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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 2023

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

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

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

*This announcement, for which the directors (collectively the “**Directors**” and each the “**Director**”) of Best Linking Group Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) 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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “**Board**”) is pleased to announce the unaudited quarterly condensed consolidated results of the Group for the three months ended 31 March 2023 (the “**Reporting Period**”), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding period in 2022 are as follows:

UNAUDITED QUARTERLY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2023

		Three months ended	
		31 March	
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	30,585	32,567
Cost of sales		(17,566)	(18,329)
Gross profit		13,019	14,238
Other income		193	98
Other gains/(losses), net		(361)	(21)
Selling and distribution expenses		(428)	(574)
Administrative expenses		(8,170)	(2,829)
Operating profit		4,253	10,912
Finance income		182	7
Finance expenses		(19)	(37)
Finance income/(expenses), net		163	(30)
Profit before income tax	4	4,416	10,882
Income tax expense	5	(1,278)	(1,699)
Profit for the period		3,138	9,183

	Three months ended	
	31 March	
	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	<u>869</u>	<u>105</u>
Total comprehensive income for the period	<u>4,007</u>	<u>9,288</u>
Earnings per share for profit attributable to shareholders of the Company for the period		
Basic and diluted earnings per share <i>(HK cents per share)</i>	<u>6</u> <u>0.78</u>	<u>2.30</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month ended 31 March 2023

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 Note a	Statutory reserve HK\$'000 Note b	Exchange reserve HK\$'000 Note c	Retained earnings HK\$'000	
Balance at 1 January 2022 (audited)	4,000	26,511	13,000	3,205	3,767	79,048	129,531
Profit for the period	-	-	-	-	-	9,183	9,183
Other comprehensive income/(loss):							
Currency translation differences	-	-	-	-	105	-	105
Total comprehensive (loss)/income for the period	-	-	-	-	105	9,183	9,288
Transactions with equity holders:							
Issuance of ordinary shares pursuant to the capitalisation	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to the listing	-	-	-	-	-	-	-
Listing related expenses charged to share premium	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	151	-	(151)	-
	-	-	-	151	-	(151)	-
Balance at 31 March 2022 (unaudited)	<u>4,000</u>	<u>26,511</u>	<u>13,000</u>	<u>3,356</u>	<u>3,872</u>	<u>88,080</u>	<u>138,819</u>

	Attributable to owners of the Company					Retained earnings HK\$'000	Total HK\$'000
	Share capital 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 2023 (audited)	4,000	10,511	13,000	4,727	(1,128)	112,455	143,565
Profit for the period	-	-	-	-	-	3,138	3,138
Other comprehensive income/(loss):							
Currency translation differences	-	-	-	-	869	-	869
Total comprehensive (loss)/income for the period	-	-	-	-	869	3,138	4,007
Transactions with equity holders:							
Issuance of ordinary shares pursuant to the capitalisation	-	-	-	-	-	-	-
Issuance of ordinary shares pursuant to the listing	-	-	-	-	-	-	-
Listing related expenses charged to share premium	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	476	-	(476)	-
	-	-	-	476	-	(476)	-
Balance at 31 March 2023 (unaudited)	<u>4,000</u>	<u>10,511</u>	<u>13,000</u>	<u>5,203</u>	<u>(259)</u>	<u>115,117</u>	<u>147,572</u>

Notes

(a) Capital reserve

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

(b) Statutory reserve

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from previous 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-incorporated 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 operation 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 differences of the financial statements of the Group's subsidiary in the PRC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.1.1 Amended standards and interpretations and accounting guideline

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

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

- 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 unaudited condensed 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 which have been published and are mandatory for financial year beginning on or after 1 January 2023 have not been early adopted by the Group. These are:

		Effective for accounting periods beginning on or after
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 HKFRSs 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 the Group.

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

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

The Directors assess the performance of the operating segment based on the comparisons of revenue and gross profit.

