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BEST LINKING GROUP HOLDINGS LIMITED

永聯豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8617)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 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.*

INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 June 2023 respectively (the “**Reporting Period**”), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding periods in 2022 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2023

	Note	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	46,852	36,202	77,437	68,769
Cost of sales		(28,033)	(18,573)	(45,599)	(36,902)
Gross profit		18,819	17,629	31,838	31,867
Other income		106	129	299	227
Other gains, net		1,572	871	1,211	850
Selling and distribution expenses		(645)	(774)	(1,073)	(1,348)
Administrative expenses		(5,762)	(2,987)	(13,932)	(5,816)
Operating profit		14,090	14,868	18,343	25,780
Finance income		164	17	346	24
Finance expenses		15	(12)	(4)	(49)
Finance income/(expenses), net		179	5	342	(25)
Profit before income tax	4	14,269	14,873	18,685	25,755
Income tax expense	5	(2,651)	(2,481)	(3,929)	(4,180)
Profit for the period		11,618	12,392	14,756	21,575
Other comprehensive loss:					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		(4,290)	(2,721)	(3,421)	(2,616)
Total comprehensive income for the period		7,328	9,671	11,355	18,959
Earnings per share for profit attributable to shareholders of the Company for the period					
Basic and diluted earnings per share (HK cents per share)	6	2.9	3.1	3.7	5.4

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the three months and six months ended 30 June 2023

		As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	8	23,700	25,129
Prepayments and deposits		937	818
Deferred tax assets		426	475
		<u>25,063</u>	<u>26,422</u>
Current assets			
Inventories		21,068	20,634
Trade receivables	9	47,161	41,707
Prepayments, deposits and other receivables		3,373	9,422
Cash and cash equivalents		75,954	51,003
		<u>147,556</u>	<u>122,766</u>
Total assets		<u>172,619</u>	<u>149,188</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		4,000	4,000
Reserves		134,900	139,565
Total equity		<u>138,900</u>	<u>143,565</u>
LIABILITIES			
Non-current liability			
Lease liabilities		27	79
		<u>27</u>	<u>79</u>
Current liabilities			
Trade payables	10	10,889	1,034
Accruals and other payables		5,225	3,485
Dividend payable		16,000	–
Current income tax liabilities		1,475	924
Lease liabilities		103	101
		<u>33,692</u>	<u>5,544</u>
Total liabilities		<u>33,719</u>	<u>5,623</u>
Total equity and liabilities		<u>172,619</u>	<u>149,188</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month ended 30 June 2023

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 <i>Note a</i>	Statutory reserve HK\$'000 <i>Note b</i>	Exchange reserve HK\$'000 <i>Note c</i>	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	-	-	-	-	-	21,575	21,575
Other comprehensive loss							
Currency translation differences	-	-	-	-	(2,616)	-	(2,616)
Total comprehensive (loss)/income for the period	-	-	-	-	(2,616)	21,575	18,959
Transactions with equity holders:							
Dividend declared	-	(8,000)	-	-	-	-	(8,000)
Transfer to statutory reserve	-	-	-	682	-	(682)	-
	-	(8,000)	-	682	-	(682)	(8,000)
Balance at 30 June 2022 (unaudited)	<u>4,000</u>	<u>18,511</u>	<u>13,000</u>	<u>3,887</u>	<u>1,151</u>	<u>99,941</u>	<u>140,490</u>

	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 2023 (audited)	4,000	10,511	13,000	4,727	(1,128)	112,455	143,565
Profit for the period	-	-	-	-	-	14,756	14,756
Other comprehensive loss							
Currency translation differences	-	-	-	-	(3,421)	-	(3,421)
Total comprehensive (loss)/income for the period	-	-	-	-	(3,421)	14,756	11,325
Transactions with equity holders:							
Dividend declared	-	(10,511)	-	-	-	(5,489)	(16,000)
Transfer to statutory reserve	-	-	-	997	-	(997)	-
	-	(10,511)	-	997	-	(6,486)	(16,000)
Balance at 30 June 2023 (unaudited)	<u>4,000</u>	<u>-</u>	<u>13,000</u>	<u>5,724</u>	<u>(4,549)</u>	<u>120,725</u>	<u>138,900</u>

Note:

(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 prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC-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.

