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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 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 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 2022, together with the comparative figures for the year ended 31 December 2021 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	<b>127,730</b>	132,250
Cost of sales	4	<b>(69,806)</b>	(77,740)
<b>Gross profit</b>		<b>57,924</b>	54,510
Other income		<b>567</b>	382
Other gains/(losses), net		<b>1,333</b>	(465)
Selling and distribution expenses	4	<b>(2,687)</b>	(2,106)
Administrative expenses	4	<b>(15,891)</b>	(10,472)
<b>Operating profit</b>		<b>41,246</b>	41,849
Finance income		<b>190</b>	24
Finance cost		<b>(4)</b>	(7)
Finance income, net		<b>186</b>	17
<b>Profit before income tax</b>		<b>41,432</b>	41,866
Income tax expense	5	<b>(6,503)</b>	(6,780)
Profit for the year attributable to owners of the Company		<b>34,929</b>	35,086
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<b>(4,895)</b>	1,371
<b>Total comprehensive income for the year</b>		<b>30,034</b>	36,457
Earnings per share for profit attributable to equity holders of the Company for the year			
Basic and diluted earnings per share <i>(HK cents per share)</i>	6	<b>8.7</b>	8.8

## CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		25,129	13,088
Prepayments and deposits		818	5,850
Deferred tax assets		475	107
		<u>26,422</u>	<u>19,045</u>
<b>Current assets</b>			
Inventories		20,634	25,575
Trade receivables	7	41,707	38,895
Prepayments, deposits and other receivables		9,422	4,298
Cash and cash equivalents		51,003	56,387
		<u>122,766</u>	<u>125,155</u>
<b>Total assets</b>		<u><b>149,188</b></u>	<u>144,200</u>
<b>Equity and liabilities</b>			
Equity attributable to owners of the Company			
Share capital	8	4,000	4,000
Reserves		139,565	125,531
<b>Total equity</b>		<u><b>143,565</b></u>	<u>129,531</u>
<b>Liabilities</b>			
<b>Non-current liability</b>			
Lease liabilities		79	–
		<u>79</u>	<u>–</u>
<b>Current liabilities</b>			
Trade payables	9	1,034	8,343
Accruals and other payables		3,485	1,901
Current income tax liabilities		924	4,346
Lease liabilities		101	79
		<u>5,544</u>	<u>14,669</u>
<b>Total liabilities</b>		<u><b>5,623</b></u>	<u>14,669</u>
<b>Total equity and liabilities</b>		<u><b>149,188</b></u>	<u>144,200</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (2022 Revision) (as consolidated or revised from time to time) 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 a range of machinery products and mechanical parts (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, interpretations and accounting guideline*

##### *(a) Amended standards and accounting guideline adopted by the Group*

The Group has applied the following amendments to standard and accounting guideline for the first time for their annual reporting period commencing 1 January 2022:

- Annual Improvements to HKFRSs 2018–2020 — Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
- Reference to the Conceptual Framework — Amendments to HKFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37

- Covid-19 Related Rent Concessions beyond 30 June 2021 — Amendments to HKFRS 16
- Accounting Guideline 5 Merger Accounting for Common Control Combinations

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 2023 and have not been early adopted by the Group. These are:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts	1 January 2023
Initial Application of HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
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 of our Group. 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 a range of machinery products and mechanical parts for the years ended 31 December 2021 and 2022. 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 2022, there was one customer (2021: three), which individually contributed over 10% of our Group's total revenue. Revenue contributed from our major customers were as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	28,856	23,609
Customer B	N/A*	17,684
Customer C	N/A*	16,601

\* 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Singapore	51,216	45,858
Hong Kong	35,799	40,961
Malaysia	18,676	10,412
The Philippines	12,806	20,007
Japan	3,030	7,171
Vietnam	2,482	1,379
The PRC	1,064	1,436
New Zealand	983	1,439
Taiwan	912	1,494
Northern Ireland	–	1,215
Others ( <i>Note</i> )	762	878
	<u>127,730</u>	<u>132,250</u>

*Note:* Others include Canada, Iceland and Korea.