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

4 PROFIT BEFORE INCOME TAX

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

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories and consumables	15,142	16,726
Wages, salaries, bonuses and other benefits	2,683	2,686
Pension costs — defined contribution plans	206	232
Mandatory provident fund scheme	17	24
Employee benefit expenses, including directors' emoluments	2,906	2,942
Amortisation	—	—
Depreciation	775	324
Legal and professional fees	544	574
Listing related expense	4,944	—
Other expenses	1,853	1,166
	26,164	21,732

5 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of comprehensive income is as follows:

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax		
— PRC enterprise income tax	744	263
— Hong Kong profits tax	534	1,436
	<u>1,278</u>	<u>1,699</u>
Total current income tax	1,278	1,699
Deferred income tax	—	—
Income tax expense	<u>1,278</u>	<u>1,699</u>

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.

	Three months ended 31 March	
	2023	2022
	(unaudited)	(unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	3,138	9,183
Weighted average number of shares in issue (thousand)	<u>400,000</u>	<u>400,000</u>
Basic earnings per share (HK cents per share)	<u>0.78</u>	<u>2.30</u>

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

7 DIVIDEND

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

8 RELATED PARTY TRANSACTIONS

- (a) Save as disclosed in the unaudited condensed consolidated financial statements, the Group had no transaction with any related party during the Reporting Period.
- (b) **Key management compensation**

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

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	559	536
Retirement benefit costs — defined contribution plans	16	16
	<hr/>	<hr/>
	575	552
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading premium slewing ring manufacturer in the PRC. It is also a provider of other mechanical parts and components and machineries which are used mainly in construction and mining sites.

The Group manufactures slewing rings that conform to the Japanese Industrial Standards (“**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 (the “**Shares**”) on GEM of the Stock Exchange and has developed new products and a wider range of services 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 with specifications not commonly supplied by other market suppliers.

The outbreak of the COVID-19 has caused many organisations and companies to rethink and reconfigure their businesses for a changed world. The Group’s competitive advantages as a provider of other mechanical parts and components and machineries was 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, since 2022, with the government’s 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 rapid 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 providers of a comprehensive line of productions in the field of slewing rings, machineries and mechanical parts and components. The Group will continue its effort to promote its brand as well as to provide high-quality products and seize more business opportunities in various regions.

The overall performance of the Group during the Reporting Period has slightly decreased as compared with the three months ended 31 March 2022 (“**Q1 2022**”). The Group’s revenue decreased by 6.1% to HK\$30.6 million for the Reporting Period, as compared to HK\$32.6 million for Q1 2022.

Proposed transfer of listing

The Company submitted a formal application to the Stock Exchange on 30 March 2023 for the proposed transfer of listing of the Shares from GEM to the Main Board of the Stock Exchange (“**Proposed Transfer**”). For details, please refer to the Company’s announcement dated 30 March 2023. Further announcement(s) will be made to keep the shareholders of the Company and potential investors informed of the progress of the Proposed Transfer as and when appropriate.

FINANCIAL REVIEW

REVENUE

The Group’s revenue decreased by 6.1% or HK\$2.0 million from HK\$32.6 million for the three months ended 31 March 2022 (“**Q1 2022**”) to HK\$30.6 million for the Reporting Period.

The following table sets forth the breakdown of the Group’s revenue by product category for the Reporting Period and Q1 2022:

	For the three months ended 31 March				+ / (-)	
	2023		2022		HK\$'000	(%)
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
	(unaudited)		(unaudited)			
Revenue						
Slewing rings						
— ODM	14,530	47.5	8,129	25.0	6,401	78.7
— OEM	114	0.4	153	0.5	(39)	(25.5)
— OBM	1,178	3.9	11	0.0	1,167	10,609.1
— Others	3,142	10.3	6,327	19.4	(3,185)	(50.3)
	<u>18,964</u>	<u>62.0</u>	<u>14,620</u>	<u>44.9</u>	<u>4,344</u>	<u>29.7</u>
Mechanical parts and components						
— ODM	1,010	3.3	2,605	8.0	(1,595)	(61.2)
— Others	5,565	18.2	7,702	23.6	(2,137)	(27.7)
	<u>6,575</u>	<u>21.5</u>	<u>10,307</u>	<u>31.6</u>	<u>(3,732)</u>	<u>(36.2)</u>
Sourcing of machineries						
— Machineries	5,047	16.5	7,640	23.5	(2,593)	(33.9)
	<u>5,047</u>	<u>16.5</u>	<u>7,640</u>	<u>23.5</u>	<u>(2,593)</u>	<u>(33.9)</u>
Total	<u>30,586</u>	<u>100.0</u>	<u>32,567</u>	<u>100.0</u>	<u>(1,981)</u>	<u>(6.1)</u>

