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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

Six months ended 30 June

| | 2024 | 2023 | +/(–) |
|---|---------------|--------|----------|
| RESULTS (in HK\$'000) | | | |
| Revenue | 45,999 | 77,437 | (40.60%) |
| Gross profit | 18,031 | 31,838 | (43.40%) |
| Operating profit | 10,843 | 18,343 | (40.90%) |
| Profit for the period | 9,949 | 14,756 | (32.60%) |
| Profit attributable to the owners of the Company | 9,949 | 14,756 | (32.60%) |
| PER SHARE (in HK\$) | | | |
| Earnings per share — Basic and diluted | 1.2 | 1.8 | (33.30%) |

| | As at 30 June 2024 | As at 31 December 2023 | +/(–) |
|--|-----------------------------------|------------------------------|-------|
|--|-----------------------------------|------------------------------|-------|

KEY BALANCE SHEET ITEMS (in HK\$'000)

| | | | |
|----------------------|----------------|---------|----------|
| Total current assets | 123,283 | 139,994 | (11.90%) |
| Total assets | 145,559 | 164,857 | (11.70%) |
| Net current assets | 117,515 | 122,945 | (4.40%) |
| Total equity | 139,769 | 147,660 | (5.30%) |

INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 (the “**Reporting Period**”), which has been reviewed by the audit committee of the Company, together with the comparative unaudited figures for the corresponding period in 2023 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|--------------------|
| | | 2024 | 2023 |
| | <i>Note</i> | HK\$’000 | HK\$’000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 3 | 45,999 | 77,437 |
| Cost of sales | | (27,968) | (45,599) |
| Gross profit | | 18,031 | 31,838 |
| Other income | | 1,636 | 299 |
| Other (loss)/gains, net | | (265) | 1,211 |
| Selling and distribution expenses | | (1,028) | (1,073) |
| Administrative expenses | | (7,531) | (13,932) |
| Operating profit | | 10,843 | 18,343 |
| Finance income | | 425 | 346 |
| Finance expenses | | (10) | (4) |
| Finance income, net | | 415 | 342 |
| Profit before income tax | 4 | 11,258 | 18,685 |
| Income tax expense | 5 | (1,309) | (3,929) |
| Profit for the period | | 9,949 | 14,756 |
| Other comprehensive loss: | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Currency translation differences | | (1,840) | (3,421) |
| Total comprehensive income for the period | | 8,109 | 11,355 |
| Earnings per share for profit attributable to shareholders of the Company for the period | | | |
| Basic and diluted earnings per share | | | |
| <i>(HK cents per share)</i> | 6 | 1.2 | 1.8 |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

| | <i>Note</i> | As at 30 June 2024 HK\$'000 (Unaudited) | As at 31 December 2023 HK\$'000 (Audited) |
|--|-------------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 20,781 | 23,372 |
| Prepayments and deposits | | 924 | 919 |
| Deferred tax assets | | 571 | 572 |
| | | <u>22,276</u> | <u>24,863</u> |
| Current assets | | | |
| Inventories | | 25,936 | 23,125 |
| Trade receivables | 9 | 41,449 | 44,291 |
| Prepayments, deposits and other receivables | | 12,098 | 12,648 |
| Current income tax recoverable | | – | 11 |
| Pledged bank deposit | | 5,052 | 5,028 |
| Cash and cash equivalents | | 38,748 | 54,891 |
| | | <u>123,283</u> | <u>139,994</u> |
| Total assets | | <u>145,559</u> | <u>164,857</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to shareholders of the Company | | | |
| Share capital | | 4,000 | 4,000 |
| Reserves | | 135,769 | 143,660 |
| Total equity | | <u>139,769</u> | <u>147,660</u> |
| LIABILITIES | | | |
| Non-current liability | | | |
| Lease liabilities | | 22 | 148 |
| | | <u>22</u> | <u>148</u> |
| Current liabilities | | | |
| Trade payables | 10 | 2,107 | 4,812 |
| Bank borrowings | | – | 8,093 |
| Accruals and other payables | | 3,097 | 3,901 |
| Current income tax liabilities | | 315 | – |
| Lease liabilities | | 249 | 243 |
| | | <u>5,768</u> | <u>17,049</u> |
| Total liabilities | | <u>5,790</u> | <u>17,197</u> |
| Total equity and liabilities | | <u>145,559</u> | <u>164,857</u> |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month ended 30 June 2024

| | 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 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 | 11,335 |
| 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> |

