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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: 9882)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

ANNUAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated financial statements of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	143,779	127,730
Cost of sales	4	(82,990)	(69,806)
Gross profit		60,789	57,924
Other income		555	567
Other gains, net		378	1,333
Selling and distribution expenses	4	(3,367)	(2,687)
Administrative expenses	4	(30,962)	(15,891)
Operating profit		27,393	41,246
Finance income		725	190
Finance cost		(15)	(4)
Finance income, net		710	186

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Profit before income tax		28,103	41,432
Income tax expense	5	<u>(6,064)</u>	<u>(6,503)</u>
Profit for the year attributable to owners of the Company		<u>22,039</u>	<u>34,929</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<u>(1,944)</u>	<u>(4,895)</u>
Total comprehensive income for the year		<u>20,095</u>	<u>30,034</u>
Earnings per share for profit attributable to equity holders of the Company for the year			
Basic and diluted earnings per share (<i>HK cents per share</i>)	6	<u>5.5</u>	<u>8.7</u>

Non-HKFRS measures

	2023 HK\$'000	2022 <i>HK\$'000</i>
Profit for the year	22,039	34,929
Add: Non-recurring items		
— Listing expenses	12,363	3,899
— Donation	3,000	—
Adjusted profit for the year (<i>Note</i>)	<u>37,402</u>	<u>38,828</u>

Note: Adjusted profit for the year refers to profit for the year excluding non recurring listing expenses and donation. This non-HKFRS financial data is a supplemental financial measure that is not required by, or presented in accordance with, the HKFRS and is therefore referred to as a “non-HKFRS” financial measure. It is not a measurement of our financial performance under the HKFRS and should not be considered as an alternative measure to profit from operations or any other performance measures derived in accordance with the HKFRS, or as an alternative measure to cash flows from operating activities or as a measure of our liquidity.

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		23,372	25,129
Prepayments and deposits		919	818
Deferred tax assets		572	475
		<u>24,863</u>	<u>26,422</u>
Current assets			
Inventories		23,125	20,634
Trade receivables	7	44,291	41,707
Prepayments, deposits and other receivables		12,648	9,422
Current income tax recoverable		11	–
Pledged bank deposit		5,028	–
Cash and cash equivalents		54,891	51,003
		<u>139,994</u>	<u>122,766</u>
Total assets		<u><u>164,857</u></u>	<u><u>149,188</u></u>
Equity			
Equity attributable to owners of the Company			
Share capital	8	4,000	4,000
Reserves		143,660	139,565
		<u>147,660</u>	<u>143,565</u>
Total equity		<u><u>147,660</u></u>	<u><u>143,565</u></u>
Liabilities			
Non-current liability			
Lease liabilities		148	79
		<u>148</u>	<u>79</u>
Current liabilities			
Trade payables	9	4,812	1,034
Bank borrowings	10	8,093	–
Accruals and other payables		3,901	3,485
Current income tax liabilities		–	924
Lease liabilities		243	101
		<u>17,049</u>	<u>5,544</u>
Total liabilities		<u><u>17,197</u></u>	<u><u>5,623</u></u>
Total equity and liabilities		<u><u>164,857</u></u>	<u><u>149,188</u></u>

NOTES TO THE 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 Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. Its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 31 October 2019 and are transferred to the listing on the Main Board of the Stock Exchange on 28 September 2023. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The ultimate holding company of the Company is C Centrum Holdings Limited, a company incorporated in British Virgin Islands and wholly-owned by Mr. Chan Yuk Pan.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and trading of machinery products and mechanical parts (the “**Business**”).

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

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under historical cost convention. The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in annual report.

2.1 New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its 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
- International Tax Reform — Pillar Two Model — Amendments to HKAS 12
- Insurance Contracts — HKFRS 17 and amendments to HKFRS 17
- Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information — HKFRS 17

The adoption of the above new and amended standards did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 Amended standards and interpretations which have been issued but are not yet effective and have not been early adopted by the Group

Certain amendments to accounting 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 HKAS 21	Lack of Exchangeability	1 January 2025
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 amended standards and interpretations of HKFRS and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue from major customers who had individually contributed 10% or more of total revenue of the Group

For the year ended 31 December 2023, there were three customers (2022: one), which individually contributed over 10% of our Group's total revenue. Revenue contributed from our major customers were as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	26,799	28,856
Customer B*	15,733	–
Customer C*	15,020	–
	<u>147,552</u>	<u>28,856</u>

* The corresponding customers are new customers for the year ended 31 December 2023.

(b) Segment revenue by customers' geographical location

Our Group is domiciled in the PRC and Hong Kong. Our Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Singapore	44,043	51,216
The Philippines	33,637	12,806
Hong Kong	32,204	35,799
Malaysia	18,906	18,676
Taiwan	4,326	912
The PRC	4,261	1,064
Japan	3,974	3,030
Vietnam	1,670	2,482
New Zealand	31	983
Others (<i>Note</i>)	727	762
	<u>143,779</u>	<u>127,730</u>

Note: Others include Canada and Thailand.