	For the three months ended 31 March					
	2023		2022		+ / (-)	
	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)
	(unaudited)		(unaudited)			
Quantities sold	<i>Sets</i>	(%)	<i>Sets</i>	(%)		
Slewing rings						
— ODM	1,240	7.7	653	3.7	587	89.9
— OEM	34	0.2	44	0.3	(10)	(22.7)
— OBM	77	0.5	2	0.0	75	3,750.0
— Others	1,829	11.3	702	4.0	1,127	160.5
	<u>3,180</u>	<u>19.7</u>	<u>1,401</u>	<u>8.0</u>	<u>1,779</u>	<u>127.0</u>
Mechanical parts and components						
— ODM	2,331	14.5	14,050	80.6	(11,719)	(83.4)
— Others	10,602	65.8	1,948	11.2	8,654	444.3
	<u>12,933</u>	<u>80.2</u>	<u>15,998</u>	<u>91.8</u>	<u>(3,065)</u>	<u>(19.2)</u>
Sourcing of machineries						
— Machineries	11	0.1	24	0.2	(13)	(54.2)
	<u>11</u>	<u>0.1</u>	<u>24</u>	<u>0.2</u>	<u>(13)</u>	<u>(54.2)</u>
Total	<u>16,124</u>	<u>100.0</u>	<u>17,423</u>	<u>100.0</u>	<u>(1,299)</u>	<u>(7.5)</u>

Note: Mechanical parts and components include but not limited to undercarriage parts such as track chains, rollers and track shoes.

Slewing rings

The Group manufactures slewing rings for local and overseas customers primarily on original design manufacturing (“ODM”), original equipment manufacturing (“OEM”) and original brand manufacturing (“OBM”) basis.

The Group's business leverages on its 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. The Group can also manufacture slewing rings which have already ceased production. Meanwhile, the Group also sources slewing rings not manufactured by the Group for its customers. The slewing rings that the Group sources for its customers are mainly (i) models which the Group does not currently produce; and (ii) those which would not be commercially worthwhile for the Group to produce when compared to sourcing due to small scale order or low profit margin.

The Group has an international customer base and is able to produce slewing rings which on one hand conform to the JIS, and at the same time meet the requirements of both ODM and OBM customers. Because of the Group's edge over other suppliers, the Group 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. These new customers included a nominated supplier of a theme park and resort in Hong Kong, which the Group sourced slewing rings for and delivered to the theme park as instructed by such nominated supplier and a subsidiary of a then listed company on the Singapore Exchange Limited which has been the Group's existing customer for over 10 years.

As a result, during the Reporting Period, revenue from slewing rings increased by approximately HK\$4.3 million to HK\$19.0 million as compared to Q1 2022, representing an increase of 29.7%. The increase in revenue is mainly attributed to the increase of sales of slewing rings in the ODM and OBM business, of approximately HK\$6.4 million and HK\$1.2 million, respectively, which is offsetted by the decrease in value of the sourcing of slewing rings for customers of approximately HK\$3.2 million. The increase in OBM business was attributed to a new wholesale customer in Hong Kong in mid-2022 and the sales to this customer increased by approximately HK\$0.4 million during the Reporting Period. The increase in ODM business was attributed to the increase of quantities by 587 sets, and the total number of ODM customers increased from 11 in 2022 Q1 to 12 during the Reporting Period. The sales of slewing rings accounted for approximately 62.0% in revenue, and approximately 82.0% of the Group's total gross profit. The overall quantities of the slewing rings sold for the Reporting Period increased by 1,779 sets, representing an increase of 127.0%.

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 more comprehensive services in acquiring products for machineries and related parts and components. 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 and to find new customers, which led to the growth of the Group's 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 and the Group's capability to 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 the Group's products and services, in notable public and private projects in Hong Kong, such as the Hong Kong International Airport Three Runway System Project. More customers had enjoyed the Group's platform for providing of machineries and related parts and components which led to an increase in the order of machineries and mechanical parts from the Group.