| | 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 2024 (audited) | 4,000 | - | 13,000 | 6,361 | (3,072) | 127,371 | 147,660 |
| Profit for the period | - | - | - | - | - | 9,949 | 9,949 |
| Other comprehensive loss | | | | | | | |
| Currency translation differences | - | - | - | - | (1,840) | - | (1,840) |
| Total comprehensive (loss)/income for the period | - | - | - | - | (1,840) | 9,949 | 8,109 |
| Transactions with equity holders: | | | | | | | |
| Dividend declared | - | - | - | - | - | (16,000) | (16,000) |
| Transfer to statutory reserve | - | - | - | 655 | - | (655) | - |
| | - | - | - | 655 | - | (16,655) | (16,000) |
| Balance at 30 June 2024 (unaudited) | <u>4,000</u> | <u>-</u> | <u>13,000</u> | <u>7,016</u> | <u>(4,912)</u> | <u>120,665</u> | <u>139,769</u> |

Notes:

(a) Capital reserve

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

(b) Statutory reserve

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before distribution of profits 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 2024

| | Six months ended 30 June | |
|---|---------------------------------|-----------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cash flows from operating activities | | |
| Cash generated from operations | 8,860 | 29,203 |
| Income tax paid | (981) | (3,296) |
| Interest received | 425 | 346 |
| | <hr/> | <hr/> |
| Net cash generated from operating activities | 8,304 | 26,253 |
| | <hr/> | <hr/> |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (129) | (385) |
| Payments for construction in progress | – | (432) |
| Proceeds from disposals of property, plant and equipment | – | 40 |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (129) | (777) |
| | <hr/> | <hr/> |
| Cash flows from financing activities | | |
| Payment of lease liabilities | (130) | (54) |
| Repayment of bank borrowings | (8,093) | – |
| Payment of pledged bank deposit | (24) | – |
| Dividend paid | (16,000) | – |
| | <hr/> | <hr/> |
| Net cash used in financing activities | (24,247) | (54) |
| | <hr/> | <hr/> |
| (Decrease)/increase in cash and cash equivalents | (16,072) | 25,422 |
| Cash and cash equivalents at beginning of the period | 54,891 | 51,003 |
| Currency translation differences | (71) | (471) |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of the period | 38,748 | 75,954 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 31 October 2019 and have been 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 slewing rings, machinery products and mechanical parts (the “**Business**”).

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000), unless otherwise stated. This unaudited interim condensed consolidated financial information was reviewed by the Company’s Audit Committee and approved by the board of directors of the Company on 20 August 2024.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with the applicable disclose requirements of Appendix D2 to the Rules Governing the Listing of Securities on Stock Exchange and with the Hong Kong Accounting Standards (“**HKAS**”). The interim condensed consolidated financial information does not include all of the notes normally included in annual consolidated financial statements for the year ended 31 December 2023, except for the new and amended standards as set out below.

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 2024:

| | | 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 |

The new and amended standards listed above did not have any impact to the Group's interim condensed consolidated financial information in the current and prior periods.

2.2 New and amended standards 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 2025 and have not been early adopted by the Group. These are:

| | | Effective for accounting periods beginning on or after |
|---------------------------------------|---|---|
| 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 new and amended standards and interpretations of HKFRS and is not yet in a position to state whether they will 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 PROFITS TAX

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

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cost of inventories and consumable | 23,055 | 40,374 |
| Wages, salaries, bonuses and other benefits | 6,257 | 6,184 |
| Retirement benefit costs — defined contribution plans | 440 | 429 |
| Mandatory provident fund scheme | 81 | 49 |
| Employee benefit expenses, including directors' emoluments | 6,778 | 6,662 |
| Depreciation | 2,236 | 1,870 |
| Legal and professional fees | 1,415 | 1,312 |
| Listing related expense | — | 6,843 |
| Other expenses | 3,043 | 3,543 |
| | <u>36,527</u> | <u>60,604</u> |

5 PROFITS TAX EXPENSE

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

| | Six months ended 30 June | |
|------------------------------------|--------------------------|-----------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Current income tax | | |
| — PRC enterprise income tax | 593 | 1,680 |
| — Hong Kong profits tax | 716 | 2,183 |
| — Under provision of prior periods | — | 115 |
| | <u>1,309</u> | <u>3,978</u> |
| Total current profits tax | | |
| | — | (49) |
| Profits tax expense | <u>1,309</u> | <u>3,929</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.