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

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Cash generated from operations	29,203	2,896
Income tax paid	(3,296)	(253)
Interest received	346	(23)
	<hr/>	<hr/>
Net cash generated from operating activities	26,253	2,620
	<hr/>	<hr/>
Cash flows from investing activities		
Purchases of property, plant and equipment	(385)	(3,076)
Payment for construction in progress	(432)	(304)
Proceeds from disposals of property, plant and equipment	40	–
	<hr/>	<hr/>
Net cash used in investing activities	(777)	(3,380)
	<hr/>	<hr/>
Cash flows from financing activities		
Payment of lease liabilities	(54)	(54)
	<hr/>	<hr/>
Net cash used in financing activities	(54)	(54)
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	25,422	(814)
Cash and cash equivalents at beginning of the period	51,003	56,387
Currency translation differences	(471)	202
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	75,954	55,775
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 26 October 2018 as an exempted company with limited liability under the Companies Act (2022 Revision) (as consolidated or revised from time to time) 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 a range of machinery products and mechanical parts. 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.

Certain comparative figures has been reclassified to conform with current period presentation.

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, 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 2023:

- Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to HKAS 8
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction — Amendments to HKAS 12
- Insurance Contracts — HKFRS 17 and amendments to HKFRS 17
- Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information — Initial Application of HKFRS 17

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 2024 and have not been early adopted by the Group. These are:

		Effective for accounting periods beginning on or after
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 HKAS 7 and HKFRS 7	Supplier Finance Arrangements	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 trading of a range of machinery products and mechanical parts 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 a measure 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 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories and consumable	25,232	16,460	40,374	33,186
Wages, salaries, bonuses and other benefits	3,501	2,862	6,184	5,548
Retirement benefit costs				
— defined contribution plans	223	148	429	380
Mandatory provident fund scheme	32	21	49	45
Employee benefit expenses, including directors' emoluments	3,756	3,031	6,662	5,973
Depreciation	1,095	398	1,870	722
Legal and professional fees	768	778	1,312	1,352
Listing related expense	1,899	—	6,843	—
Other expenses	1,690	1,667	3,543	2,833
	<u>34,440</u>	<u>22,334</u>	<u>60,604</u>	<u>44,066</u>

5 INCOME TAX EXPENSE

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

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax				
— PRC enterprise income tax	936	975	1,680	1,238
— Hong Kong profits tax	1,649	1,506	2,183	2,942
— Under provision of prior periods	115	—	115	—
Total current income tax	<u>2,700</u>	<u>2,481</u>	<u>3,978</u>	<u>4,180</u>
Deferred income tax	<u>(49)</u>	<u>—</u>	<u>(49)</u>	<u>—</u>
Income tax expense	<u><u>2,651</u></u>	<u><u>2,481</u></u>	<u><u>3,929</u></u>	<u><u>4,180</u></u>

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of our Company by the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation of shares.

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to shareholders of our Company	11,618	12,392	14,756	21,575
Weighted average number of shares in issue (<i>thousand</i>)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Basic earnings per share (<i>HK cents per share</i>)	<u><u>2.9</u></u>	<u><u>3.1</u></u>	<u><u>3.7</u></u>	<u><u>5.4</u></u>

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

7 DIVIDENDS

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

8 PROPERTY PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK\$1.7 million (six months ended 30 June 2022: HK\$4.5 million) in value.

9 TRADE RECEIVABLES

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

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Up to 30 days	19,273	14,762
31–60 days	13,955	5,353
61–90 days	6,799	11,235
Over 3 months	7,134	10,357
	<hr/> 47,161 <hr/>	<hr/> 41,707 <hr/>

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

10 TRADE PAYABLES

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

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Up to 30 days	6,085	774
31–60 days	684	106
61–90 days	3,231	121
Over 3 months	889	33
	<hr/> 10,889 <hr/>	<hr/> 1,034 <hr/>

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

11 RELATED PARTY TRANSACTIONS

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

(b) Key management compensation

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	1,123	1,235
Retirement benefit costs — defined contribution plans	34	32
	<u>1,157</u>	<u>1,267</u>