**(c) Details of contract liabilities**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities, included in accruals and other payables	<u>–</u>	<u>4</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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Sales contracts	<u>4</u>	<u>8</u>

As at 31 December 2022, 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 deferred tax assets, broken down by location of the assets, is shown in the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC	21,653	18,006
Hong Kong	4,294	932
	<u>25,947</u>	<u>18,938</u>

**4 EXPENSES BY NATURE**

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories and consumables	61,484	69,982
Provision for slow moving inventories, net	109	22
Employee benefit expenses, including directors' emoluments	12,100	10,620
Depreciation	2,181	1,835
Legal and professional fees	5,191	1,688
Auditors' remuneration		
— Audit services	1,000	1,050
— Non-audit services	50	50
Utilities	949	761
Transportation expenses	2,203	1,873
Other expenses	3,117	2,437
	<u>88,384</u>	<u>90,318</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>88,384</u>	<u>90,318</u>



## 5 INCOME TAX EXPENSE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
— The PRC enterprise income tax (“EIT”)	2,208	661
— Hong Kong profits tax	4,704	6,197
— Over provision of prior periods	(41)	(49)
Total current income tax	<u>6,871</u>	<u>6,809</u>
Deferred income tax	<u>(368)</u>	<u>(29)</u>
Income tax expense	<u><u>6,503</u></u>	<u><u>6,780</u></u>

### (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 years ended 31 December 2021 and 2022.

### (ii) The PRC 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 2021 and 2022, 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before income tax	<u>41,432</u>	<u>41,866</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	6,403	6,652
Income not subject to tax	(43)	–
Expenses not deductible for tax purposes	653	399
Research and development tax credit ( <i>Note</i> )	(469)	(222)
Over provision of prior periods	<u>(41)</u>	<u>(49)</u>
Income tax expense	<u><u>6,503</u></u>	<u><u>6,780</u></u>

*Note:* According to relevant laws and regulations promulgated by the State Tax Bureaus of the PRC, enterprises engaging in research and development activities are entitled to claim 100% of the research and development expenses. The aggregate research and development expenses charged to statement of comprehensive income amounted to RMB2,683,551 during the year ended 31 December 2022 (2021: RMB1,227,127).

## 6 EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	34,929	35,086
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><u>8.7</u></u>	<u><u>8.8</u></u>

Diluted earnings per share for the years ended 31 December 2021 and 2022 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

## 7 TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<u>41,707</u>	<u>38,895</u>

As at 31 December 2021 and 2022, 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 30 days	14,762	20,499
31–60 days	5,353	9,768
61–90 days	11,235	4,890
91–120 days	<u>10,357</u>	<u>3,738</u>
	<u>41,707</u>	<u>38,895</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
USD	31,462	37,181
RMB	403	268
HK\$	<u>9,842</u>	<u>1,446</u>
	<u>41,707</u>	<u>38,895</u>

The maximum exposure to credit risk as at 31 December 2021 and 2022 was the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

As at 31 December 2021 and 2022, 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 <i>HK\$'000</i>	
Authorised:				
At 31 December 2021 and 31 December 2022		<u>10,000,000,000</u>	<u>100,000</u>	
	<i>Note</i>	Number of ordinary shares	Nominal value of ordinary share <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
Issued and paid:				
At 1 January 2021		400,000,000	4,000	34,511
Dividends paid	<i>(a)</i>	<u>–</u>	<u>–</u>	<u>(8,000)</u>
At 31 December 2021 and 1 January 2022		400,000,000	4,000	26,511
Dividends paid	<i>(b), (c)</i>	<u>–</u>	<u>–</u>	<u>(16,000)</u>
At 31 December 2022		<u>400,000,000</u>	<u>4,000</u>	<u>10,511</u>

### Notes:

- (a) 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 Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The interim dividend was paid on 13 December 2021.
- (b) On 30 March 2022, the proposed final 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 Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The final dividend was paid on 6 July 2022.
- (c) On 7 November 2022, the proposed interim dividend of HK2.0 cents per share, amount to HK\$8,000,000 for the year ended 31 December 2022 was approved. Such dividend was recorded for as a reduction of share premium of the Group pursuant to the Article of Association and the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The interim dividend was paid on 12 December 2022.