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Profit attributable to shareholders of our Company | 9,949 | 14,756 |
| Weighted average number of shares in issue (<i>thousand</i>) | <u>800,000</u> | <u>800,000</u> |
| Basic earnings per share (<i>HK cents per share</i>) | <u>1.2</u> | <u>1.8</u> |

The weighted average number of ordinary shares for the purpose of basic earnings per share for the period ended 30 June 2024 and 2023 has been adjusted for the share subdivision on 21 May 2024 as if they have taken place since the beginning of the period.

The comparative figures for the basic earnings per share for the period ended 30 June 2023 are restated to take into account of the effect of the above share subdivision during the year retrospectively as if they have taken place since the beginning of the comparative year.

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 an interim dividend for the Reporting Period.

8 PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK\$0.1 million (six months ended 30 June 2023: HK\$1.7 million) in value.

9 TRADE RECEIVABLES

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

| | 30 June 2024 HK\$'000 (Unaudited) | 31 December 2023 HK\$'000 (Audited) |
|---------------|--|--|
| Up to 30 days | 16,169 | 38,104 |
| 31–60 days | 288 | 2,274 |
| 61–90 days | 5,570 | 1,901 |
| Over 3 months | 19,422 | 2,012 |
| | <u>41,449</u> | <u>44,291</u> |

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 2024 HK\$'000 (Unaudited) | 31 December 2023 HK\$'000 (Audited) |
|---------------|--|--|
| Up to 30 days | 836 | 2,482 |
| 31–60 days | 347 | 230 |
| 61–90 days | 71 | – |
| Over 3 months | 853 | 2,100 |
| | <u>2,107</u> | <u>4,812</u> |

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 is shown below:

| | Six months ended 30 June | |
|---|--|---------------------------------|
| | 2024 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) |
| Salaries, allowances and benefits in kind | 1,295 | 1,123 |
| Retirement benefit costs — defined contribution plans | 34 | 34 |
| | <u>1,329</u> | <u>1,157</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 2024 HK\$'000 (Unaudited) | At 31 December 2023 HK\$'000 (Audited) |
|---|---|---|
| Property, plant and equipment and intangible assets | | |
| Not later than one year | 650 | 650 |
| Later than one year but not later than five years | <u>–</u> | <u>–</u> |
| | <u>650</u> | <u>650</u> |

13 CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liability (31 December 2023: Nil).

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. 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**”) in September 2023. The day of dealings in the Shares on GEM (stock code on GEM: 8617) was on 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 to satisfy 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.

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.

It has been a transformative year for the Group in 2023. Despite the adverse market condition, because of the broadened product based offered by the Group, the Group achieved a significant growth in its business. However, 2024 was a year full of challenges. The lack of momentum for economic recovery in certain countries, compounded by the looming shadow of high interest rates, posed challenges to the global business environment. The global growth is expected to be less than moderate before recovering gradually at a slow pace in the second half of 2024. At the same time, Chinese economic development was still hit by a number of factors, such as the default in the repayment of debts of renowned property developers and the slump of the property market. As a result, even after the Covid-19 pandemic tapered off and the cross-border activities between Hong Kong and the PRC resumed, the degree of economy rebound in Hong Kong and the PRC in 2024 are still not up to the level of expectation.

With a well-established industry presence of over 15 years, our Group has demonstrated remarkable risk resilience, underpinned by a wealth of industry expertise, substantial capital financials and a base of international and local customers. In the first half of 2024, the Group reported revenue of HK\$46.0 million and profits of HK\$18.0 million. The overall performance of the Group during the Reporting Period has decreased as compared with the six months ended 30 June 2023 (“**1H 2023**”). The Group’s revenue decreased by 40.6% to HK\$46.0 million for the Reporting Period, as compared to HK\$77.4 million for 1H 2023. The decline in revenue generated from Hong Kong and the Association of Southeast Asian Nations (ASEAN) region during the first half of the year was attributed to the local and global economic uncertainties, leading to (i) the decline as well as the lack of momentum in recovering from the downturn of the local construction activities which led to the decrease of the Group’s overall revenue; (ii) the slow down in the demand of our slewing rings, mechanical parts and components from the global and overseas market; and (iii) the longer-than expected sales cycles and the postponement in the commencement of new construction projects and completion of the existing construction projects experienced by a number of our customers, including but not limited to the projects concerning the third runway of the Hong Kong International Airport.

