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 on GEM: 8617)
(Stock code on Main Board: 9882)

TRANSFER OF LISTING

Sole Sponsor

金聯資本
Goldlink Capital

IMPORTANT

If you are in any doubt about any of the contents of this listing document, you should obtain independent professional advice.

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TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sole Sponsor

金聯資本
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This listing document is published in connection with the Transfer of Listing and contains particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to our Company and subsidiaries.

This listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of our Company, nor have any such Shares or other securities been allotted or issued with a view to any of them being offered for sale to or subscription by the public. No Shares will be allotted or issued in connection with, or pursuant to, this listing document. Prior to making any investment decision, prospective investors should consider carefully all the information set out in this listing document, including but not limited to the risk factors set out in the section headed "Risk Factors" in this listing document.

Neither this listing document nor any copy hereof may be released, forwarded or distributed, directly or indirectly, in or into any jurisdiction where such release or distribution might be unlawful.

Information regarding the proposed arrangements for the Transfer of Listing and dealings and settlement of dealings in, the Shares following completion of the Transfer of Listing is set out in the section headed "Information about this Listing Document and the Transfer of Listing" in this listing document.

The Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Shares may only be offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur. Neither the U.S. Securities and Exchange Commission nor any other U.S. federal or state securities commission or regulatory authority has approved or disapproved of the Shares or passed an opinion on the adequacy of this listing document. Any representation to the contrary is a criminal offence in the United States.

22 September 2023

Event	Date[note 1]
Last day of dealings in the Shares on GEM of the Stock Exchange (stock code: 8617)	Thursday, 28 September 2023
First day of dealings in the Shares on the Main Board of the Stock Exchange[Notes 2&3] to commence at 9:00 a.m. on	Friday, 29 September 2023

Notes:

1. All dates and times refer to Hong Kong dates and times, unless otherwise stated.

2. The Shares will be traded on the Main Board under the new stock code 9882 following the Transfer of Listing.

3. The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lot of 5,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of our Company is Conyers Trust Company (Cayman) Limited and the Hong Kong Branch Share Registrar and transfer office of our Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of our Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of our Company following the Transfer of Listing.

If there is any change in the expected timetable or if the Transfer of Listing does not proceed, our Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE

This listing document is issued by our Company solely in connection with the Transfer of Listing and does not constitute an offer to sell or a solicitation of an offer to buy any of our securities. This listing document may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this listing document to make your investment decision. Our Company and the Sole Sponsor have not authorised anyone to provide you with information that is different from what is contained in this listing document. Any information or representation not made in this listing document must not be relied on by you as having been authorised by our Company, the Sole Sponsor, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Transfer of Listing.

CONTENTS

This summary aims to give you an overview of the information contained in this listing document. As it is a summary, it does not contain all the information that may be important to you. You should read this listing document in its entirety before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk Factors" in this listing document. You should read that section carefully before you decide to invest in our Shares.

BUSINESS MODEL AND OVERVIEW

We were established in 2007 and are a premium slewing ring manufacturer in the PRC serving our customers in the PRC, Hong Kong and overseas. We are also a provider of other mechanical parts and components and machineries which are used mainly in construction and mining sites. To expand our business base, since 2020, we have been manufacturing mechanical parts and components for our customers to seize the business opportunities and cater the need of our customers.

With over 15 years of experience in manufacturing and providing slewing rings and slewing rings related products and services, as per the Industry Report, our Group ranked fourth among the slewing ring manufacturers in the PRC in terms of sales revenue to overseas markets, accounting for approximately 1.7% of the market share in the PRC in 2022.

A slewing ring is a necessary transmission part for machineries and equipments, which can ensure the relative rotational motion between objects, as well as bearing the axial force, radial force and tilting moment simultaneously. Generally, it is a rotational rolling-element bearing that typically supports a heavy but slow-turning or slow-oscillating load. It has a wide application in many areas such as construction machineries and equipments, robotics, wind turbines, amusement park rides, military equipments and machineries, etc. We pride ourselves in our ability to manufacture slewing rings that conform to premium standard under JIS, which, according to the Industry Report, has higher product requirements and level of precision than JB and JB/T standards. The JIS sets out standards on gear with regards to product specification including but not limited to accuracy, shapes, profiles, dimensions, backlashes and measuring methods. The slewing rings we produce are of premium standard under the JIS, which are in line with the standards required by certain customers which are leading Japanese heavy duty machineries manufacturers or their affiliates, and we are able to offer a long warranty period of up to 3,000 hours of operation or two years (whichever occurs first) for slewing rings manufactured under our OEM basis, which, according to the Industry Report, is significantly higher than the usual warranty period of 2,000 hours of operation or one year (whichever occurs first) available in the market.