## 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.

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<u><b>1,034</b></u>	<u>8,343</u>

As at 31 December 2021 and 2022, the ageing analysis of the trade payables, based on invoice date, are as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 30 days	<b>774</b>	7,057
31–60 days	<b>106</b>	1,271
61–90 days	<b>121</b>	–
Over 3 months	<u><b>33</b></u>	<u>15</u>
	<u><b>1,034</b></u>	<u>8,343</u>

The carrying amounts of trade payable are denominated in the following currencies:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
RMB	<b>889</b>	622
HK\$	<b>145</b>	7,719
USD	<u>–</u>	<u>2</u>
	<u><b>1,034</b></u>	<u>8,343</u>

As at 31 December 2021 and 2022, the carrying amounts of trade payables approximate their fair values.

## 10 DIVIDENDS

### (a) Dividends declared and paid during the year

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividends declared and paid in respect of 2022 of HK2.0 cents per share (2021: HK2.0 cents)	8,000	8,000
Final dividends declared and paid in respect of 2021 of HK2.0 cents per share	<u>8,000</u>	<u>–</u>

### (b) Dividends for the year

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividends of HK2.0 cents per share	8,000	8,000
Proposed final dividends of HK4.0 cents per share (2021: HK2.0 cents) ( <i>Note</i> )	<u>16,000</u>	<u>8,000</u>
	<u>24,000</u>	<u>16,000</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 2022.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group is a leading premium slewing ring manufacturer in the PRC. We are also a “one-stop service” provider for mechanical parts and components and machineries which are used mainly in construction and mining sites.

We manufacture slewing rings that conform to the JIS, which is regarded as a standard with 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 of the Company’s shares on GEM of the Stock Exchange and has developed new products and a wider range of servicing by manufacturing other mechanical parts and components for machineries besides slewing rings. The 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 outbreak of the COVID-19 outbreak has caused many organisations and companies to rethink and reconfigure their businesses for a changed world. The Group’s competitive advantages as a “one-stop service” provider has been even more accentuated amid the COVID-19 outbreak, with the surging demand for the sourcing of other slewing rings, machineries, mechanical parts and components for its customers. In addition, during 2022 and ongoing, with the Government’s latest resumption of normalcy measures, the market has emerged stronger and healthier after a swift recovery from the public health crisis.

The Group continued to demonstrate its competence and business resilience in such repaid changing environment, with continuous successes in overseas 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, machineries and mechanical parts and components. We will continue our effort to promote our brand as well as providing high-quality products and seize more business opportunities in various regions.

## Slewing rings

The Group manufactures slewing rings for local and overseas customers primarily on ODM basis. The ODM customers include companies engaged in general wholesale and trading 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, as well as construction contractors. 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 have already ceased production.

In addition, the Group manufactures for some overseas customers on 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 OBM basis.

The Group also sources slewing rings not manufactured by the Group 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 when compared to sourcing due to small scale orders or low profit margin.

During 2022, the increase in sales of slewing rings was mainly attributed to the expansion of our ODM business. We have an international customer base and are able to produce slewing rings which on one hand conform to the JIS and at the same time meeting the requirements of both ODM and OBM customers. Because of our edge over other suppliers, the Group had attracted several new ODM customers in 2021 and 2022 which contributed to the increasing revenue of the ODM and the sourcing business for the year ended 31 December 2022 (“**Reporting Period**”). These new customers included a nominated supplier of a theme park and resort in Hong Kong, which we sourced the slewing rings and delivered to the theme park as instructed by such nominated supplier and 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 machineries 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 profits.



## **Machineries, mechanical parts and components**

The Group also sources machineries, mechanical parts and components for its customers. It complements the main line of business enabling the customers to enjoy a more comprehensive “one-stop service”. Such machineries and, 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 which continued to grow in the past two years. 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 our sourcing business as such mechanical parts and components are fundamental parts of machineries.