12 CAPITAL COMMITMENTS

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

	At 30 June	At 31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Property, plant and equipment and intangible assets		
Not later than one year	678	1,999
Later than one year but not later than five years	—	288
	<u>678</u>	<u>2,287</u>

13 CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

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 raised from the listing of the Company’s shares (the “**Shares**”) on GEM of the Stock Exchange and has developed new products and offered 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 success 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 increased as compared with the six months ended 30 June 2022 (“**1H 2022**”). The Group’s revenue increased by 12.6% to HK\$77.4 million for the Reporting Period, as compared to HK\$68.8 million for 1H 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 increased by 12.6% or HK\$8.6 million from HK\$68.8 million for 1H 2022 to HK\$77.4 million for the Reporting Period.

The following tables set forth the breakdown of our revenue and quantities sold by product category for the Reporting Period and 1H 2022:

	For the six months ended 30 June					
	2023		2022		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
	(unaudited)		(Unaudited)			
Revenue						
Slewing rings						
— ODM	30,618	39.5	26,966	39.2	3,652	13.5
— OEM	140	0.2	250	0.4	(110)	(44.0)
— OBM	1,742	2.2	454	0.7	1,288	283.7
— Others	9,021	11.6	10,844	15.8	(1,823)	(16.8)
	<u>41,521</u>	<u>53.6</u>	<u>38,514</u>	<u>56.0</u>	<u>3,007</u>	<u>7.8</u>
Mechanical parts and components						
— ODM	3,980	5.1	5,325	7.7	(1,345)	(25.3)
— Others	11,371	14.7	10,852	15.8	519	4.8
	<u>15,351</u>	<u>19.8</u>	<u>16,177</u>	<u>23.5</u>	<u>(826)</u>	<u>(5.1)</u>
Sourcing of machineries						
— Machineries	20,565	26.6	14,078	20.5	6,487	46.1
	<u>20,565</u>	<u>26.6</u>	<u>14,078</u>	<u>20.5</u>	<u>6,487</u>	<u>46.1</u>
Total	<u>77,437</u>	<u>100.0</u>	<u>68,769</u>	<u>100</u>	<u>8,668</u>	<u>12.6</u>

	For the six months ended 30 June					
	2023		2022		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
	(unaudited)		(Unaudited)			
Quantities sold	Units	(%)	Units	(%)		
Slewing rings						
— ODM	2,307	9.7	1,895	6.5	412	21.7
— OEM	42	0.2	74	0.3	(32)	(43.2)
— OBM	83	0.3	40	0.1	43	107.5
— Others	3,081	12.9	1,453	5.0	1,628	112.0
	<u>5,513</u>	<u>23.1</u>	<u>3,462</u>	<u>11.9</u>	<u>2,051</u>	<u>59.2</u>
Mechanical parts and components						
— ODM	3,843	16.1	20,284	69.6	(16,441)	(81.1)
— Others	14,514	60.7	5,361	18.4	9,153	170.7
	<u>18,357</u>	<u>76.8</u>	<u>25,645</u>	<u>88.0</u>	<u>(7,288)</u>	<u>(28.4)</u>
Sourcing of machineries						
— Machineries	32	0.1	32	0.1	0	0.0
	<u>32</u>	<u>0.1</u>	<u>32</u>	<u>0.1</u>	<u>0</u>	<u>0.0</u>
Total	<u>23,902</u>	<u>100.0</u>	<u>29,139</u>	<u>100.0</u>	<u>(5,237)</u>	<u>(18.0)</u>

Slewing rings

The Group manufactures slewing rings for local and overseas customers primarily on original design manufacturing (“ODM”), original equipment manufacturing (“OEM”) and original brand manufacturing (“OBM”) basis. 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 customer for over 10 years.

As a result, during the Reporting Period, revenue from slewing rings increased by approximately HK\$3.0 million to HK\$41.5 million for the Reporting Period, as compared to HK\$38.5 million for 1H 2022, representing an increase of 7.8%.