We are able to produce a broad spectrum of slewing rings of approximately 120 models, with inner diameter ranging from 125mm to 3.6m, for various applications and we manufacture slewing rings on three basis, namely (i) ODM; (ii) OEM; and (iii) OBM. We also source slewing rings which we do not manufacture to cater to the needs of our customers. We have a diverse customer base which include customers from the PRC, Hong Kong, Singapore, Japan, the Philippines and other Asian countries/ locations. For our OEM business, we produce slewing rings for leading Japanese manufacturers or their affiliates, such as Sumitomo Construction Machinery, Yutani and KATO.

Since we expanded our production facilities after our GEM Listing, 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 Sumitomo Construction Machinery for over 10 years, we are in a position to source excavators and other heavy duty machineries directly from its affiliate, Sumitomo Construction Machinery Sales. We further extend our heavy duty machineries offering on other types of machineries such as pile drivers, wheel loaders and trucks.

Our pricing policy

For the slewing rings and mechanical parts and components, we generally determine our pricing on a cost-plus basis taking into consideration factors such as production costs, price of raw materials, technical requirements, level of our value-added services and consultation required, timing for the production, market conditions, and our Group's expected profit margins. For machineries, likewise, we typically determine our pricing on a cost-plus basis taking into account primarily the sale price from suppliers, consultation and inspection work required, transportation cost, credit terms, the market price and availability and our Group's expected profit margin.

Our customers

We have an international customer base, and our customers are mainly wholesalers, traders, manufacturers (including leading Japanese machinery manufacturers or their affiliates) and construction contractors from various countries. We are able to seize business opportunities with these customers as (i) wholesalers and traders used to source wide range of products from various suppliers for re-sale to end customers; (ii) construction contractors operate heavy duty machineries during their course of business and thus have a demand on various kinds of heavy duty machineries and a necessity on related parts and components to carry out maintenance for their machineries; and (iii) our stringent quality assurance and capability to produce and customise slewing rings conforming to JIS, JB and JB/T standards make us eligible to be an OEM manufacturer. During the Track Record Period, we had been supplying slewing rings to a nominated supplier for the supply and use of slewing rings in theme parks and resorts in Hong Kong, and both slewing rings and heavy duty machineries to construction contractors working on the Hong Kong International Airport Three Runway System Project. During each of the year/period of the Track Record Period, we derived revenue from 34, 36, 36 and 38 customers, respectively.

During the Track Record Period, our sales to our top five customers in each year/period accounted for approximately 63.9%, 58.6%, 55.1% and 57.4% of our revenue, respectively. In the corresponding year/period, sales to our largest customer were approximately HK$13.1 million, HK$23.6 million, HK$28.9 million and HK$18.1 million, which accounted for approximately 18.8%, 17.9%, 22.6% and 23.3% of our revenue, respectively.

Our suppliers

During the Track Record Period, our major suppliers were raw material providers which we needed for our production of slewing rings and mechanical parts and components as well as the suppliers of machineries and finished goods for products we sourced for our customers. Substantially all of our raw materials are supplied by suppliers located in the PRC and we maintain a list of approved suppliers and service providers to ensure the quality of our supplies.

During the Track Record Period, our purchases from our five largest suppliers in each year/period represented approximately 68.3%, 67.0%, 61.1% and 58.7% of our total purchase, respectively, and purchases from our single largest supplier accounted for approximately 23.4%, 22.2%, 16.4% and 16.4%, respectively, of our total purchase in the corresponding year/period.

During the Track Record Period, two of our top five customers and two of our top five suppliers or their affiliates were also our suppliers and customers, respectively. These overlaps arose due to the broad range in products nature we offer alongside the supply of machineries and the business nature of our customers and suppliers as wholesalers and traders.