(c) **Non-current assets by geographical location**

The total of non-current assets other than deferred tax assets, broken down by location of the assets, is shown in the following:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The PRC	20,742	21,653
Hong Kong	<u>3,549</u>	<u>4,294</u>
	<u><u>24,291</u></u>	<u><u>25,947</u></u>

4 EXPENSES BY NATURE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Raw materials and consumables used	75,273	56,999
Changes in inventories of finished goods and work in progress	(3,464)	4,485
Provision for slow moving inventories, net	146	109
Employee benefit expenses, including directors' emoluments	14,182	12,100
Depreciation	3,871	2,181
Legal and professional fees	1,516	1,482
Listing expenses	12,363	3,899
Loss on disposal of property, plant and equipment	220	–
Auditors' remuneration		
— Audit services	1,250	1,000
— Non-audit services	50	50
Donation	3,000	–
Utilities	1,197	949
Transportation expenses	2,976	2,203
Other expenses	<u>4,739</u>	<u>2,927</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u><u>117,319</u></u>	<u><u>88,384</u></u>

5 INCOME TAX EXPENSE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
— The PRC enterprise income tax (“EIT”)	2,401	2,208
— Hong Kong profits tax	3,683	4,704
— Under/(over) provision of prior periods	77	(41)
Total current income tax	<u>6,161</u>	<u>6,871</u>
Deferred income tax	<u>(97)</u>	<u>(368)</u>
Income tax expense	<u><u>6,064</u></u>	<u><u>6,503</u></u>

(i) Hong Kong profits tax

In accordance with the two-tiered profits tax rates regime effective from 1 January 2018, Hong Kong profits tax is calculated at 8.25% on the first HK\$2,000,000, and 16.5% on the remaining balance of the estimated assessable profits of an operating company for the years ended 31 December 2022 and 2023.

(ii) The PRC EIT

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

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the “Certificate”), completing the tax reduction and exemption filing with the tax authorities. Kyohei Seiki renewed the Certificate when it expired on 8 November 2023 and the renewed Certificate will expire on 28 December 2026. As a result of Kyohei Seiki qualifying for High New Technology Enterprise status, the applicable tax rate of Kyohei Seiki is 15% for the years ended 31 December 2022 and 2023.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the Group entities as follows:

	2023	2022
	HK\$'000	HK\$'000
Profit before income tax	<u>28,103</u>	<u>41,432</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	4,187	6,403
Income not subject to tax	(238)	(43)
Expenses not deductible for tax purposes	2,491	653
Research and development tax credit (<i>Note</i>)	(453)	(469)
Under/(over) provision of prior periods	<u>77</u>	<u>(41)</u>
Income tax expense	<u><u>6,064</u></u>	<u><u>6,503</u></u>

Note: According to relevant laws and regulations promulgated by the State Tax Bureaus of the PRC, enterprises engaging in research and development activities are entitled to claim 100% of the research and development expenses. The aggregate research and development expenses charged to statement of comprehensive income amounted to HK\$3,021,000 during the year ended 31 December 2023 (2022: HK\$3,125,000).

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.

	2023	2022
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	22,039	34,929
Weighted average number of shares in issue (<i>thousand</i>)	<u>400,000</u>	<u>400,000</u>
Basic earnings per share (<i>HK cents per share</i>)	<u><u>5.5</u></u>	<u><u>8.7</u></u>

Diluted earnings per share for the years ended 31 December 2022 and 2023 were the same as the basic earnings per share as there were no potentially dilutive instruments outstanding during the years.

7 TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold and delivered in the ordinary course of business.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	<u>44,291</u>	<u>41,707</u>

As at 31 December 2023, due to the short-term nature of the trade receivables, their carrying amounts of trade receivables is considered to be the same as their fair values.

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

The ageing analysis of the trade receivables by due date, are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current	32,761	21,879
1–30 days past due	5,343	11,918
31–60 days past due	2,274	496
61–90 days past due	1,901	2,017
Over 90 days past due	<u>2,012</u>	<u>5,397</u>
	<u>44,291</u>	<u>41,707</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
HK\$	23,127	9,842
USD	21,135	31,462
RMB	<u>29</u>	<u>403</u>
	<u>44,291</u>	<u>41,707</u>

The maximum exposure to credit risk as at 31 December 2022 and 2023 was the carrying value of the receivables mentioned above.

Trade receivables are generally due for settlement from 60 days to 120 days and therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies are provided in annual report.

As at 31 December 2022 and 2023, no provision of impairment for trade receivables was made as the expected loss rate was minimal.

8 SHARE CAPITAL AND SHARE PREMIUM

		Number of ordinary shares	Nominal value of ordinary share HK\$'000	
Authorised:				
At 31 December 2022 and 31 December 2023		<u>10,000,000,000</u>	<u>100,000</u>	
	<i>Note</i>	Number of ordinary shares	Nominal value of ordinary share HK\$'000	Share premium HK\$'000
Issued and paid:				
At 1 January 2022		400,000,000	4,000	26,511
Dividends paid	(a), (b)	<u>–</u>	<u>–</u>	<u>(16,000)</u>
At 31 December 2022 and 1 January 2023		400,000,000	4,000	10,511
Dividends paid	(c)	<u>–</u>	<u>–</u>	<u>(10,511)</u>
At 31 December 2023		<u>400,000,000</u>	<u>4,000</u>	<u>–</u>

Notes:

- (a) On 22 March 2022, the proposed final dividend of HK2.0 cents per share, amounting to HK\$8,000,000 for the year ended 31 December 2021 was approved. Such dividend was recorded as a reduction of share premium of the Group pursuant to the Articles of Association and the Company Law, Cap. 22 (Law of 1961, as consolidated or revised from time to time) of the Cayman Islands. The final dividend was paid on 6 July 2022.
- (b) On 7 November 2022, the proposed interim dividend of HK2.0 cents per share, amounting to HK\$8,000,000 for the year ended 31 December 2022 was approved. Such dividend was recorded as a reduction of share premium of the Group pursuant to the Articles of Association and the Company Law, Cap. 22 (Law of 1961, as consolidated or revised from time to time) of the Cayman Islands. The interim dividend was paid on 12 December 2022.
- (c) On 16 June 2023, the proposed final dividend of HK4.0 cents per share, amounting to HK\$16,000,000 for the year ended 31 December 2022 was approved. Such dividend was recorded as a reduction of share premium and retained earnings of the Group pursuant to the Articles of Association and the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The final dividend was paid on 5 July 2023.