The revenue from the sales of machineries decreased by approximately 33.9% period-on-period or HK\$2.6 million to HK\$5.0 million for the Reporting Period. The decrease was mainly attributable to the decrease in demand from the Group's customers owing to various private projects being developed to different phases. The sales of machineries to the contractors in Hong Kong decreased from HK\$5.4 million to HK\$0.7 million which is offsetted by the increase of sales to a wholesaler in the Philippines by HK\$2.8 million during the Reporting Period.

The revenue from the sales of mechanical parts and components decreased by approximately 36.2% period-on-period or HK\$3.7 million to HK\$6.6 million for the Reporting Period. The revenue for the sourcing of mechanical parts and components in Hong Kong and sales of mechanical parts and components on ODM basis in Singapore dropped by approximately HK\$2.0 million and HK\$1.2 million, respectively for the Reporting Period as compared to Q1 2022.

The sales of machineries and mechanical parts and components accounted for approximately 16.5% and 21.5% of the total revenue, respectively, amounting to approximately 4.6% and 13.4% of the Group's total gross profit for the Reporting Period, respectively.

COSTS OF SALES

The costs of sales primarily consists of costs of inventories and consumables, depreciation on plant and machinery, overheads and direct labour costs relating to production of products. The Group's costs of sales decreased from approximately HK\$18.3 million for Q1 2022 by approximately 3.8% or HK\$0.7 million to HK\$17.6 million for the Reporting Period, which was primarily due to the decrease in revenue and the need to produce a different product mix during the Reporting Period.

During the Reporting Period, the product mix of slewing rings, machineries, mechanical parts and components were approximately 62.0%, 16.5% and 21.5%, respectively.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group increased from HK\$2.8 million for Q1 2022 by approximately 192.9% or HK\$5.4 million to approximately HK\$8.2 million for the Reporting Period.

Such increase was attributed to an increase in office expense of approximately HK\$0.1 million, an increase in listing expenses related to the Proposed Transfer of approximately HK\$4.9 million, and a net increase in other administrative expenses of 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 equity holders of the Company was approximately HK\$3.1 million for the Reporting Period, as compared to approximately HK\$9.2 million for Q1 2022. Excluding the non-recurring listing expenses related to the Proposed Transfer of approximately HK\$4.9 million, being charged to the unaudited condensed consolidated statement of comprehensive income for the Reporting Period, profit attributable to shareholders of the Company would have been approximately HK\$8.0 million for the Reporting Period.

PROSPECTS

With the government's recent 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, including to 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 of efficient social distancing measures across all offices.

The Group's goal is to strengthen its position as a premium slewing ring manufacturer, and to leverage on its competitive advantages as a provider of other mechanical parts and components and machineries so as to expand the scale of its operation and increase profit margin. The Group also aims to increase its competitiveness in the fragmented slewing ring manufacturing industry by (i) increasing the Group's efficiency and productivity; (ii) raising the quality of the Group's products; and (iii) reducing the Group's costs of production and the Group's 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 the Group's production capacity at its production facilities in Dongguan City, the PRC;
- enlarging the Group's market share and strengthening its marketing efforts;
- increasing the Group's level of automation;
- establishing the Group's enterprise resource planning (ERP) system;
- expanding the Group's finance department; and
- enhancing staff training.

OTHER INFORMATION

DISCLOSURE OF INTERESTS — DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS

Directors’ and Chief Executives’ Interests in Shares and Share Options

As at 31 March 2023, the interests or short positions of the Directors and the chief executives in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the “SFO”)) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in Shares and underlying shares of the Company

Name of substantial shareholder/capacity/ nature of interest	Total number of share(s) held	Percentage of interest in the Company’s issued capital
Mr. YP Chan’s interest in controlled corporation <i>(Note 1)</i>	300,000,000 shares (L) <i>(Note 2)</i>	75%

Note 1: Mr. YP Chan legally and beneficially owns the entire issued share capital of C Centrum Holdings Limited (“C Centrum”) and is its sole director. Accordingly, Mr. YP Chan is deemed to be interested in the Shares held by C Centrum by virtue of the SFO.