The Group’s principal business faced challenges posed by the keen competition in the market and economic uncertainties. The Directors are well aware of the importance for the Group to continue identifying new business opportunities. In early 2024, the Group decided to expand its products coverage in sourcing to include minerals and related products. Since the Company’s transfer of listing to the Main Board of The Stock Exchange of Hong Kong Limited, the Group’s customers have increasingly made enquiries on whether the Group could provide a wider scope of products, most notably in connection with the excavation machineries used for mining. Our Group sees opportunities in the trading of minerals, and wishes to capture such business opportunity and synergies in broadening its business scope. It will also create more opportunities for the Group to sell more mechanical parts and components and machineries directly to the mine owners, thus strengthening the business and profitability of the Group. During the Reporting Period, the Group has established a network of supply of minerals excavated from such mines, for resale to customers of the Group.

FINANCIAL REVIEW

REVENUE

The Group's revenue decreased by 40.6% or HK\$31.4 million from HK\$77.4million for 1H 2023 to HK\$46.0 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 2023:

| | For the six months ended 30 June | | | | + / (-) | |
|--|----------------------------------|---------------------|----------------------|---------------------|------------------------|----------------------|
| | 2024 | | 2023 | | | |
| | HK\$'000 | (%) | HK\$'000 | (%) | HK\$'000 | (%) |
| | (Unaudited) | | (Unaudited) | | | |
| Revenue | | | | | | |
| Slewing rings | | | | | | |
| — ODM | 16,798 | 36.5 | 30,618 | 39.5 | (13,820) | (45.1) |
| — OEM | 115 | 0.3 | 140 | 0.2 | (25) | (17.9) |
| — OBM | 385 | 0.8 | 1,742 | 2.2 | (1,357) | (77.9) |
| — Others | - | - | 9,021 | 11.6 | (9,021) | (100.0) |
| | <u>17,298</u> | <u>37.6</u> | <u>41,521</u> | <u>53.6</u> | <u>(24,223)</u> | <u>(58.3)</u> |
| Mechanical parts and components | | | | | | |
| — ODM | 4,515 | 9.8 | 3,980 | 5.1 | 535 | 13.4 |
| — Others | 4,174 | 9.1 | 11,371 | 24.7 | (7,197) | (63.3) |
| | <u>8,689</u> | <u>18.9</u> | <u>15,351</u> | <u>19.8</u> | <u>(6,662)</u> | <u>(43.4)</u> |
| Machineries | | | | | | |
| — Machineries | 11,411 | 24.8 | 20,565 | 26.6 | (9,154) | (44.5) |
| | <u>11,411</u> | <u>24.8</u> | <u>20,565</u> | <u>26.6</u> | <u>(9,154)</u> | <u>(44.5)</u> |
| Minerals | | | | | | |
| — NICKEL ORE | 8,601 | 18.7 | - | - | 8,601 | N/A |
| | <u>8,601</u> | <u>18.7</u> | <u>-</u> | <u>-</u> | <u>8,601</u> | <u>N/A</u> |
| Total | <u><u>45,999</u></u> | <u><u>100.0</u></u> | <u><u>77,437</u></u> | <u><u>100.0</u></u> | <u><u>(31,438)</u></u> | <u><u>(40.6)</u></u> |

| | For the six months ended 30 June | | | | | |
|--|----------------------------------|---------------------|----------------------|---------------------|------------------------|----------------------|
| | 2024 | | 2023 | | + / (-) | |
| | Sets | (%) | Sets | (%) | Sets | (%) |
| Quantities sold | | | | | | |
| Slewing rings | | | | | | |
| — ODM | 1,210 | 21.1 | 2,307 | 9.7 | (1,097) | (47.6) |
| — OEM | 39 | 0.7 | 42 | 0.2 | (3) | (7.1) |
| — OBM | 4 | 0.1 | 83 | 0.3 | (79) | (95.2) |
| — Others | — | — | 3,081 | 12.9 | (3,081) | (100.0) |
| | <u>1,253</u> | <u>21.9</u> | <u>5,513</u> | <u>23.1</u> | <u>(4,260)</u> | <u>(77.3)</u> |
| Mechanical parts and components | | | | | | |
| — ODM | 1,248 | 21.8 | 3,843 | 16.1 | (2,595) | (67.5) |
| — Others | 3,192 | 55.7 | 14,514 | 60.7 | (11,322) | (78.0) |
| | <u>4,440</u> | <u>77.5</u> | <u>18,357</u> | <u>76.8</u> | <u>(13,917)</u> | <u>(75.8)</u> |
| Machineries | | | | | | |
| — Machineries | 39 | 0.6 | 32 | 0.1 | 7 | 21.9 |
| | <u>39</u> | <u>0.6</u> | <u>32</u> | <u>0.1</u> | <u>7</u> | <u>21.9</u> |
| Total | <u><u>5,732</u></u> | <u><u>100.0</u></u> | <u><u>23,902</u></u> | <u><u>100.0</u></u> | <u><u>(18,170)</u></u> | <u><u>(76.0)</u></u> |