9 TRADE PAYABLES

Trade payables at the end of each reporting period comprise amounts outstanding to contract creditors and suppliers. The average credit period taken for trade purchase is generally from 0–90 days.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	<u>4,812</u>	<u>1,034</u>

As at 31 December 2022 and 2023, the ageing analysis of the trade payables, based on invoice date, are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Up to 30 days	2,482	774
31–60 days	230	106
61–90 days	–	121
Over 90 days	<u>2,100</u>	<u>33</u>
	<u>4,812</u>	<u>1,034</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
RMB	2,712	889
HK\$	<u>2,100</u>	<u>145</u>
	<u>4,812</u>	<u>1,034</u>

As at 31 December 2022 and 2023, the carrying amounts of trade payables approximate their fair values.

10 BANK BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank borrowings — import loans	<u>8,093</u>	<u>–</u>

As at 31 December 2023, the bank borrowings were interest bearing at the Hong Kong Interbank Offered Rate plus 2% per annum. The bank borrowings were dominated in RMB and their carrying amount approximate to the fair values. The bank borrowings were repayable in February 2024.

Banking facilities

As at 31 December 2023, the Group had aggregate banking facilities of approximately HK\$31,000,000 (2022: HK\$15,000,000) for import loans. There were undrawn facilities of approximately HK\$22,907,000 (2022: HK\$15,000,000) as at 31 December 2023.

As at 31 December 2023, the banking facilities were secured by the following:

- (i) An aggregate charge over deposits which amounted to HK\$5,000,000; and
- (ii) Unlimited guarantee provided by the Company.

The Group has complied with the financial covenants of its bank borrowings during the year ended 31 December 2023.

11 DIVIDENDS

(a) Dividends declared and paid during the year

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividends declared and paid in respect of 2023 (2022: HK2.0 cents per share)	–	8,000
Final dividends declared and paid in respect of 2022 of HK4.0 cents per share (2022: HK2.0 cents)	<u>16,000</u>	<u>8,000</u>

(b) Dividends for the year

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividends (2022: HK2.0 cents per share)	–	8,000
Proposed final dividends of HK4.0 cents per share (2022: HK4.0 cents) (<i>Note</i>)	<u>16,000</u>	<u>16,000</u>
	<u>16,000</u>	<u>24,000</u>

Note: A final dividend has been proposed by the directors after the report date. The proposed final dividend, subject to the shareholders' approval at the forthcoming annual general meeting, is not reflected as dividend payable as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading premium slewing ring manufacturer in the PRC. We are also a comprehensive products provider for mechanical parts and components and machineries which are used mainly in construction and mining sites. During the year, the Company has successfully transferred its listing from GEM to the Main Board of The Stock Exchange of Hong Kong Limited (the “**Transfer of Listing**”). The last day of dealings in the Shares on GEM (stock code on GEM: 8617) was 28 September 2023 while dealings in the Shares on the Main Board (stock code on the Main Board: 9882) commenced on 29 September 2023.

We manufacture 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 developed new products and a wider range of servicing by manufacturing other mechanical parts and components for machineries besides slewing rings to seize the business opportunities and cater the need of our customers. The machineries and mechanical parts supplied by the leading suppliers in Japan were fit for the Group’s sourcing needs and with specifications not commonly supplied by other market suppliers.

The Group’s competitive advantages as a comprehensive products provider has been even more accentuated amid the coronavirus (COVID-19) pandemic (the “**COVID**”), with the surging demand for the sourcing of other slewing rings, machineries, mechanical parts and components from our customers. With the Government’s latest resumption of normalcy measures and the uplift of the COVID related restrictive measures, the market has emerged stronger and healthier after a swift recovery from the public health crisis.

Benefitting from the expanding manufacturing sector in the PRC, in addition to slewing rings, we expanded our capability to include manufacturing of mechanical parts and components such as sprocket, track shoes and rollers, which are commonly sought by our customers alongside our slewing rings, on ODM basis. We also source other mechanical parts and components for our customers. Further, as a supplier of slewing rings under OEM basis to leading suppliers in Japan for over 10 years, we are in a position to source excavators and other heavy duty machineries directly. We further extend our heavy duty machineries offering on other types of machineries such as pile drivers, wheel loaders and trucks.

Transfer of Listing

On 30 March 2023, an application was made by the Company to the Stock Exchange for the listing of and permission to deal in the Shares on the Main Board by way of the Transfer of Listing pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and such application was successful. The last day of dealings in the Shares on GEM (stock code on GEM: 8617) was 28 September 2023 while dealings in the Shares on the Main Board (stock code on the Main Board: 9882) commenced on 29 September 2023.

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. Meanwhile, the Group also sources slewing rings not manufactured by the Group for its customers. 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 a diverse range of slewing rings for its customers, including slewing rings which have already ceased production.

Our business is primarily focused on manufacturing slewing rings for local and overseas customers on an ODM basis. Our ODM customers include companies in the wholesale and trading of heavy duty machineries and their related parts and components. They then re-sell our products to the end-users in the market. We work out the design as well as all technical specifications from start to finish for our ODM customers, based on their preliminary inputs. The products we sold are usually used to replace worn out slewing rings of existing machineries under usage, or for assembly of new machineries. In the case of slewing rings for replacement purpose, we are able to customise our production process to manufacture slewing rings which have already ceased production to suit old models of machineries. Being in a position to produce slewing rings up to the premium standard under JIS is of significant importance to and attracts recurring orders from our ODM customers.