During recent years, the major reason for the increase in sales in machineries and mechanical parts and components was due to the Group’s long-established relationship with leading suppliers in Japan which produce slewing rings, machineries and mechanical parts and components not commonly supplied by other market suppliers. In addition to the revenue generated from the overseas markets, particularly, Singapore, Malaysia and the Philippines during the Reporting Period, the Group has also served local customers, which used both our 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.

## FINANCIAL REVIEW

### REVENUE

The overall performance of the Group in 2022 remained stable as compared with 2021. The Group's revenue slightly decreased by 3.4% to HK\$127.7 million for the year ended 31 December 2022, as compared to HK\$132.3 million for the year ended 31 December 2021. Among our products, slewing rings recorded notable growth, while machineries and mechanical parts and components have slightly decreased. The Group will continue its effort to promote its brand as well as providing high quality products and seize more business opportunities in various regions.

The following table sets forth the breakdown of quantities sold by product category for the years ended 31 December 2021 and 2022:

	For the year ended 31 December		2021		+ / (-)	
	2022		2021			
	<i>sets</i>	(%)	<i>Sets</i>	(%)	<i>Sets</i>	(%)
<b>Quantities sold</b>						
<b>Slewing rings</b>						
— ODM	3,813	3.0	2,375	3.0	1,438	60.5
— OEM	112	0.1	158	0.2	(46)	(29.1)
— OBM	85	0.1	153	0.2	(68)	(44.4)
— Others rings	2,808	2.2	1,164	1.5	1,644	141.2
	<u>6,818</u>	<u>5.4</u>	<u>3,850</u>	<u>4.8</u>	<u>2,968</u>	<u>77.1</u>
<b>Mechanical parts and components</b>						
— ODM	109,767	87.2	68,305	85.8	41,462	60.7
— Other	9,291	7.4	7,372	9.3	1,919	26.0
	<u>119,058</u>	<u>94.6</u>	<u>75,677</u>	<u>95.1</u>	<u>43,381</u>	<u>57.3</u>
<b>Machineries</b>						
— Machineries	50	0.0	71	0.1	(21)	(29.6)
	<u>50</u>	<u>0.0</u>	<u>71</u>	<u>0.1</u>	<u>(21)</u>	<u>(29.6)</u>
<b>Total</b>	<u>125,926</u>	<u>100.0</u>	<u>79,598</u>	<u>100.0</u>	<u>46,328</u>	<u>58.2</u>

The following table sets forth the breakdown of our revenue by product category for the years ended 31 December 2021 and 2022:

	For the year ended 31 December					
	2022		2021		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
<b>Revenue</b>						
<b>Slewing rings</b>						
— ODM	56,759	44.4	34,473	26.1	22,286	64.6
— OEM	362	0.3	525	0.4	(163)	(31.0)
— OBM	996	0.8	1,477	1.1	(481)	(32.6)
— Others rings	17,227	13.5	22,481	17.0	(5,254)	(23.4)
	<u>75,344</u>	<u>59.0</u>	<u>58,956</u>	<u>44.6</u>	<u>16,388</u>	<u>27.8</u>
<b>Mechanical parts and components</b>						
— ODM	8,950	7.0	8,311	6.3	639	7.7
— Others	16,116	12.6	25,856	19.6	(9,740)	(37.7)
	<u>25,066</u>	<u>19.6</u>	<u>34,167</u>	<u>25.8</u>	<u>(9,101)</u>	<u>(26.6)</u>
<b>Machineries</b>						
— Machineries	27,320	21.4	39,127	29.6	(11,807)	(30.2)
	<u>27,320</u>	<u>21.4</u>	<u>39,127</u>	<u>29.6</u>	<u>(11,807)</u>	<u>(30.2)</u>
<b>Total</b>	<u>127,730</u>	<u>100.0</u>	<u>132,250</u>	<u>100.0</u>	<u>(4,520)</u>	<u>(3.4)</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\$59.0 million to HK\$75.3 million for the year ended 31 December 2022, as compared to year ended 31 December 2021, representing an increase of 27.8%.