OUR PRODUCTION FACILITIES

Our Group's production facility is located in Changping Town of Dongguan City, the PRC and is leased from an Independent Third Party. Our production facilities, office, dormitory and building surrounding land occupy a total gross floor area of approximately 7,463.9 sq.m. During the Track Record Period, the depreciation charged against the right-of-use of such production facility in each year/period were approximately HK$0.5 million, HK$0.6 million, HK$0.6 million and HK$0.3 million, respectively.

COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are attributable to the following:

(i) we adhere to high standards of production conforming to JIS and are able to customise and produce slewing rings adopting applicable national JB or JB/T standards;

(ii) we have an international customer base;

(iii) we have a strong focus on stringent quality assurance;

(iv) we have an experienced and capable management team and technicians;

(v) we possess the ability to offer comprehensive and new products with value-added services; and

(vi) we can produce multi-specification products simultaneously.

IMPLEMENTATION OF BUSINESS STRATEGIES AND USE OF PROCEEDS

Since our GEM Listing, we have been actively implementing our business plans and strategies to leverage on our competitive advantages to expand the scale of our operation, strengthen our market position and increase our profit margin. We pursue the strategies of (i) acquiring and replacing machineries and equipments with an aim to enhance and expand our production capacity at our production facilities in Dongguan City, the PRC; (ii) enlarging our market share and strengthening our marketing efforts; (iii) increasing our level of automation; (iv) establishing our ERP system; (v) expanding our finance department; and (vi) enhancing staff training to achieve our goals. Despite the impact of COVID-19, our Directors consider that our strategies have successfully facilitated our Group to achieve our goals.

As at 30 June 2023, we had utilised approximately HK$26.9 million of the net proceeds from the GEM Listing and the balance of approximately HK$1.4 million is expected to be fully utilised by 31 December 2023. The table below sets forth the details of our use of net proceeds from the GEM Listing up to 30 June 2023:

	Adjusted and intended use of net proceeds from the GEM Listing		Actual use of net proceeds up to 30 June 2023		Amount of net proceeds remaining as at 30 June 2023		Expected timeline of full utilisation of the net proceeds
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*	
1. 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	17,210	60.6	17,210	60.6	—	—	N/A
2. To enlarge our market share and strengthen our marketing efforts	1,246	4.4	1,246	4.4	—	—	N/A
3. To increase our level of automation	2,158	7.6	2,158	7.6	—	—	N/A
4. To establish our ERP system	1,704	6.0	837	2.9	867	3.1	Q4 of 2023
5. To expand our finance department	1,420	5.0	1,060	3.7	360	1.3	Q4 of 2023
6. To enhance staff training	227	0.8	16	0.1	211	0.7	Q4 of 2023
7. To maintain sound working capital for operation	4,435	15.6	4,435	15.6	—	—	N/A
Total	28,400	100	26,962	94.9	1,438	5.1	

Save as disclosed above, the Group has not undertaken any material acquisition or disposal since its GEM Listing and up to the Latest Practicable Date.

KEY OPERATIONAL AND FINANCIAL DATA

For each of the year/period of the Track Record Period, our revenue amounted to approximately HK$69.5 million, HK$132.3 million, HK$127.7 million and HK$77.4 million, respectively, and our profit for the year/period attributable to owners of our Company amounted to approximately HK$13.6 million, HK$35.1 million, HK$34.9 million and HK$14.8 million, respectively. The table below sets forth our key operational and financial data during the Track Record Period.

Highlights of consolidated statements of comprehensive income

	FY2020	FY2021	FY2022	6M2022	6M2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	69,499	132,250	127,730	68,769	77,437
Cost of sales	(43,362)	(77,740)	(69,806)	(36,902)	(45,599)
Gross profit	26,137	54,510	57,924	31,867	31,838
Profit before income tax	16,252	41,866	41,432	25,755	18,685
Income tax expense	(2,608)	(6,780)	(6,503)	(4,180)	(3,929)
Profit for the year/period attributable to owners of our Company	13,644	35,086	34,929	21,575	14,756

Non-HKFRS Measures

To supplement our consolidated statements of profit or loss, which are presented in accordance with HKFRSs, we use adjusted net profit (Non-HKFRS measure) as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRSs. We believe the presentation of this non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating the impact of certain items.