| | For the six months ended 30 June | | | | | |
|------------------------|----------------------------------|---------------------|-----------------|-----------------|----------------------|-------------------|
| | 2024 | | 2023 | | + / (-) | |
| | Tonnes | (%) | Tonnes | (%) | Tonnes | (%) |
| Quantities sold | | | | | | |
| Minerals | | | | | | |
| — NICKEL ORE | 54,600 | 100.0 | — | — | 54,600 | N/A |
| | <u>54,600</u> | <u>100.0</u> | <u>—</u> | <u>—</u> | <u>54,600</u> | <u>N/A</u> |
| Total | <u><u>54,600</u></u> | <u><u>100.0</u></u> | <u><u>—</u></u> | <u><u>—</u></u> | <u><u>54,600</u></u> | <u><u>N/A</u></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. 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. The Group can also manufacture 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 our ODM customers and this standard is hence applicable to our slewing rings sold to our customers on ODM basis.

In addition, the Group manufactures for some 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; or (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 Limited 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.

During the Reporting Period, revenue from slewing rings decreased by approximately HK\$24.2 million to HK\$17.3 million, as compared to HK\$41.5 million for 1H 2023, representing an decrease of 58.3%.

The decrease in revenue was mainly attributed to the decrease of sales of slewing rings in the ODM and sourcing business, of approximately HK\$13.8 million and HK\$9.0 million, respectively, while the revenue generated in value of the OEM of slewing rings for customers remained stable. The decrease in ODM business was attributed from Japan and the Association of Southeast Asian Nations (ASEAN) region and the sales to the customers of the region decreased by approximately HK\$13.8 million during the Reporting Period. Despite strong tourism activity from many countries, the downturn in manufacturing, construction and property market were affected by high interest rates and impact from tight monetary policy, leading to the decrease in ODM business, attributed by the decrease of quantities by 1,097 units, and the total number of ODM customers decreased from 19 in IH 2023 to 15 during the Reporting Period.

The revenue generated through the slewing rings that we sourced for our customers decreased by approximately HK\$9.0 million, or 100%, from approximately HK\$9.0 million for 1H 2023 to approximately HK\$nil million for the Reporting Period, which was mainly due to the slow down in the demand of slewing rings from the local market and the switch from sourcing slewing rings from us to directly ordering slewing rings manufactured by us, as our self-manufactured slewing rings were of a very high quality.

The sales of slewing rings accounted for approximately 37.6% and 53.6% in our total revenue for the Reporting Period and 1H 2023, respectively, and approximately 56.5% and 73.1% of the Group's total gross profit for the Reporting Period and 1H 2023, respectively. The overall quantities of the slewing rings sold for the Reporting Period decreased by 4,260 units, representing a decrease of 77.3% as compared to 1H 2023.

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 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. 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 semifinished 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.

The revenue from the sales of mechanical parts and components decreased by approximately 43.4% period-on-period or HK\$6.7 million to HK\$8.7 million for the Reporting Period.

The decrease in revenue was mainly attributed to the decrease of sales in sourcing business, of approximately HK\$7.2 million, net off by the increase in ODM business, of approximately HK\$0.5 million. The decrease in revenue of sourcing mechanical parts was mainly attributable to the decline in the sales to customers in the Philippines, as the customers in Philippines are mainly contractors and because of the decline in the construction and mining business, it led to a decline in the need of the mechanical parts and components for machineries used in construction and mining sites. The construction and mining activities in Philippines were adversely affected by strong rains and winds as the rainy season started early in 2024. The revenue of mechanical parts and components on sourcing basis to the Filipino market amounted to approximately HK\$2.9 million and HK\$6.8 million for the Reporting Period and 1H 2023, respectively.

The revenue of mechanical parts and components on ODM basis amounted to approximately HK\$4.5 million and HK\$4.0 million for the Reporting Period and 1H2023, respectively. The revenue of ODM mechanical parts was mainly attributable to the increase in the order from the customers in Singapore. Most of the mechanical parts imported into Singapore are eventually re-exported to other regions such as the U.S. and Europe, etc.