In addition, the Group manufactures for overseas customers on OEM basis. Our OEM customers include leading Japanese manufacturers of various machineries and equipments or their affiliates. Our OEM business involves the manufacture and sale of products based on customers’ specifications and guidelines. In respect of our OEM customers, we are usually provided with technical drawings and we are not required to participate in the design of these products. Our OEM customers normally provide us with all specifications and standards they require and we have to strictly adhere to the standards required during the production process. Slewing rings so produced will be applied by our OEM customers directly on their heavy duty machineries. Most of our OEM customers are Japanese manufacturers or their affiliates, which require us to produce slewing rings in conformity to the JIS.

The Group also derives its revenue from the sales of our proprietary branded products under OBM basis. We sold our OBM products under our own brands to customers located in six locations including the PRC, Hong Kong, Taiwan, Malaysia, the Philippines and Thailand. Our OBM customers are mainly wholesalers or traders. For slewing rings produced under OBM basis, we are in-charge of the product packaging including its design. Similar to our ODM products, the level of our participation in the design of slewing rings so produced depends on whether our OBM customers will provide us with the technical details. The slewing rings sold to our OBM customers commonly adopt a quenching standard of JIS.

The Group sources slewing rings not manufactured by the Group for its customers. These slewing rings are mainly models which we do not manufacture currently as (i) they maybe of lower quality and their production will require different raw materials which we do not have in hand; (ii) they are of small quantity and not commercially justifiable for us to spend efforts on product development for such small scale productions; or (iii) they are of size which we do not manufacture.

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 which contributed to the increasing revenue of both the manufacturing and the sourcing business since 2021. 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 which has been the Group's customer for over 10 years. Such group was principally engaged in the distribution of heavy machineries and diesel engine parts and has an international customer base. Furthermore, one of our largest customers has enlarged its customer base and increased the demand of our larger size slewing rings which led to the increase in our revenue and profits.

Mechanical parts and components

To implement our business strategy to expand our slewing rings business, we have utilised part of the net proceeds from the GEM Listing to acquire a number of new equipments which enabled us to expand our production capacity to include manufacturing of mechanical parts and components such as sprocket, track shoes and rollers, which are commonly sought by our customers alongside our slewing rings. These mechanical parts and components are manufactured on ODM basis where our customers require mechanical parts and components to fulfil specific functions and specifications to suit their needs. The manufacturing of these mechanical parts and components requires production techniques and multiple production processes which are similar to the production of slewing rings. Depending on the quantities, our capabilities and availability of machines as well as marketing strategies, we may either fulfil customer's orders by procuring semi-finished parts and components for further manufacturing or sourcing the finished products from the market.

The expansion of our business into the sale of mechanical parts and components is complementary to our principal business of manufacturing and sales of slewing rings. It enables us to offer a comprehensive line of products to our customers which had further strengthened our business relationships with our customers, resulting in recurring purchase orders being placed with us. The mechanical parts and components we sourced were broad in range, including telescopic boom, clamshell, bolts, oil seal kits, etc. We sold over 10 different kinds of mechanical parts and components. Similar to the slewing rings, these mechanical parts and components are consumable parts which require routine replacement over a period of usage.

Machineries

As a supplier of slewing rings under OEM basis to a leading machinery and parts supplier in Japan for over 10 years, we have developed a long term business relationship with this leading Japanese heavy duty machinery brand and are in a position to source excavators and heavy duty machineries directly from its affiliates. We have also developed a long term business relationship with a long established second-hand heavy equipment wholesaler for over five years. To cater for the needs of our customers, upon receiving their requests, we will source both brand new or used Japanese brand excavators for them for construction and/or mining purposes.

With the expansion of our customer and supplier base alongside our business operations over the years and as a supplier of slewing rings to a number of Japanese brand machinery manufacturers, we received requests from our customers from time to time when they were in need of other machineries such as pile drivers, trucks and wheel loaders. Depending on the availability of these products from our suppliers, we may procure these machineries for them on an ad-hoc basis. Our sourcing of machineries is driven by the demand of our customers and is not considered as a general trading business.

FINANCIAL REVIEW

REVENUE

The Group achieved remarkable performance in 2023. The revenue reached a new high of HK\$143.8 million. The Group's revenue increased by 12.6 % to HK\$143.8 million for the year ended 31 December 2023 (the “**Reporting Period**”), as compared to HK\$127.7 million for the year ended 31 December 2022 (“**FY2022**”). Among our products, machineries recorded the most notable growth, while slewing rings, mechanical parts and components remained stable with a slight decline. The Group will continue its effort to promote its brand as well as providing high quality products and seize more business opportunities in various regions.

The following table sets forth the breakdown of quantities of products sold under different segments for the years ended 31 December 2022 and 2023:

	For the year ended 31 December				+ / (-)	
	2023		2022			
	Sets	(%)	Sets	(%)	Sets	(%)
Quantities sold						
Slewing rings						
— ODM	4,043	9.3	3,813	3.0	230	6.0
— OEM	86	0.2	112	0.1	(26)	(23.2)
— OBM	147	0.3	85	0.1	62	72.9
— Others	4,816	11.1	2,808	2.2	2,008	71.5
	<u>9,092</u>	<u>20.9</u>	<u>6,818</u>	<u>5.4</u>	<u>2,274</u>	<u>33.4</u>
Mechanical parts and components						
— ODM	5,417	12.5	109,767	87.2	(104,350)	(95.1)
— Others	28,768	66.4	9,291	7.4	19,477	209.6
	<u>34,185</u>	<u>78.9</u>	<u>119,058</u>	<u>94.5</u>	<u>(84,873)</u>	<u>(71.3)</u>
Machineries						
— Machineries	69	0.2	50	0.0	19	38.0
	<u>69</u>	<u>0.2</u>	<u>50</u>	<u>0.0</u>	<u>19</u>	<u>38.0</u>
Total	<u>43,346</u>	<u>100.0</u>	<u>125,926</u>	<u>100.0</u>	<u>(82,580)</u>	<u>(65.6)</u>