The following table reconciles our calculations of adjusted net profit (Non-HKFRS measure) with net profit for the year/period, which is presented in accordance with HKFRSs:

	FY2020	**FY2021**	**FY2022**	**6M2022**	**6M2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit for the year/period attributable to owners of the Company	13,644	35,086	34,929	21,575	14,756
Add:					
Transfer of Listing expenses	—	—	3,899	—	6,843
Adjusted net profit (Non-HKFRS measure)	13,644	35,086	38,828	21,575	21,599

We recorded a substantial increase in net profit of the year attributable to owners of the Company from approximately HK$13.6 million for FY2020 to approximately HK$35.1 million for FY2021, which was mainly due to the increase in revenue and hence gross profit in (a) ODM slewing rings as our production capacity in FY2020 was lowered as a result of temporary suspension of our production facility due to COVID-19; (b) sourcing of slewing rings mainly due to the increase in demand on sourcing of slewing rings of low unit price in FY2021 of our customers under the adverse impact by COVID-19 pandemic; (c) sourcing of mechanical parts and components due to our capability to source wide range of products and our arrangement of logistic services at the time of tight global logistic supply chain in FY2021; and (d) sourcing of machineries due to the increase in the number of customers that sourced machineries from us.

The net profit of the year attributable to owners of the Company remained relatively stable at approximately HK$35.1 million for FY2021 and approximately HK$34.9 million for FY2022.

The net profit for the period attributable to owners of our Company decreased from approximately HK$21.6 million for 6M2022 to approximately HK$14.8 million for 6M2023, which was mainly due to the increase in administrative expenses of approximately HK$8.1 million, primarily due to the Transfer of Listing expenses of approximately HK$6.8 million incurred for 6M2023.

Revenue, gross profit and gross profit margin by product category

The table below sets forth the breakdown of our revenue, gross profit and gross profit margin by product category in each year/period of the Track Record Period:

	FY2020			FY2021			FY2022		
	Revenue	Gross profit	Gross Profit Margin	Revenue	Gross profit	Gross Profit Margin	Revenue	Gross profit	Gross Profit Margin
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*
Slewing rings									
ODM	25,972	13,145	50.6	34,473	17,892	51.9	56,759	32,131	56.6
OEM	421	51	12.1	525	53	10.2	362	79	22.0
OBM	3,534	1,557	44.1	1,477	591	40.0	996	471	47.3
Sourcing	5,033	1,906	37.9	22,481	9,854	43.8	17,227	7,327	42.5
Sub-total	34,960	16,659	47.7	58,956	28,390	48.2	75,344	40,008	53.1
Mechanical parts and components									
ODM	5,581	2,038	36.5	8,311	3,534	42.5	8,950	3,642	40.7
Sourcing	11,738	4,030	34.3	25,856	12,054	46.6	16,116	6,508	40.4
Sub-total	17,319	6,068	35.0	34,167	15,588	45.6	25,066	10,150	40.5
Sourcing of machineries									
Excavators	17,220	3,409	19.8	27,167	7,175	26.4	16,493	5,369	32.6
Others	—	—	—	11,960	3,358	28.1	10,827	2,396	22.1
Sub-total	17,220	3,409	19.8	39,127	10,533	26.9	27,320	7,765	28.4
Total	69,499	26,137	37.6	132,250	54,510	41.2	127,730	57,924	45.3

	6M2022			6M2023		
	Revenue	Gross profit	Gross Profit Margin	Revenue	Gross profit	Gross Profit Margin
	HK$'000 (Unaudited)	*HK$'000* (Unaudited)	*%* (Unaudited)	*HK$'000*	*HK$'000*	*%*
Slewing rings						
ODM	26,966	14,689	54.5	30,618	18,545	60.6
OEM	250	59	23.6	140	45	32.1
OBM	454	214	47.1	1,742	872	50.1
Sourcing	10,844	4,733	43.6	9,021	3,799	42.1
Sub-total	38,514	19,695	51.1	41,521	23,261	56.0
Mechanical parts and components						
ODM	5,325	1,930	36.2	3,980	1,928	48.4
Sourcing	10,852	4,947	45.6	11,371	2,712	23.9
Sub-total	16,177	6,877	42.5	15,351	4,640	30.2
Sourcing of machineries						
Excavators	8,809	3,876	44.0	9,799	2,577	26.3
Others	5,269	1,419	26.9	10,766	1,360	12.6
Sub-total	14,078	5,295	37.6	20,565	3,937	19.1
Total	68,769	31,867	46.3	77,437	31,838	41.1

