: nil).

PURCHASE, SALES AND REDEMPTION OF SHARES

Save for Reorganisation as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2020.

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. Our 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 21 of the GEM Listing Rules. No share option has been granted under Share Option Scheme since its adoption.

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 period from the Listing Date and up to the date of this announcement.

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 31 March 2020.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted a code regulating the securities transactions of Directors and executive officers 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**”). Having made specific enquiry of all the Directors, all of them confirmed that they had fully complied with the required standard of dealings as set out in the Model Code during the period from 1 January 2020 to 31 March 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognizes that good corporate governance is vital to the success of the Group and to sustain the development of the Group. The Company aims at complying with, where appropriate, all code provisions (“**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. The Company’s corporate governance practices are based on the principles and the Code Provisions set out in the CG Code of the GEM Listing Rules. Throughout the reporting period, the Company has complied, to the extent applicable and permissible, with all Code Provisions set out in CG Code with the exception of Code A.2.1. Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chan Yuk Pan currently holds both positions for the three months ended 31 March 2020 and up to the date of this announcement. As Mr. Chan Yuk Pan has been responsible for the overall management of the Group, including strategic planning as well as sales and business development, the Board considered that Mr. Chan Yuk Pan is the suitable candidate to continue to hold both positions.

AUDIT COMMITTEE

The Company established an audit committee on 21 October 2019 with written terms of reference in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and paragraphs C3.3 and C3.7 of the CG Code. The audit committee comprises three independent non-executive Directors; namely Mr. Chan Wan Tsun Adrian Alan, Ms. Tam Ho Ting and Ms. Tsang Hau Lam. Mr. Chan Wan Tsun Adrian Alan is the chairman of the audit committee. The Company’s audit committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated financial statements for the three months ended 31 March 2020.

PUBLICATION OF FIRST QUARTERLY RESULTS ANNOUNCEMENT AND FIRST QUARTERLY REPORT

This announcement is published on the Company’s website at www.blg.hk and the website of the Stock Exchange at www.hkexnews.hk. The Company’s 2020 first quarterly report will be dispatched to shareholders of the Company and will become available on the above websites in due course.

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

Hong Kong, 13 May 2020

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

This announcement will remain on the “Latest Listed Company Information” page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at www.blg.hk.