Note 2: The letter “L” denotes “Long position” in such shares.

Save as disclosed above, as at 31 March 2023, none of the Directors or chief executives had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which he was taken or deemed to have under provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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 the Group. The principal terms of the Share Option Scheme are summarised under the paragraphs headed “13. Share Option Scheme” in Appendix IV to the prospectus of the Company dated 31 October 2019 and in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

DISCLOSURE OF INTERESTS — SUBSTANTIAL SHAREHOLDER’S INTERESTS

Substantial Shareholder’s Interests in Shares and Share Options

As at 31 March 2023, so far as known by the Directors, the following persons/entities (not being a Director or chief executive of the Company) have an interest or short position in Shares or underlying shares and debentures of Company and its associated corporation which would be required to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder/capacity	Nature of interest	Total number of share(s) held	Percentage of interest in our Company’s issued capital
C Centrum ^(Note 1)	Beneficial owner	300,000,000 shares (L) ^(Note 3)	75%
Ms. Leung Tak Yee ^(Note 2)	Interest of Spouse	300,000,000 shares (L) ^(Note 3)	75%

Note 1: The entire issued share capital of C Centrum is legally and beneficially owned by Mr. YP Chan. Accordingly, Mr. YP Chan is deemed to be interested in the 300,000,000 Shares held by C Centrum by virtue of the SFO.

Note 2: Ms. Leung Tak Yee is the spouse of Mr. YP Chan and is deemed to be interested in all the underlying Shares that Mr. YP Chan is interested through C Centrum by virtue of the SFO.

Note 3: The letter “L” denotes “Long position” in such shares.

Save as disclosed above, as at 31 March 2023, no other person (other than Director or chief executive of the Company) had any interest or short position in the Shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALES AND REDEMPTION OF SHARES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

Reference is made to the announcements dated 18 June 2021 and 14 July 2022 issued by the Company with regard to a trading facility granted by DBS Bank (Hong Kong) Limited ("**DBS**").

On 14 July 2022, DBS has pursuant to its periodic review agreed to increase the trading facility of up to HK\$15,000,000 for Best Linking Limited, which is an indirect wholly-owned subsidiary of the Company. Best Linking Limited and the Company, as borrower and corporate guarantor respectively, entered into a revised banking facility letter with DBS (the "**Facility Letter A**") on terms and conditions contained therein, including right of DBS to review the facility from time to time, customary overriding right of DBS to demand repayment any time, 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 Limited shall remain an indirect wholly-owned subsidiary of the Company; (ii) the Company shall procure Mr. YP Chan to remain as the director of the Company and Best Linking Limited; 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 Limited. As at the date of this announcement, Mr. YP Chan's beneficial interest in each of the Company and Best Linking Limited 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 Limited a trading facility of up to HK\$16,000,000, on the terms and conditions contained therein, including HSBC’s right to review the facility from time to time, HSBC’s customary overriding right to demand repayment any time, 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 Limited shall remain an indirect wholly-owned subsidiary of the Company; (ii) the Company shall procure Mr. YP Chan to remain as the director of the Company and Best Linking Limited; and (iii) Mr. YP Chan shall continue to be the major shareholder holding more than 50% of the beneficial interest of the Company and Best Linking Limited. As at the date of this announcement, Mr. YP Chan’s beneficial interest in each of the Company and Best Linking Limited is 75%. Please refer to the announcement of the Company dated 28 February 2023 for more details.

DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period (for Q1 2022: nil).

CODE ON CORPORATE GOVERNANCE

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code regulating the securities transactions of Directors and executive officers named in this announcement, on terms no less than the required standard of dealing as set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the "**Model Code**").

Specific enquiry had been made to all Directors and relevant employees. They have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Company has also established written guidelines regulating the transactions of securities of the Company by senior management and employees who are likely to be in possession of any inside information of the Company.

AUDIT COMMITTEE

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

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

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

Hong Kong, 8 May 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 Stock Exchange of Hong Kong Limited website at www.hkexnews.hk for at least 7 days from the date of its publication and on the Company’s website at www.blg.hk.