Our revenue increased significantly from HK$69.5 million for FY2020 to HK$132.3 million for FY2021 primarily due to the increase in revenue in our sales of slewing rings manufactured under ODM basis and through sourcing, which increased by approximately HK$8.5 million and HK$17.5 million, respectively. The substantial increase in revenue and sales quantities from the sourcing of slewing rings was mainly due to the increase in demand from our customers on slewing rings of low unit price that we did not manufacture which was resulted from the uncertainties in global economies due to the continuous adverse impact of COVID-19 pandemic. Such uncertainties negatively impacted the budget of our customers and hence their respective customers. As such, our international traders and wholesaler customers tended to purchase slewing rings of lower selling price in general to fit their customers' needs. Such increase in revenue was also due to the increase in sales of mechanical parts and components and machineries we sourced.

Our revenue decreased slightly by approximately HK$4.5 million in FY2022, which was primarily due to the decrease in sales in slewing rings, mechanical parts and components and machineries we sourced partially offset by the increase in revenue in ODM slewing rings. Revenue generated from our customers in Singapore, Hong Kong and Malaysia remained a significant part of our revenue and accounted for over 70% in aggregate in each year/period of the Track Record Period.

Our Group's revenue increased by approximately HK$8.7 million, or 12.6%, from approximately HK$68.8 million for 6M2022 to approximately HK$77.4 million for 6M2023, mainly due to the increase in revenue in (a) sales of ODM slewing rings; (b) sales of OBM slewing rings; and (c) sourcing of machineries, partially offset by the decrease in revenue in sourcing of slewing rings.

Please refer to the section headed "Financial Information — Principal Components of Consolidated Statements of Comprehensive Income" in this listing document for a detailed analysis on our results of operations.

Average selling price and quantities by product category

The following table sets forth a breakdown of average selling price and quantities sold by product category in each year/period of Track Record Period:

	FY2020		**FY2021**		**FY2022**		**6M2022**		**6M2023**	
	Average selling price		**Average selling price**		**Average selling price**		**Average selling price**		**Average selling price**	
	HK$	*units*	*HK$*	*units*	*HK$*	*units*	*HK$*	*units*	*HK$*	*units*
Slewing rings										
ODM	11,795	2,202	14,515	2,375	14,886	3,813	14,230	1,895	13,272	2,307
OEM	3,238	130	3,323	158	3,232	112	3,378	74	3,333	42
OBM	10,975	322	9,654	153	11,718	85	11,353	40	20,988	83
Sourcing	15,777	319	19,314	1,164	6,135	2,808	7,463	1,453	2,928	3,081
Sub-total		2,973		3,850		6,818		3,462		5,513
Mechanical parts and components										
ODM	1,982	2,816	122	68,305	82	109,767	263	20,284	1,036	3,843
Sourcing	2,866	4,096	3,507	7,372	1,735	9,291	2,024	5,361	783	14,514
Sub-total		6,912		75,677		119,058		25,645		18,357
Sourcing of machineries										
Excavators	1,722,000	10	936,792	29	458,133	36	440,447	20	445,425	22
Others	—	—	284,754	42	773,399	14	439,100	12	1,076,590	10
Sub-total		10		71		50		32		32
Total		9,895		79,598		125,926		29,139		23,902

Our pricing policy of our products are determined on a cost-plus basis taking into several consideration factors regardless of customer type and location. Please refer to section headed "Business — Pricing Policy" in this listing document for details of our pricing policy.