The increase in revenue is mainly attributed to the increase of sales of slewing rings in the ODM and OBM business, of approximately HK\$3.7 million and HK\$1.3 million, respectively, which is offsetted by the decrease in value of the sourcing of slewing rings for customers of approximately HK\$1.8 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\$0.8 million during the Reporting Period. The increase in ODM business was attributed to the increase of quantities by 412 units, and the total number of ODM customers increased from 16 in 1H 2022 to 19 during the Reporting Period.

The sales of slewing rings accounted for approximately 53.6% in revenue, and approximately 73.1% of the Group's total gross profit. The overall quantities of the slewing rings sold for the Reporting Period increased by 2,051 units, representing an increase of 59.2% as compared to 1H 2022.

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 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 supply 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 increased by approximately 46.1% period-on-period or HK\$6.5 million to HK\$20.6 million for the Reporting Period. The increase was mainly attributable to a new contractor customer with the sales in machineries amounted to HK\$4.4 million during the Reporting Period which is offset by a slight decrease in demand from other contractor customers owing to various private projects being developed to different phases. Overall speaking, the sales of machineries to the contractors in Hong Kong increased from HK\$10.4 million to HK\$11.8 million. In addition, the sales to the wholesalers in the Philippines increased by HK\$2.8 million during the Reporting Period.

The revenue from the sales of mechanical parts and components decreased by approximately 5.1% period-on-period or HK\$0.8 million to HK\$15.4 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\$0.1 million and HK\$0.2 million, respectively for the Reporting Period as compared to 1H 2022.

The sales of machineries and mechanical parts and components accounted for approximately 26.6% and 19.8% of the total revenue, respectively, amounting to approximately 12.3% and 14.6% 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 increased from approximately HK\$36.9 million for 1H 2022 by approximately 23.6% or HK\$8.7 million to HK\$45.6 million for the Reporting Period, which was primarily due to the increase 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 53.6%, 26.6% and 19.8%, respectively.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group increased from HK\$5.8 million for 1H 2022 by approximately 139.5% or HK\$8.1 million to approximately HK\$13.9 million for the Reporting Period. Such increase was attributed to an increase in depreciation charges of approximately HK\$0.7 million, an increase in office expense of approximately HK\$0.1 million, an increase in listing expenses related to the Proposed Transfer of approximately HK\$6.8 million, and a net increase in other administrative expenses of approximately HK\$0.3 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\$14.8 million for the Reporting Period, as compared to approximately HK\$21.6 million for 1H 2022. Excluding the non-recurring listing expenses related to the Proposed Transfer of approximately HK\$6.8 million, being charged to the unaudited interim condensed consolidated statement of comprehensive income for the Reporting Period, profit attributable to shareholders of the Company would have been approximately HK\$21.6 million for the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has financed its business with internally generated cash flows and proceeds received from the Listing. As at 30 June 2023, the Group's cash and cash equivalents were HK\$76.0 million, increased by 48.9% or HK\$25.0 million, as compared with HK\$51.0 million as at 31 December 2022. Bank deposits and cash were principally denominated in Hong Kong dollar, United States dollar and Renminbi. The Group will continue to use the internally generated cash flows and proceeds received from the Listing as a source of funding for future developments.

As at 30 June 2023, the Group's total current assets and current liabilities were HK\$147.6 million (as at 31 December 2022: HK\$122.8 million) and HK\$33.7 million (as at 31 December 2022: HK\$5.5 million) respectively, representing a current ratio of 4.4 times (as at 31 December 2022: 22.3 times). As at 30 June 2023, the Group did not have any bank borrowings (as at 31 December 2022: Nil). As at 30 June 2023, the Group did not have any interest-bearing bills payables (as at 31 December 2022: Nil) and the gearing ratio of the Group was not applicable as it had no outstanding debt as at 30 June 2023 (as at 31 December 2022: Nil). The gearing ratio equals total interest-bearing borrowings divided by total equity and multiplied by 100%.

CAPITAL STRUCTURE

As at 30 June 2023, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of obligations under finance leases and equity attributable to owners of the Group, comprising issued share capital, share premium, retained profits and other reserves.