The following table sets forth the breakdown of our revenue by product segments for the years ended 31 December 2022 and 2023:

	For the year ended 31 December					
	2023		2022		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Revenue						
Slewing rings						
— ODM	56,718	39.5	56,759	44.4	(41)	(0.1)
— OEM	276	0.2	362	0.3	(86)	(23.8)
— OBM	2,325	1.6	996	0.8	1,329	133.4
— Others	10,983	7.6	17,227	13.5	(6,244)	(36.2)
	<u>70,302</u>	<u>48.9</u>	<u>75,344</u>	<u>59.0</u>	<u>(5,042)</u>	<u>(6.7)</u>
Mechanical parts and components						
— ODM	6,641	4.6	8,950	7.0	(2,309)	(25.8)
— Others	16,972	11.8	16,116	12.6	856	5.3
	<u>23,613</u>	<u>16.4</u>	<u>25,066</u>	<u>19.6</u>	<u>(1,453)</u>	<u>(5.8)</u>
Machineries						
— Machineries	49,864	34.7	27,320	21.4	22,544	82.5
	<u>49,864</u>	<u>34.7</u>	<u>27,320</u>	<u>21.4</u>	<u>22,544</u>	<u>82.5</u>
Total	<u>143,779</u>	<u>100.0</u>	<u>127,730</u>	<u>100</u>	<u>16,049</u>	<u>12.6</u>

Slewing rings

The Group manufactures slewing rings for local and overseas customers primarily on ODM, OEM and OBM basis, and sources slewing rings not manufactured by the Group for its customers. Revenue from slewing rings decreased by approximately HK\$5.0 million from HK\$75.3 million to HK\$70.3 million for the year ended 31 December 2023, as compared to the year ended 31 December 2022, representing a decrease of 6.7%.

The slight decrease in the sales of slewing rings was mainly attributed to the decrease in the sourcing business, by approximately HK\$6.2 million, net off by the increase in OBM business, of approximately HK\$1.3 million. We have an international customer base and are able to produce slewing rings which are JIS-compliant and can at the same time meet the requirements of both OBM and ODM customers. Because of our competitive edge, the Group attracted several new OBM and ODM customers. The total revenue of our OBM business amounted to approximately HK\$2.3 million and HK\$1.0 million for the Reporting Period and FY2022, respectively. The increase in OBM business was mainly attributed to a new wholesale customer in Hong Kong which we secured in 2022 and the sales to this customer increased by approximately HK\$0.8 million during the Reporting Period. Under the brand name series of “NISSHO SEIKO”, the revenue increased to HK\$1.1 million during the Reporting Period. The ODM business remained stable, with revenue amounted to HK\$56.7 million and HK\$56.8 million for the Reporting Period and FY2022, respectively. In our ODM business, we recorded an increase of quantity by 230 units. We have a total of 23 and 25 ODM customers for the Reporting Period and FY2022, respectively. There were seven new ODM customers which contributed approximately HK\$4.8 million to the revenue during the Reporting Period.

Meanwhile, as a comprehensive products provider, customers have approached us and used our sourcing service. These customers included a nominated supplier of a theme park and resort in Hong Kong. We sourced the slewing rings and delivered to the theme park as instructed by such nominated supplier. The revenue generated through the slewing rings that we sourced for our customers decreased by approximately HK\$6.2 million, or 36.2%, from approximately HK\$17.2 million for FY2022 to approximately HK\$11.0 million for the Reporting Period, which was mainly due to the switch from sourcing slewing rings from us to directly ordering slewing rings manufactured by us, as our self manufactured slewing rings were of very high quality.

The sale of slewing rings manufactured by us accounted for approximately 48.9% and 59.0% in our total revenue for the Reporting Period and FY2022, respectively, and approximately 65.2% and 69.1% of the Group’s total gross profit for the Reporting Period and FY2022, respectively.

Mechanical parts and components

The Group manufactures and sources mechanical parts and components for customers. Such machineries and mechanical parts and components included but not limited to excavators and undercarriage parts such as track chains, rollers and track shoes. It complements the main line of our business which enables our customers to enjoy a comprehensive line of products. Revenue from the mechanical parts and components slightly decreased by approximately 5.8% year-on-year or HK\$1.5 million, from HK\$25.1 million for FY2022 to HK\$23.6 million for the Reporting Period.

The revenue of mechanical parts and components on ODM basis amounted to approximately HK\$6.6 million and HK\$8.9 million for the Reporting Period and FY2022, respectively. The slight decrease in revenue of ODM mechanical parts was mainly attributable to the customers in the Philippines, when they switch from purchasing ODM mechanical parts manufactured by us to mechanical parts sourced by us. Based on such reason, there was a slight increase in revenue of sourcing mechanical parts and components, amounted to approximately HK\$17.0 million and HK\$16.1 million for the Reporting period and FY2022, respectively. The newly developed and sourced products had enabled the Group to broaden the scope of its business with existing customers as well as the finding of new customers.

The mechanical parts and components accounted for approximately 16.4% and 19.6% in the total revenue of the Group for the Reporting Period and FY2022, respectively, and amounting to approximately 12.8% and 17.5% of the Group's total gross profit for the Reporting Period and FY2022, respectively.

Machineries

We source heavy duty machineries, which are mainly excavators, for our customers. Our revenue from such sales amounted to approximately HK\$49.9 million and HK\$27.3 million for the Reporting Period and FY2022, representing approximately 34.7% and 21.4% of the revenue of machineries, respectively. The revenue generated from the sales of other machineries that we sourced such as pile drivers, trucks and wheel loaders amounted to approximately HK\$4.9 million, HK\$0.4 million and HK\$0.3 million for the Reporting Period, representing approximately 9.8%, 0.8% and 0.6% of the revenue of machineries, respectively.