For FY2021, our average selling price for ODM slewing rings increased from approximately HK$11,795 in FY2020 to approximately HK$14,515, which was mainly due to (i) the price increment by us; and (ii) the increase in average selling price of medium-size ODM slewing rings from approximately HK$14,044 in FY2020 to approximately HK$18,429 in FY2021 due to the increase in selling price to a Japanese customer as a result of an urgent sales order which was required to be shipped within two weeks. For 6M2023, our sales of small-size ODM slewing rings increased to 1,044 units, from 784 units for 6M2022. The small-size slewing rings have lower unit price in general and hence the average selling price of our ODM slewing rings decreased from HK$14,230 for 6M2022 to HK$13,272 for 6M2023.

Our average selling price for sourcing of slewing rings increased from approximately HK$15,777 for FY2020 to approximately HK$19,314 for FY2021. Such increase was mainly attributable to (i) the increase in sales quantities of large-size slewing rings from 49 units to 271 units which generally have higher selling price; and (ii) the increase in average selling price of medium-size slewing rings from approximately HK$14,480 in FY2020 to approximately HK$19,054 in FY2021 due to price increment from our major supplier which we are able to transfer such increase to our customers. For FY2022, our average selling price for the sourcing of slewing rings decreased significantly from approximately HK$19,314 in FY2021 to HK$6,135. The lower average selling price in FY2022 was mainly due to the sales of 1,586 small-size slewing rings with an average selling price of approximately HK$290. Such sales represented approximately 56.5% of the total sales quantities of our sourcing of slewing rings for FY2022 and hence a lower average selling price of sourcing of slewing rings was recorded. The average selling price was exceptionally low for small-size slewing rings mainly because of the sales of 1,508 units of slewing rings of very small size to a Hong Kong wholesaler. Such Hong Kong wholesaler, which is a nominated supplier for the supply and use of slewing rings in a theme park and resort in Hong Kong, also increased its order for our sourcing of small-size slewing rings, from 667 units for 6M2022 to 2,395 units for 6M2023. The average selling price of such small-size slewing rings was approximately HK$48 and hence our average selling price for the sourcing of slewing rings decreased to approximately HK$2,928 for 6M2023, from approximately HK$7,463 for 6M2022.

For our ODM mechanical parts and components, our average selling prices decreased from approximately HK$1,982 in FY2020 to approximately HK$82 in FY2022. Such decrease was mainly due to the substantial increase in sales quantities of parts and components of track chains and track shoes from 994 units in FY2020 to 89,991 units. Such parts and components of track chains and track shoes had very low unit price in general. For 6M2023, the average selling price increased to approximately HK$1,036, from approximately HK$236 for 6M2022, which was mainly due to (i) the increase in sales of coil springs from 207 units to 309 units which generally has higher average price than other types of parts and mechanical parts and components that we manufactured during 6M2023; and (ii) the decrease in sales in track chains and track shoes which had low unit price in general.

For FY2022, our average selling price for sourcing of mechanical parts and components decreased from approximately HK$3,507 in FY2021 to approximately HK$1,735, which was mainly due to the sales of different types of mechanical parts and components with lower selling prices driven by the demand of our customers. For instance, (i) there was an increase in sales quantities of bolts to a Hong Kong customer from 1,000 in FY2021 to 2,000 in FY2022 which had a very low average selling price (i.e. less than HK$10 per unit) and (ii) the absence of sales of buckets in FY2022 to a Hong Kong customer which had a very high average selling price (i.e. more than HK$0.6 million per unit). For 6M2023, we sold over 3,500 water pipes with a unit selling price of approximately HK$2 to a Filipino customer and over 1,400 units of bolts to another Filipino customer with a unit selling price of approximately HK$10. Such sales of parts and components in large quantities with low unit prices had dragged our average selling price to approximately HK$783 for 6M2023, from approximately HK$2,024 for 6M2022.

For sourcing of machineries, the average selling prices of excavators and other machineries varied during the Track Record Period, which was mainly due to the sales of different types and specifications of the machineries. The prices of machineries also vary across brand new and used machineries, and especially for used machineries, due to their length of usage, etc.