The increase in sales of slewing rings was mainly attributed to the ODM business. We have an international customer base and are able to produce slewing rings which are JIS-compliant and can at the same time meet the requirements of both ODM and OBM customers. Because of our advantages, the Group had attracted several new ODM customers. The new customers contributed approximately HK\$4.4 million to the revenue of the ODM business. Meanwhile, benefiting from the Group's marketing efforts as well as its branding as a "one-stop service" provider, more and more customers have approached us and used our sourcing service which attributed to approximately HK\$21.7 million in revenue. 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.

The sales of slewing rings accounted for approximately 59.0% in revenue, and approximately 69.1% of the Group's total gross profit for the year ended 31 December 2022.

### **Machineries, mechanical parts and components**

The Group also sources machineries and mechanical parts and components for customers. Such machineries and mechanical parts and components included but not limited to excavators and undercarriage parts such as track chains, rollers and track shoes. Since 2020, the Group has developed new products by manufacturing mechanical parts and components for machineries besides slewing rings. Revenue from the machineries and mechanical parts and components decreased by approximately 28.5% year-on-year or HK\$20.9 million, from HK\$73.3 million for the year ended 31 December 2021 to HK\$52.4 million for the year ended 31 December 2022.

Revenue declined by 30.2% and 26.6% in machineries and mechanical parts and components, respectively as compared to the year ended 31 December 2021. The sales of machineries slightly decreased by 21 units to 50 units in 2022 while it had seen the biggest growth with a shipment of 71 units of machineries in 2021 which was record high. The decrease in revenue generated from sales of machineries to a customer from the Philippines of approximately HK\$9.9 million. For the sourcing business, most machineries 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 decrease in the sales of the mechanical parts and components was mainly due to the decrease in our sourcing of other parts by approximately 37.7% year-on-year or HK\$9.8 million, from HK\$25.9 million for the year ended 31 December 2021 to HK\$16.1 million for the year ended 31 December 2022. On the other hand, the increase in sales of ODM mechanical parts and components, by approximately 7.7% year-on-year or HK\$0.7 million, from HK\$8.3 million for the year ended 31 December 2021 to HK\$9.0 million for the year ended 31 December 2022. The increase is mainly attributable to the Group's development in manufacturing new mechanical parts and components for machineries since 2020 which continued to grow steadily in recent years. 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.

The sales of machineries and mechanical parts and components accounted for approximately 21.4% and 19.6% of the total revenue, respectively, amounting to approximately 13.4% and 17.5% of the Group's total gross profit for the year ended 31 December 2022, 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 2022 and 2021:

	For the year ended 31 December					
	2022		2021		+ / (-)	
	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)
Singapore	<b>51,216</b>	<b>40.1</b>	45,858	34.7	5,358	11.7
Hong Kong	<b>35,799</b>	<b>28.0</b>	40,961	31.0	(5,162)	(12.6)
Malaysia	<b>18,676</b>	<b>14.6</b>	10,412	7.9	8,264	79.4
The Philippines	<b>12,806</b>	<b>10.0</b>	20,007	15.1	(7,201)	(36.0)
Japan	<b>3,030</b>	<b>2.4</b>	7,171	5.4	(4,141)	(57.7)
Vietnam	<b>2,482</b>	<b>2.0</b>	1,379	1.0	1,103	80.0
The PRC	<b>1,064</b>	<b>0.8</b>	1,436	1.1	(372)	(25.9)
New Zealand	<b>983</b>	<b>0.8</b>	1,439	1.1	(456)	(31.7)
Taiwan	<b>912</b>	<b>0.7</b>	1,494	1.1	(582)	(39.0)
Canada	<b>762</b>	<b>0.6</b>	518	0.4	244	47.1
Northern Ireland	-	-	1,215	0.9	(1,215)	(100.0)
Others	-	-	360	0.3	(360)	(100.0)
	<b><u>127,730</u></b>	<b><u>100.0</u></b>	<b><u>132,250</u></b>	<b><u>100.0</u></b>	<b><u>(4,520)</u></b>	<b><u>(3.4)</u></b>

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 over 10 years. By leveraging the opportunity of initiatives brought by The Belt and Road Initiative, Malaysia has cooperated with the PRC 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\$45.9 million for the year ended 31 December 2021 by approximately 11.5% or HK\$5.3 million to HK\$51.2 million for the year ended 31 December 2022. The revenue generated from the Malaysian market increased from HK\$10.4 million for the year ended 31 December 2021 by approximately 79.4% or HK\$8.3 million to HK\$18.7 million for the year ended 31 December 2022.