The sales of machineries that we sourced for our customers increased by approximately HK\$22.6 million, or 82.5%, from approximately HK\$27.3 million for FY2022 to approximately HK\$49.9 million for the Reporting Period which was mainly due to the increase in sales of other machineries that we sourced. During 2023, we were able to secure a sales order of four articulated haulers which bear a high sale price per unit from a new Hong Kong customer, which is a construction contractor. Such sales amounted to approximately HK\$4.4 million. Overall, the sales of machineries to the contractors in Hong Kong increased from HK\$17.6 million to HK\$22.3 million. In addition, the sales to wholesalers and manufacturers in the Philippines increased by HK\$5.0 million to HK\$18.7 million during the Reporting Period.

Geographical location

The following table sets forth a breakdown of our revenue by geographical location of our customers for the Reporting Period and FY2022:

	For the year ended 31 December					
	2023		2022		+ / (-)	
	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)
Singapore	44,043	30.6	51,216	40.1	(7,173)	(14.0)
The Philippines	33,637	23.4	12,806	10.0	20,831	162.7
Hong Kong	32,204	22.4	35,799	28.0	(3,595)	(10.0)
Malaysia	18,906	13.1	18,676	14.6	230	1.2
Taiwan	4,326	3.0	912	0.7	3,414	374.3
The PRC	4,261	3.0	1,064	0.8	3,197	300.5
Japan	3,974	2.8	3,030	2.4	944	31.2
Vietnam	1,670	1.2	2,482	2.0	(812)	(32.7)
Canada	590	0.4	762	0.6	(172)	(22.6)
Thailand	137	0.1	–	–	137	100.0
New Zealand	31	0.0	983	0.8	(952)	(96.8)
	<u>143,779</u>	<u>100.0</u>	<u>127,730</u>	<u>100.0</u>	<u>16,049</u>	<u>12.6</u>

Association of Southeast Asian Nations (ASEAN) countries continue to be the key market for the Group, especially the Singaporean, the Filipino and Malaysian markets where the Group has footprints for over 10 years. Singapore, as an international trading centre with well-established networking is experiencing rapid urbanisation and there is a growing demand for smart machinery. Similarly, Malaysia also serves as an entrepot in Southeast Asia. Most of the slewing rings and mechanical parts imported into Singapore and Malaysia are eventually re-exported to other regions such as the U.S, Europe, the Middle East, etc. We have built a strong foundation with customers in these countries. At the same time, the traditional demand for natural resources from forestry and mining activities for construction and heavy equipments also benefited our Group. Furthermore, construction machinery production in the Philippines has grown in recent years, along with the country serving as an entrepot in re-exporting the slewing rings to other economies.

Revenue generated from these three major countries in ASEAN markets increased from approximately HK\$82.7 million for FY2022 by approximately 16.8% or HK\$13.9 million to HK\$96.6 million for the Reporting Period. Revenue generated from the Filipino market increased from approximately HK\$12.8 million for FY2022 by approximately 162.7% or HK\$20.8 million to HK\$33.6 million for the Reporting Period. The revenue generated from the Malaysian market increased from HK\$18.7 million for FY2022 by approximately 1.2% or HK\$0.2 million to HK\$18.9 million for the Reporting Period. It was net off by the revenue generated from the Singaporean market which decreased from approximately HK\$51.2 million for FY2022 by approximately 14.0% or HK\$7.2 million to HK\$44.0 million for the Reporting Period.

Revenue generated from the Filipino market increased from approximately HK\$12.8 million for FY2022 to approximately HK\$33.6 million for the Reporting Period, which was mainly attributable to the increase in sales to two of our top 10 customers of approximately HK\$24.0 million in aggregate, mainly due to (i) the increase in sales of mechanical parts and components we sourced of approximately HK\$6.0 million as we expanded our product types sold as compared to that for FY2022 and (ii) the increase in sales of machineries of approximately HK\$18.0 million as we sourced which included but not limited to three fuel tanker trailers and other heavy machineries like bulldozer and tractor for the Reporting Period.

Singaporean market has been the Group's largest market for a while, three out of our top 10 customers are located in Singapore. They are mostly traders and wholesalers, when most of our slewing rings were onward sold to other countries such as the United States and the Netherlands through these customers. During the Reporting Period, contribution by these three major customers in Singapore decreased by approximately HK\$3.5 million, or 7.4%, from approximately HK\$47.0 million for FY2022 to approximately HK\$43.5 million for the Reporting Period. Another reason for the decrease in sales of ODM slewing rings was due to the absence of sales in Reporting Period from a customer as compared to sales of approximately HK\$4.2 million in FY2022.

To meet the needs of diverse business activities of our customers, the Group has devoted a lot of resources to enhance our research and development for new products. The Group's sourcing business in Hong Kong plays an important role in this respect. This strategic adjustment initiative has proven to be beneficial to the Group in maintaining its competitive advantage as a "comprehensive products" provider, which helped to maintain revenue in recent years. Revenue generated from Hong Kong, and other overseas markets in Japan, Taiwan and Vietnam during the year amounted to approximately HK\$32.2 million, HK\$4.0 million, HK\$4.3 million and HK\$1.7 million, respectively. The decrease in revenue in Hong Kong was mainly attributed by the decrease in sales of excavators to a construction contractor by approximately HK\$4.3 million as a result of the decrease in the number of excavator sold to such customer (decreased from 17 to 5) but partially offset by the sales of machineries including articulated hauler of approximately HK\$4.7 million to a new customer which is a construction contractor. On the other hand, the revenue generated from the market in Taiwan increased from approximately HK\$0.9 million for FY2022 by approximately 374.3% or HK\$3.4 million to HK\$4.3 million for the Reporting Period. The increase was mainly due to the increasing demand and sales of our slewing rings from a new customer under ODM basis during the Reporting Period which amounted to approximately HK\$3.9 million.