Revenue, gross profit and gross profit margin by geographical location

The following table sets forth a summary of our revenue, gross profit and the respective margin by geographical location in each year/period of the Track Record Period:

	FY2020			FY2021			FY2022		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*
Singapore	24,120	11,351	47.1	45,858	20,006	43.6	51,216	27,308	53.3
Hong Kong	18,134	5,740	31.7	40,961	13,635	42.1	35,799	13,354	37.3
Malaysia	8,555	3,782	44.2	10,412	8,833	46.5	18,676	9,202	49.3
The Philippines	1,215	545	44.8	20,007	6,908	34.5	12,806	3,175	24.8
Japan	3,421	1,604	46.9	7,171	1,884	26.3	3,030	1,404	46.3
Vietnam	498	290	58.4	1,379	705	51.1	2,482	1,518	61.2
New Zealand	58	20	34.1	1,439	789	54.8	983	602	61.2
Northern Ireland	10,109	1,600	15.8	1,215	438	36.1	—	—	—
Others*(Note 1)*	3,389	1,204	35.5	3,808	1,314	34.5	2,738	1,361	49.7
Total	**69,499**	**26,137**	**37.6**	**132,250**	**54,510**	**41.2**	**127,730**	**57,924**	**45.3**

	6M2022			6M2023		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*
	(Unaudited)	(Unaudited)	(Unaudited)			
Singapore	27,961	14,476	51.8	28,098	16,166	57.5
Hong Kong	25,369	10,457	41.2	19,396	4,485	23.1
Malaysia	5,819	2,747	47.2	11,038	5,843	52.9
The Philippines	4,824	1,923	39.9	11,177	2,123	19.0
Japan	2,940	1,358	46.2	3,075	924	30.0
Vietnam	492	281	57.1	653	440	67.4
New Zealand	—	—	—	6	4	88.2
Northern Ireland	—	—	—	—	—	—
Others*(Note 1)*	1,364	625	45.9	3,994	1,854	46.4
Total	**68,769**	**31,867**	**46.3**	**77,437**	**31,838**	**41.1**

Note 1: Others mainly consist of Canada, Taiwan, the PRC, Korea and Thailand

Revenue, gross profit and gross profit margin by customer type

The following table sets forth a summary of our revenue, gross profit and gross profit margin by customer type in each year/period of the Track Record Period:

	FY2020			FY2021			FY2022		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*
Traders	36,203	15,948	44.1	89,031	36,256	40.7	74,355	36,236	48.7
Wholesalers	22,206	6,989	31.5	33,132	13,389	40.4	28,827	11,956	41.5
Construction contractors	9,998	2,847	28.5	8,087	4,094	50.6	21,704	8,134	37.5
Manufacturers	1,092	352	32.2	2,000	771	38.5	2,844	1,598	56.2
Total	**69,499**	**26,137**	**37.6**	**132,250**	**54,510**	**41.2**	**127,730**	**57,924**	**45.3**

	6M2022			6M2023		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*
	(Unaudited)	(Unaudited)	(Unaudited)			
Traders	41,718	19,728	47.3	49,386	22,344	45.2
Wholesalers	12,628	5,678	45.0	15,113	6,628	43.8
Construction contractors	13,671	6,115	44.7	12,145	2,381	19.6
Manufacturers	752	346	46.0	793	485	61.1
Total	**68,769**	**31,867**	**46.3**	**77,437**	**31,838**	**41.1**

Gross profit margin by geographical locations

Our overall gross profit margin increased from approximately 37.6% in FY2020 to approximately 41.2% in FY2021, mainly due to the increase in gross profit margin generated from Hong Kong, as a result of the change in product mix as requested by our customers for mechanical parts and components. For instance, we sold (i) four telescope booms to a Hong Kong customer in FY2021 and recorded a gross profit margin of approximately 52.7%; and (ii) two buckets and five hydraulic pumps to a Hong Kong customer in FY2021 and recorded a gross profit margin of approximately 52.6% and 53.8%, respectively.

Our overall gross profit margin further increased from approximately 41.2% in FY2021 to approximately 45.3% in FY2022, as a result of the increase in gross profit margin generated from Singapore, mainly due to our increase in gross profit margin of ODM slewing rings and such increase was mainly due to (a) the increase in quantities of large-size slewing rings sold with higher profit margin compared to other sizes of ODM slewing rings from 27 to 39; (b) the maintenance of our selling price level during FY2022 after the price increment by our Group in FY2021; and (c) the decrease in our raw material cost, as particularly demonstrated by the decrease of average purchase cost of forged rings of approximately 5.8% from HK$7,593.75 per ton in FY2021 to HK$7,156.63 per ton in FY2022.