The mechanical parts and components accounted for approximately 18.9% and 19.8% in the total revenue of the Group for the Reporting Period and 1H 2023, respectively, amounting to approximately 18.9% and 14.6% of the Group's total gross profit for the Reporting Period and 1H 2023, respectively.

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. In catering to 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.

Our revenue from sales of machineries amounted to approximately HK\$11.4 million and HK\$20.6 million for the Reporting Period and 1H 2023. The revenue from such sales decreased by approximately 44.5% period-on-period or HK\$9.2 million to HK\$11.4 million for the Reporting Period. The decrease was mainly attributable to the decline in the orders placed by contractor customers in Hong Kong, with the sales in machineries amounted to HK\$nil million during the Reporting Period as compared to HK\$11.8 million in 1H 2023. The decline of revenue was mainly attributed to the longer-than expected sales cycles and the postponement in the commencement of new construction projects and completion of the existing construction projects experienced by a number of our customers, including but not limited to the projects concerning the third runway of the Hong Kong International Airport.

The machineries accounted for approximately 24.8% and 26.6% in the total revenue of the Group for the Reporting Period and 1H 2023, respectively, amounting to approximately 17.5% and 12.4% of the Group's total gross profit for the Reporting Period and 1H 2023, respectively.

Minerals

At the beginning of 2024, the Group decided to expand its products coverage in sourcing to include minerals and related products. Since the Company's transfer of listing to the Main Board of The Stock Exchange of Hong Kong Limited, the Group's customers have increasingly made enquiries whether the Group could provide a wider scope of products, most notably in connection with the excavation machineries used for mining. Our Group sees opportunities in the trading of minerals, and wishes to capture such business opportunity and synergies in broadening its business scope. It will also create more opportunities for the Group to sell more mechanical parts and components and machineries directly to the mine owners, thus strengthening the business base and profitability of the Group. During the Reporting Period, the Group has established a network of supply of minerals excavated from such mines, for resale to customers of the Group.

Our revenue from sales of minerals amounted to approximately HK\$8.6 million and HK\$nil million for the Reporting Period and 1H 2023. During the Reporting Period, the Group had negotiations with several mine owners based in the Southeast Asia region and we were able to secure the purchase of minerals excavated from such mines, for resale to our customers. The minerals we sold during the Reporting Period included nickel ore, a natural mineral which is extensively used in alloying — particularly with chromium and other metals to produce stainless and heat-resisting steels.

The minerals accounted for approximately 18.7% and nil in the total revenue of the Group for the Reporting Period and 1H 2023, respectively, amounting to approximately 7.1% and nil% of the Group's total gross profit for the Reporting Period and 1H 2023, respectively.

COSTS OF SALES

The costs of sales primarily consists of costs of inventories and consumables, depreciation on plant and machinery, overheads and direct labour costs relating to production of products. The Group's costs of sales decreased from approximately HK\$45.6million for 1H 2023 by approximately 38.7% or HK\$17.6 million to HK\$28.0 million for the Reporting Period, which was primarily due to the decrease in revenue and the need to produce a different product mix during the Reporting Period.

During the Reporting Period, the product mix of slewing rings, machineries, mechanical parts and components in revenue amount were approximately 37.6%, 24.8% and 18.9%, respectively.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group decreased from HK\$13.9 million for 1H 2023 by approximately 46.0% or HK\$6.4 million to approximately HK\$7.5 million for the Reporting Period. Such decrease was attributed to a decrease in office expense of approximately HK\$0.2 million, a decrease in listing expenses related to the Transfer of listing of approximately HK\$6.8 million, and a net increase in other administrative expenses of approximately HK\$0.6 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\$9.9 million for the Reporting Period, as compared to approximately HK\$14.8 million for 1H 2023. 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 1H 2023, profit attributable to shareholders of the Company would have been approximately HK\$21.6 million for 1H 2023.

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 2024, the Group's cash and cash equivalents were HK\$43.8 million, decreased by 26.9% or HK\$16.2 million, as compared with HK\$60.0 million as at 31 December 2023. 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 2024, the Group's total current assets and current liabilities were HK\$123.3 million (as at 31 December 2023: HK\$140.0 million) and HK\$5.8 million (as at 31 December 2023: HK\$17.0 million) respectively, representing a current ratio of 21.3 times (as at 31 December 2023: 8.2 times). As at 30 June 2024, the Group did not have any bank borrowings (as at 31 December 2023: HK\$8.1 million). The gearing ratio equals total interest-bearing borrowings divided by total equity and multiplied by 100%.