USE OF NET PROCEEDS FROM THE LISTING

On 15 November 2019, the Company issued a total of 100,000,000 shares by way of Hong Kong public offering and placing at a price of HK\$0.55 per share (the “**Share Offer**”), and successfully listed its shares on GEM of the Stock Exchange. The net proceeds of the Share Offer received by the Company in relation to the Listing after the deduction of underwriting fees and commissions and all related expenses were approximately HK\$28.4 million. Pursuant to the announcement dated 9 September 2020 issued by the Company (the “**Announcement**”), the Board announced and resolved to change the use of the net proceeds as set out in the prospectus. As at the 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.

Details of the revised allocation of the net proceeds, the utilisation of the net proceeds as at 30 June 2023 and the remaining balance of the net proceeds as at 30 June 2023 are set out as follows:

Use of proceeds	Revised percentage of net proceeds as stated in the Announcement	Revised net proceeds as stated in the Announcement <i>HK\$'000</i>	Amount of Net	Amount of	Total amount of Net Proceeds utilised up to 30 June 2023	Amount of Net Proceeds remaining as at 30 June 2023 <i>HK\$'000</i>	Updated expected timeline of full utilization of the net proceeds
			Proceeds utilised between 15 November 2019 and 31 December 2022	Net Proceeds utilised during the six months ended 30 June 2023 <i>HK\$'000</i>			
1 To acquire and replace machineries and equipment with an aim to enhance and expand its production capacity at its production facilities in Dongguan, the PRC	60.6%	17,210	17,210	–	17,210	–	N/A
2 To enlarge its market share and strengthen its marketing efforts	4.4%	1,246	1,246	–	1,246	–	N/A
3 To increase its level of automation	7.6%	2,158	2,158	–	2,158	–	N/A
4 To establish its ERP system	6.0%	1,704	837	–	837	867	Q4 of 2023
5 To expand its finance department	5.0%	1,420	854	206	1,060	360	Q4 of 2023
6 To enhance staff training	0.8%	227	16	–	16	211	Q4 of 2023
7 To maintain sound working capital for operation	15.6%	4,435	4,435	–	4,435	–	N/A
Total	100.0%	28,400	26,756	206	26,962	1,438	

As at 30 June 2023, the Group has utilised approximately HK\$27.0 million of the net proceeds and has approximately HK\$1.4 million unutilised, which 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 Reporting Period:

Business plan as set out in the Prospectus

Actual business progress as at 30 June 2023

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

The Group has purchased 21 units of machines and fully utilised the proceeds of amount HK\$17.2 million. 20 of them (including high speed milling machines and raceway quenching machines) are currently in use for our production, while one machine is currently being tested.

To enlarge its market share and strengthening its marketing efforts

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 2023, 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 on promotion strategies.

Business plan as set out in the Prospectus

Actual business progress as at 30 June 2023

To increase its 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 its 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 early 2024.

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

To expand its 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 so as to accommodate the increase in our business scale and production capacities and continue to identify suitable and high-quality candidates to expand the finance department.

Business plan as set out in the Prospectus

Actual business progress as at 30 June 2023

To enhance staff training

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, the PRC to provide training courses for our new employees. While some scheduled trainings have been put on hold, the trainings will likely recommence in the second half of 2023.

To maintain sound working capital for operation

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

As at 30 June 2023, 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 30 June 2023, the Group did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 93 employees (as at 31 December 2022: 82 employees). Remuneration is determined with reference to the 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 30 June 2023, the Group's banking facilities were secured by pledged bank deposits with an aggregate amount of approximately HK\$10,000,000 (as at 31 December 2022: HK\$5,000,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of loss due to changes in foreign exchange rates. The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in these currencies. Currently, the Group has not entered into 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 30 June 2023, the Group did not have any material contingent liability.

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 our production capacity at our production facilities in Dongguan, the PRC;
- enlarging our market share and strengthening our marketing efforts;
- increasing our level of automation;
- establishing our enterprise resource planning (ERP) system;
- expanding our finance department; and
- enhancing staff training.

OTHER INFORMATION

PURCHASE, SALES AND REDEMPTION OF SHARES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

Reference is made to 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.

SHARE OPTION SCHEME

The 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 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 compliance with the provisions of Chapter 23 of the GEM Listing Rules.

DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period (for the six months ended 30 June 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

The Company established an audit committee on 21 October 2019 with written terms of reference in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and paragraphs 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 as 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, 9 August 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 of the website of the Stock Exchange at 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.