The increase in Singaporean market was mainly due to a new customer whom purchased approximately HK\$4.2 million of our ODM slewing rings. Two major customers located in Singapore are traders of slewing rings. Our slewing rings were re-sold to other countries such as the United States and the Netherlands through these customers. During the Reporting Period, contribution by these two major customers in Singapore decreased by approximately HK\$0.9 million, or 2.2%, from approximately HK\$40.2 million for the year ended 31 December 2021 to approximately HK\$39.3 million for the year ended 31 December 2022.

Globally, albeit the gradual return to normality following the COVID-19 outbreak, the Group's customers may still face challenging times, particularly when the COVID-19 outbreak has taken a toll on the global economy. In response 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 in this respect. This strategic adjustment initiative has proven to be beneficial to the Group in maintaining its competitive advantage as a "one-stop service" provider, which led to increase in revenue in recent years. Having said that, revenue generated from Hong Kong, and other overseas markets in Japan, the Philippines and New Zealand during the year had decreased by approximately HK\$5.2 million, HK\$4.1 million, HK\$7.2 million and HK\$0.5 million, respectively. This was mainly attributed by the decrease in sales of machineries and mechanical parts and components during the year ended 31 December 2022, when compared to the year ended 31 December 2021.

On the other hand, the revenue generated from the market in Vietnam increased from approximately HK\$1.4 million for the year ended 31 December 2021 by approximately 80.0% or HK\$1.1 million to HK\$2.5 million for the year ended 31 December 2022. The increase was mainly due to the increasing demand and sales of our slewing rings under ODM basis in 2022.

## COST OF SALES

The following table sets out the breakdown of our costs of sales for the years ended 31 December 2022 and 2021:

	For the year ended 31 December					
	2022		2021		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
<b>Cost of sales</b>						
Cost of inventories and consumables	61,594	88.2	70,004	90.1	(8,410)	(12.0)
Depreciation	1,561	2.2	1,194	1.5	367	30.7
Overheads	1,989	2.9	1,646	2.1	343	20.8
Direct labour costs	4,662	6.7	4,896	6.3	(234)	(4.8)
<b>Total</b>	<b>69,806</b>	<b>100.0</b>	<b>77,740</b>	<b>100.0</b>	<b>(7,934)</b>	<b>(10.2)</b>

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 decreased from approximately HK\$77.7 million for the year ended 31 December 2021 by approximately 10.2% or HK\$7.9 million to HK\$69.8 million for the year ended 31 December 2022, which was primarily due to the decrease 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\$10.4 million for the year ended 31 December 2021 by approximately 52.9% or HK\$5.5 million to approximately HK\$15.9 million for the year ended 31 December 2022. Increase in staff cost by approximately HK\$1.7 million; and the net increase in other administrative expenses by approximately HK\$3.5 million. Other administrative expenses mainly represent the provision for auditor's remuneration and the legal and professional fees, which assisted the Group in a possible corporate actions and 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\$34.9 million for the year ended 31 December 2022, as compared to approximately HK\$35.1 million for the year ended 31 December 2021.

## 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 2022, the Group's cash and cash equivalents were HK\$51.0 million, decreased by approximately 9.6% or HK\$5.4 million, as compared with HK\$56.4 million as at 31 December 2021. The decrease was mainly attributable to the utilisation of the one-off receipt of proceeds from the Listing in 2019 and net off by the increase in profit. 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 2022, the Group's total current assets and current liabilities were approximately HK\$122.8 million (as at 31 December 2021: HK\$125.2 million) and HK\$5.5 million (as at 31 December 2021: HK\$14.7 million) respectively, representing a current ratio of 22.3 times (as at 31 December 2021: 8.5 times). As at 31 December 2022, the Group did not have any bank borrowings (as at 31 December 2021: Nil). As at 31 December 2022, the total interest-bearing bills payables was approximately HK\$0 million (as at 31 December 2021: HK\$7.0 million) and the gearing ratio of the Group was 0% (as at 31 December 2021: 5.4%). The gearing ratio equals total interest bearing bills payables divided by total equity and multiplied by 100%.