COST OF SALES

The following table sets out the breakdown of our costs of sales for the years ended 31 December 2023 and 2022:

	For the year ended 31 December					
	2023		2022		+ / (-)	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Cost of sales						
Cost of inventories and consumables	71,954	86.7	61,594	88.2	10,360	16.8
Depreciation	2,076	2.5	1,561	2.2	515	33.0
Overheads	2,605	3.1	1,989	2.8	616	31.0
Direct labour costs	6,355	7.7	4,662	6.7	1,693	36.3
Total	82,990	100.0	69,806	100.0	13,184	18.9

The cost of sales primarily consists of costs of inventories and consumables, depreciation on plant and machinery, overheads and direct labour costs relating to its production. The Group's cost of sales increased from approximately HK\$69.8 million for FY2022 by approximately 18.9% or HK\$13.2 million to HK\$83.0 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 year.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group increased from HK\$15.9 million for FY2022 by approximately 95.0% or HK\$15.1 million to approximately HK\$31.0 million for the Reporting Period. Such increase was attributed to an increase in depreciation charges of approximately HK\$1.0 million, an increase in office expense of approximately HK\$0.3 million, an increase in donation fee of approximately HK\$3.0 million, an increase in listing expenses related to the Transfer of Listing of approximately HK\$8.5 million, and a net increase in other administrative expenses of approximately HK\$2.3 million as compared to FY2022. 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\$22.0 million for the Reporting Period, as compared to approximately HK\$34.9 million for FY2022. Excluding the non-recurring listing expenses related to the Transfer of Listing of approximately HK\$12.4 million, being charged to the condensed consolidated statement of comprehensive income for the Reporting Period, profit attributable to shareholders of the Company would have been approximately HK\$34.4 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 31 December 2023, the Group's cash and cash equivalents were HK\$54.9 million, increased by approximately 7.6% or HK\$3.9 million, as compared with HK\$51.0 million as at 31 December 2022. The increase was mainly attributable to the increase in profit and net off by utilisation of the one-off receipt of proceeds from the Listing in 2019 and dividend. Bank deposits and cash were principally denominated in Hong Kong Dollars, United States Dollars, Japanese Yen and Renminbi. The Group will continue to use the internally generated cash flows and proceeds received from the Listing as a source of funding for future developments.

As at 31 December 2023, the Group's total current assets and current liabilities were approximately HK\$140.0 million (as at 31 December 2022: HK\$122.8 million) and HK\$17.0 million (as at 31 December 2022: HK\$5.5 million) respectively, representing a current ratio of 8.2 times (as at 31 December 2022: 22.3 times). As at 31 December 2023, the Group had bank borrowings of approximately HK\$8.1 million (31 December 2022: Nil) and the gearing ratio of the Group was 5.5% (as at 31 December 2022: 0%). The gearing ratio equals total interest bearing bank borrowings divided by total equity and multiplied by 100%.

CAPITAL STRUCTURE

As at 31 December 2023, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of obligations under bank borrowings, 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 report date, the Directors consider that these proceeds have been applied in accordance with the proposed application set out in the section headed “Future Plans and Proposed Use of Proceeds” in the prospectus of the Company dated 31 October 2019 (the “**Prospectus**”) and as amended in the Announcement.

Details of the revised allocation of the net proceeds, the utilisation of the net proceeds as at 31 December 2023 and the remaining balance of the net proceeds as at 31 December 2023 are set out as follows:

Use of Net Proceeds

	Revised percentage of Net Proceeds	Revised allocation of Net Proceeds HK\$'000	Amount of Net Proceeds utilised between 15 November 2019 and 31 December 2022 HK\$'000	Amount of Net Proceeds utilised during the year ended 31 December 2023 HK\$'000	Total amount of Net Proceeds utilised up to 31 December 2023 HK\$'000	Amount of Net Proceeds remaining as at 31 December 2023 HK\$'000	Expected timeline for the intended use
To acquire and replace machineries and equipment with an aim to enhance and expand our production capacity at our production facilities in Dongguan, the PRC	60.6%	17,210	17,210	–	17,210	–	N/A
To enlarge our market share and strengthen our marketing efforts	4.4%	1,246	1,246	–	1,246	–	N/A
To increase our level of automation	7.6%	2,158	2,158	–	2,158	–	N/A
To establish our ERP system	6.0%	1,704	837	11	848	856	Q4 of 2024
To expand our finance department	5.0%	1,420	854	435	1,289	131	Q4 of 2024
To enhance staff training	0.8%	227	16	–	16	211	Q4 of 2024
Working capital	15.6%	4,435	4,435	–	4,435	–	N/A
	100%	28,400	26,756	446	27,202	1,198	

As at 31 December 2023, the Group has utilised approximately HK\$27.2 million of the net proceeds and has approximately HK\$1.2 million unutilised, which was deposited with licensed banks in Hong Kong. It is expected that the Group will utilise all the net proceeds in 2024.

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

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

To enlarge our market share and strengthen our marketing efforts

Actual business progress as at 31 December 2023

The Group purchased 21 units of machines and fully utilised the proceeds of HK\$17.2 million attributable for such purpose. 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.

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 rework its future 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 31 December 2023**

To increase our level of automation

The Group is working out plans with service providers 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 to reduce manual work and time needed.

To establish our enterprise resource
planning (ERP) system

The Group appointed a system service provider 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 modules created for the system which are being tested and are expected to come into use in 2024.