CAPITAL STRUCTURE

Share Subdivision

On 17 May 2024, the Shareholders in the annual general meeting of the Company approved the Share Subdivision of which each issued and unissued existing ordinary share of a par value of HK\$0.01 each in the share capital of the Company was subdivided into two subdivided shares of a par value of HK\$0.005 each (the “**Subdivided Share**”) in the share capital of the Company. Upon the Share Subdivision become effective, 800,000,000 Subdivided Shares are in issue and fully paid or credited as fully paid. The authorised share capital of the Company has become HK\$100,000,000 divided into 20,000,000,000 Subdivided Shares of par value of HK\$0.005 each. Details are set out in the Company's circular dated 15 April 2024. The Share Subdivision become effective on 21 May 2024.

As at 30 June 2024, 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 of the Company dated 31 October 2019 (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 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 2024 and the remaining balance of the net proceeds as at 30 June 2024 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 Proceeds utilised between | Amount of Net Proceeds utilised during the six months ended | Total amount of Net Proceeds utilised up to | Amount of Net Proceeds remaining as at | Updated expected timeline of full utilization of the net proceeds |
|--|--|---|---|---|---|--|---|
| | | | 15 November 2019 and 31 December 2023 | 30 June 2024 | 30 June 2024 | 30 June 2024 | |
| 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 | 848 | 25 | 873 | 831 | Q4 of 2024 |
| 5 To expand its finance department | 5.0% | 1,420 | 1,289 | 131 | 1,420 | 0 | Q4 of 2024 |
| 6 To enhance staff training | 0.8% | 227 | 16 | 67 | 83 | 144 | Q4 of 2024 |
| 7 To maintain sound working capital for operation | 15.6% | 4,435 | 4,435 | – | 4,435 | – | N/A |
| Total | 100.0% | 28,400 | 27,202 | 223 | 27,425 | 975 | |

As at 30 June 2024, the Group has utilised approximately HK\$27.4 million of the net proceeds and has approximately HK\$1.0 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 2024

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 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.

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 rework its future marketing plans.

During recent years, 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 2024

To increase its 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 its 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 the second half of 2024.

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

To expand its 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 look for high-quality candidates to strengthen the finance department and to cope with the expanded line of businesses and revenue.

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

To enhance staff training

Actual business progress as at 30 June 2024

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 the 2nd half of 2024. Meanwhile, in 2024, our senior management has attended training in relation to share capital management to further strengthen our professional and compliance knowledge and practice.

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 30 June 2024, the Group utilised approximately HK\$4.4 million as working capital for the research and development of ongoing 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 2024, the Group did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 82 employees (as at 31 December 2023: 96 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 2024, the Group is required to maintain an aggregate amount of bank deposits of at least HK\$10,000,000 (as at 31 December 2023: approximately HK\$10,000,000) 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 2023: 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 2024, the Group did not have any material contingent liability.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (for the six months ended 30 June 2023: Nil).

PROSPECTS

The Company has been successfully transferred listing from GEM to the Main Board of the Stock Exchange in 2023. This remarkable achievement has increased the profile and raised the public awareness of our Group as well as our recognition to the 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 greatly 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 and the upcoming U.S. Presidential election in November, the Directors do anticipate that the Group’s sourcing business will soon pick up its momentum once again. 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 more minerals and related products to enhance revenue and profitability.

OTHER INFORMATION

DISCLOSURE OF INTERESTS — DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS

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

As at 30 June 2024, the interests or short positions of the Directors and the chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the “SFO”)) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix C3 to the Listing Rules are as follows:

| Long position in Shares and underlying shares of the Company | | Percentage of interest in the Company’s issued capital |
|---|---|---|
| Name of substantial shareholder capacity/ nature of interest | Total number of share(s) held | |
| Mr. YP Chan’s Interest in controlled corporation (<i>Note 1</i>) | 600,000,000 shares (L) (<i>Note 2</i>) | 75% |

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

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

Save as disclosed above, as at 30 June 2024, none of the directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company or Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which he was taken or deemed to have under provision of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to the Model Code in Appendix C3 to the Listing Rules.

Share Option Scheme

Our Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”), which was approved by written resolutions passed by its shareholders on 21 October 2019 and became unconditional on 15 November 2019. Our directors consider the purpose of the Share Option Scheme is to reward the participants defined under the Share Option Scheme for their past contribution to the success of the Group and to provide incentive to them to further contribute to our Group. The principal terms of the Share Option Scheme are summarised under the paragraph headed “13. Share Option Scheme” in Appendix IV to the Prospectus and in accordance with the provisions of Chapter 17 of the Listing Rules.

Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the period ended 30 June 2024 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable any of the Company’s directors or members of its management (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, or had exercise any such rights in the Company or other body corporate.

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 period ended 30 June 2024 or at any time during the period.

DISCLOSURE OF INTERESTS — SUBSTANTIAL SHAREHOLDER’S INTERESTS

Substantial Shareholder’s Interests in Shares and Share Options

As at 30 June 2024, so far as known by the Directors, the following persons/entities (not being a Director or Chief Executive of the Company) had interest or short position in shares or underlying shares and debentures of Company and its associated corporation which would be required to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

| Name of substantial shareholder capacity | Nature of interest | Total number of share(s) held | Percentage of interest in the Company’s issued capital |
|--|--------------------|---|--|
| C Centrum (<i>Note 1</i>) | Beneficial owner | 600,000,000 shares (L) (<i>Note 3</i>) | 75% |
| Ms. Leung Tak Yee (<i>Note 2</i>) | Interest of spouse | 600,000,000 shares (L) (<i>Note 3</i>) | 75% |

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

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

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

Save as disclosed above, as at 30 June 2024, no other person (other than director or chief executive of the Company) had any interest or short position in the Shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALES AND REDEMPTION OF SHARES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

On 14 July 2022, DBS has pursuant to its periodic review agreed to increase the trading facility of up to HK\$15,000,000 for Best Linking Limited, which is an indirect wholly-owned subsidiary of the Company. Best Linking Limited and the Company, as borrower and corporate guarantor respectively, entered into a revised banking facility letter with DBS (the "**Facility Letter A**") on terms and conditions contained therein, including right of DBS to review the facility from time to time, customary overriding right of DBS to demand repayment any time, as well as the right to call for cash cover on demand for prospective or contingent liability.

Pursuant to the terms of the Facility Letter A, among other things, during the term of the Facility Letter A, (i) Best Linking Limited shall remain an indirect wholly-owned subsidiary of the Company; (ii) the Company shall procure Mr. YP Chan to remain as the director of the Company and Best Linking Limited; and (iii) Mr. YP Chan shall continue to be the single largest shareholder and hold not less than 50% of the beneficial interest of the Company and Best Linking Limited. As at the date of this announcement, Mr. YP Chan's beneficial interest in each of the Company and Best Linking Limited is 75%. Please refer to the announcement of the Company dated 14 July 2022 for more details.

On 28 February 2023, The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") as lender and the Company as corporate guarantor, entered into a banking facility letter (the "**Facility Letter B**") under which HSBC agreed to make available to Best Linking Limited a trading facility of up to HK\$16,000,000, on the terms and conditions contained therein, including HSBC's right to review the facility from time to time, HSBC's customary overriding right to demand repayment any time, as well as the right to call for cash cover on demand for prospective or contingent liability.

Pursuant to the terms of the Facility Letter B, among other things, during the term of the Facility Letter B, (i) Best Linking Limited shall remain an indirect wholly-owned subsidiary of the Company; (ii) the Company shall procure Mr. YP Chan to remain as the director of the Company and Best Linking Limited; and (iii) Mr. YP Chan shall continue to be the major shareholder holding more than 50% of the beneficial interest of the Company and Best Linking Limited. As at the date of this announcement, Mr. YP Chan's beneficial interest in each of the Company and Best Linking Limited is 75%. Please refer to the announcement of the Company dated 28 February 2023 for more details.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 Provision 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 the 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.

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 the Listed Issuers (the “**Model Code**”) in Appendix C3 to the Listing Rules. 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.

AUDIT COMMITTEE

Our Company established an Audit Committee on 21 October 2019 with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and Code Provisions D.3.3 and D.3.7 of the CG Code. The Audit Committee comprises three INEDs, namely Mr. Adrian Chan, Ms. Tam and Ms. Tsang. Mr. Adrian Chan, who has appropriate professional qualification and experience in accounting matters, was appointed to serve as the chairman of the Audit Committee.

The Audit Committee together with the management has reviewed the accounting principles and practices adopted by the Group and together with the Directors reviewed the risk management, internal control and financial reporting matters including the unaudited interim condensed consolidated financial information for the six months ended 30 June 2024.

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

Hong Kong, 20 August 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.