## CAPITAL STRUCTURE

As at 31 December 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 the Listing Date, the Company issued a total of 100,000,000 shares by way of Hong Kong public offering and placing at a price of HK\$0.55 per share, and successfully listed its shares on GEM of the Stock Exchange. The net proceeds of the Share Offer received by the Company in relation to the Listing after the deduction of underwriting fees and commissions and all related expenses were approximately HK\$28.4 million. 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 date of this announcement, 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.



As at 31 December 2021, the unutilised amount of the Net Proceeds was approximately HK\$9.9 million. Details of the actual and intended use of Net Proceeds during the financial year ended 31 December 2022 and the remaining balance are set out below:

### Use of Net Proceeds

	Revised percentage of Net Proceeds	Revised allocation of Net Proceeds <i>HK\$'000</i>	Amount of Net Proceeds utilised between 15 November 2019 and 31 December 2021 <i>HK\$'000</i>	Amount of Net Proceeds utilised during the year ended 31 December 2022 <i>HK\$'000</i>	Total amount of Net Proceeds utilised up to 31 December 2022 <i>HK\$'000</i>	Amount of Net Proceeds remaining as at 31 December 2022 <i>HK\$'000</i>	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%	17,210	11,905	5,305	17,210	–	N/A
To enlarge our market share and strengthen our marketing efforts	4.40%	1,246	458	788	1,246	–	N/A
To increase our level of automation	7.60%	2,158	481	1,677	2,158	–	N/A
To establish our ERP system	6.00%	1,704	824	13	837	867	Q4 of 2023
To expand our finance department	5.00%	1,420	424	430	854	566	Q4 of 2023
To enhance staff training	0.80%	227	14	2	16	211	Q4 of 2023
Working capital	15.6%	4,435	4,435	–	4,435	–	N/A
	<u>100%</u>	<u>28,400</u>	<u>18,541</u>	<u>8,215</u>	<u>26,756</u>	<u>1,644</u>	

As at 31 December 2022, the Group has utilised approximately HK\$26.8 million of the Net Proceeds. Approximately HK\$1.6 million of the unutilised Net Proceeds was 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 2022:

### **Business plan as set out in the Prospectus**

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

To enlarge our market share and strengthen our marketing efforts

### **Actual business progress as at 31 December 2022**

The Group was in the process of purchasing 21 units of machines and fully utilised the proceeds of amount HK\$17.2 million for the machineries. 19 of them (including high speed milling machines and raceway quenching machines) arrived at our production facilities by 31 December 2022 and are being tested. Eight of the machineries which arrived at our production facilities in 2021 are currently in use for our production.

In light of the COVID-19 outbreak in 2020 and the quarantine measures implemented and travel restrictions imposed by the PRC and other countries, the Group had withdrawn its enrolment to several trade exhibitions and will refine its marketing plans.

During recent years and in 2022, the Group increased the workforce in the sales department to strengthen the sales support. In addition, the Group hired a consultant to design the web pages for the Group and to provide advice in the promotion strategies.

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

**Actual business progress  
as at 31 December 2022**

To increase our level of automation

The Group is working out plans with the service provider concerning the development of new equipments for automation and the redevelopment of the existing equipments to enhance the automation level. The plans included the integration of smart automation solutions in the production process. The Group has installed robotic arms to increase the automation level and production in gear chamfering. The Group has also acquired an automatic packaging machine and a CNC Coordinate Measuring Machine. The major goals of these plans are to facilitate production and quality control, and reduce manual work and time needed.

To establish our enterprise resource planning (ERP) system

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, enabling 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 2023.

Meanwhile, the Group has improved the current system by increasing the capacity and efficiency in 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 to accommodate the increase in our business scale and production capacities, and continued to identify suitable and high-quality candidates to expand the financial department.

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

To enhance staff training

**Actual business progress  
as at 31 December 2022**

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

The Group had 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.