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

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

**Actual business progress
as at 31 December 2023**

To expand our finance department

The Group recruited a senior accountant and an accountant in the third quarter of 2020 and the second quarter of 2021 respectively to accommodate the increase in our business scale and production capacities. We will continue to watch out for high-quality candidates to strengthen the finance department, to cope with the expanded line of businesses and revenue.

To enhance staff training

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

The Group prepared training courses for a number of personnel. An employee in the quality assurance department received training in metrology to further strengthen our quality assurance process.

In 2022, we 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 recommence in 2024.

To maintain sound working capital
for operation

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

As at 31 December 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 31 December 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 31 December 2023, the Group had 96 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 31 December 2023, the Group is required to maintain an aggregate amount of bank deposits of at least HK\$10,000,000 (as at 31 December 2022: approximately HK\$5,000,000) for the Group's banking facilities of which HK\$5,000,000 was charged pursuant to the terms of the banking facilities (as at 31 December 2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of loss due to changes in foreign exchange rates. 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 31 December 2023, the Group did not have any material contingent liabilities.

DIVIDEND

During the year, no interim dividend was paid. (2022: an interim dividend of HK2.0 cents per share amounting to HK\$8,000,000, was paid on 12 December 2022).

The Board now recommends the payment of final dividend HK4.0 cents per share to the shareholders, amounting to a total sum of HK\$16,000,000 for the year ended 31 December 2023 (2022: final dividend HK4.0 cents per share to the shareholders, amounting to a total sum of HK\$16,000,000, was paid on 5 July 2023).

PROSPECTS

On 29 September 2023, the Company has successfully transferred listing from GEM to the Main Board of the Stock Exchange. This remarkable success facilitated our Group in raising public awareness and profile as well as our recognition from existing and new customers. The Group has achieved business growth and expanded sources of income since the GEM Listing. The Directors consider that the Main Board generally enjoys a premium status and recognition by the public investors and customers and that the Transfer of Listing will further promote the Group's corporate profile and position in the industry which will assist the Company in obtaining outside financing and on better commercial terms. It has also assisted the Group in its business development.

The Group's goal is to strengthen its position as a premium slewing rings 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.

The Group is also positioned as one of the fastest growing “comprehensive products” providers in the field. Despite there remain many uncertainties in the global economy including high interest rate, slow down of development in China, the upcoming U.S. Presidential election in November, the Directors do anticipate that the Group’s sourcing business will continue to grow. With a proven track record and strong foothold in the industry, the Group will remain cautious and endeavor to maintain a steady growth in its sourcing business and continue to broaden its business scope to maximize the return for the Company’s shareholders in the present challenging environment. In the foreseeable future, the Group intends to expand its products coverage in sourcing to include minerals and related products to enhance revenue and profitability.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**Annual General Meeting**”) is scheduled to be held on Friday, 17 May 2024. A notice convening the Annual General Meeting will be issued and dispatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM to be held on Friday, 17 May 2024, the register of members of the Company will be closed from Monday, 13 May 2024 to Friday, 17 May 2024 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the Annual General Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, 10 May 2024.

The register of members of the Company will be closed from Thursday, 23 May 2024 to Friday, 24 May 2024 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement in the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Wednesday, 22 May 2024.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code regulating the securities transactions of Directors and executive officers named in this annual report, on terms no less exacting than the required standard of dealing as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules (the “**Model Code**”).

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

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding company was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted in the year ended 31 December 2023 or at any time during the year.

PURCHASE, SALES AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2023 and up to the date of this announcement.

SHARE OPTION SCHEME

Our Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”), which was approved by written resolutions passed by its shareholders on 21 October 2019 and became unconditional on 15 November 2019. The Directors consider the purpose of the Share Option Scheme is to reward the participants defined under the Share Option Scheme for their past contribution to the success of the Group and to provide incentive to them to further contribute to our Group. The principal terms of the Share Option Scheme are summarised under the paragraph headed “12. Share Option Scheme” in Appendix IV to the listing document issued by the Company on 22 September 2023 and in accordance with the provisions of Chapter 17 of the Listing Rules. No share option has been granted under Share Option Scheme since its adoption.

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

Reference is made to 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. Chan Yuk Pan to remain as the director of the Company and Best Linking Limited; and (iii) Mr. Chan Yuk Pan 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. Chan Yuk Pan’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. Chan Yuk Pan to remain as the director of the Company and Best Linking Limited; and (iii) Mr. Chan Yuk Pan 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. Chan Yuk Pan’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.

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 C1 to the 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 Listing Rules. Throughout the Reporting Period, the Company has complied, to the extent applicable and permissible, with all Code Provisions set out in CG Code with the exception of Code C.2.1. Code C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chan Yuk Pan currently holds both positions as of the date of this announcement.

AUDIT COMMITTEE

Our Company established an Audit Committee on 21 October 2019 with written terms of reference in compliance with CG Code. The Audit Committee comprises three independent non-executive Directors; namely Mr. Chan Wan Tsun Adrian Alan (“**Mr. Adrian Chan**”), Ms. Tam Ho Ting and Ms. Tsang Hau Lam. Mr. Adrian Chan, who has appropriate professional qualification and experience in accounting matters, was appointed to serve as the chairman of the Audit Committee.

During the Reporting Period and up to the date of this announcement, there was no material uncertainty relating to events or conditions that might cast significant doubt on the Company's ability to continue as a going concern. The Company's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

EVENT AFTER THE REPORTING PERIOD

The Group had no significant event after the end of the reporting period and up to the date of this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Stock Exchange of Hong Kong Limited website at www.hkexnews.hk and the Company's website at www.blg.hk. Printed version of the 2023 annual report of Company containing the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above respective websites in due course in accordance with the requirements under the Listing Rules.

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

Hong Kong, 19 March 2024

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

This announcement will remain on the "Latest Listed Company Information" page on the website of the Stock Exchange at www.hkexnews.hk 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.