In 2022, we have engaged a training organisation in Dongguan, PRC to provide training courses for our new employees. While some scheduled trainings have been put on hold, the trainings will likely recommence in 2023.

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 31 December 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 mechanical parts and components for machineries besides slewing rings.

## **SIGNIFICANT INVESTMENTS**

As at 31 December 2022, the Group did not hold any significant investment.

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

During the year ended 31 December 2022, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, the Group had 82 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 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 2022, the Group's banking facilities were secured by pledged bank deposits with an aggregate amount of approximately HK\$5,000,000 (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 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 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.

With respect to USD, the management considers that the foreign exchange risk 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.

## **CONTINGENT LIABILITIES**

As at 31 December 2022, the Group did not have any material contingent liabilities.

## **DIVIDEND**

During the year, an interim dividend of HK2.0 cents per share, amounting to HK\$8,000,000 was paid on 12 December 2022 (2021: an interim dividend of HK2.0 cents per share amounting to HK\$8,000,000, was paid on 13 December 2021).

The Board now recommends the payment of final dividend HK4.0 cents per share to the shareholders, amounting to a total sum of HK\$16,000,000 for the year ended 31 December 2022 (2021: final dividend HK2.0 cents per share to the shareholders, amounting to a total sum of HK\$8,000,000, was paid on 6 July 2022).

## **PROSPECTS**

With the Government's latest resumption of normalcy measures, the market has emerged stronger and healthier after a swift recovery from the public health crisis. The Group will continue to keep an eye on the development of the COVID-19 outbreak, maintain close communication with customers and suppliers, as well as review and timely adjust its strategies. In addition to serving its customers, employees' health and well-being is also the Group's top priority.

The Group established pandemic prevention and control measures to safeguard employees' health and safety, including the introduction of flexible remote working arrangement and the implementation efficient social distancing measures across all our offices.

Our goal is to strengthen our position as a premium slewing ring manufacturer, and to leverage on our competitive advantages as a “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, 16 June 2023. A notice convening the Annual General Meeting will be issued and dispatched to the Shareholders in due course.

#### **CLOSURE OF REGISTER OF MEMBERS**

In order to establish entitlements to attend and vote at the forthcoming AGM to be held on Friday, 16 June 2023, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Monday, 12 June 2023.

The register of members of the Company will be closed from Friday, 23 June 2023 to Monday, 26 June 2023 (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 at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Wednesday, 21 June 2023.

## **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.

## **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 2022 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 2022.

## **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 2022 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 summarised 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 18 June 2021 issued by the Company with regard to a facility letter for a trading facility (the “**Previous Facility A**”) with DBS Bank (Hong Kong) Limited (“**DBS**”).

On 14 July 2022, the existing lender, DBS has pursuant to its periodic review agreed to replace the Previous Facility A with a revised trading facility of up to HK\$15,000,000 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 DBS (the “**Facility Letter A**”), on the terms and conditions therein contained, including DBS’s right to review any time, its 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 A, among other things, during the term of the Facility Letter A, (i) Best Linking shall remain an indirect wholly-owned subsidiary of the Company; (ii) the Company shall procure 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.

On 28 February 2023, The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) as lender and the Company as corporate guarantor, entered into a banking facility letter (the “**Facility Letter B**”) under which HSBC agreed to make available to Best Linking, which is an indirect wholly-owned subsidiary of the Company, a trading facility of up to HK\$16,000,000, on the terms and conditions therein contained, including the HSBC’s right to review any time and its 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 B, among other things, during the term of the Facility Letter B, (i) Best Linking shall remain an indirect wholly-owned subsidiary of the Company; (ii) the Company shall procure 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 28 February 2023 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) up to 31 March 2022, which was the date of the termination of LY capital as the Company’s compliance adviser.

## **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 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. Chan Yuk Pan currently holds both positions as of the date of this announcement.

## **AUDIT COMMITTEE**

Our Company established an Audit Committee on 21 October 2019 with written terms of reference in compliance with Rules 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 (“**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 2022 have been reviewed by the Audit Committee.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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](http://www.blg.hk). Printed version of the 2022 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, 20 March 2023

*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 website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) 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](http://www.blg.hk).*