Our overall gross profit margin decreased from approximately 46.3% in 6M2022 to approximately 41.1% in 6M2023, mainly because of (i) the decrease in gross profit margin from Hong Kong market from approximately 41.2% for 6M2022 to 23.1% for 6M2023, mainly due to sales of machineries with low gross profit margin to a new customer which is a Hong Kong construction contractor with an aim to establish a long term relationship with it; and (ii) higher gross profit margin recorded for 6M2022 as a result of the gross profit margin of approximately 49.1% from the sales of machineries and sourcing of mechanical parts and components to a Hong Kong customer while no sales to such customer was recorded during 6M2023; partially offset by the increase in gross profit margin generated from Singapore during 6M2023, due mainly to the increase in gross profit margin of ODM slewing rings as there were increase in quantities of large-size slewing rings sold which has the highest gross profit margin among all ODM slewing rings and decrease in our raw material cost.

Gross profit margin by customer type

Our overall gross profit margin increased from approximately 37.6% in FY2020 to approximately 41.2% in FY2021, mainly because the increase in gross profit margin generated from (i) wholesalers increased from approximately 31.5% for FY2020 to approximately 40.4%, which was mainly due to (a) the gross profit margin of approximately 39.2% generated from a Hong Kong wholesaler customer from sales of excavators which were in better condition, with no identifiable need for any replacement of any parts of the excavators, and thus yielded a higher margin; and (b) the gross profit margin of approximately 51.2% generated from a Malaysian wholesaler customer from sales of the sourcing track chains and shoes; and (ii) construction contractors which increased from approximately 28.6% for FY2020 to approximately 50.6%, which was mainly due to the change in product mix as requested by a Hong Kong customer for mechanical parts and components. For instance, we sold four telescope booms to a Hong Kong customer in FY2021 and recorded a gross profit margin of approximately 52.7%.

Our overall gross profit margin further increased from approximately 41.2% in FY2021 to approximately 45.3% in FY2022 mainly due to the increase in gross profit margin generated from (i) traders which increased from approximately 40.7% for FY2020 to approximately 48.7%, which was mainly due to our sales of ODM slewing rings to Customer A and Kangwoo; and (ii) manufacturers which increased from approximately 38.5% for FY2020 to approximately 56.2%, mainly due to our sales of mainly large-size ODM slewing rings which generally had the highest gross profit margin among all ODM slewing rings, to a Vietnamese customer. For the reasons for the increase in gross profit and gross profit margin of ODM slewing rings, please refer to the paragraphs headed "Financial Information — Period-to-Period Comparison of Results of Operations" in this listing document.

Our overall gross profit margin decreased from approximately 46.3% in 6M2022 to approximately 41.1% in 6M2023, mainly because of (i) the decrease in gross profit margin from traders from approximately 47.3% for 6M2022 to 45.2% for 6M2023, primarily due to the decrease of gross profit margin from (i) the sourcing of mechanical parts and components from (a) a Hong Kong trader and (b) a Filipino trader due to the change of product mix as requested by them; and (ii) the decrease in gross profit margin from construction contractors from approximately 44.7% for 6M2022 to 19.6% for 6M2023, primarily due to (a) sales of machineries with low gross profit margin to a new customer with an aim to establish a long term relationship with it; and (b) higher gross profit margin recorded for 6M2022 as a result of the gross profit margin of approximately 49.1% from the sales of machineries and sourcing of mechanical parts and components to a customer while no sales to such customer was recorded during 6M2023.

Highlights of consolidated statements of financial positions

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	12,846	19,045	26,422	25,063
Current assets	94,741	125,155	122,766	147,556
Current liabilities	6,434	14,669	5,544	33,692
Non-current liabilities	79	—	79	27
Net current assets	88,307	110,486	117,222	113,864
Net assets/Total equity	101,074	129,531	143,565	138,900

Our net current assets increased by approximately HK$22.2 million or 25.1%, from approximately HK$88.3 million as at 31 December 2020 to approximately HK$110.5 million as at 31 December 2021, which was primarily attributable to (i) the increase of approximately HK$16.9 million in trade receivables; (ii) the increase of approximately HK$13.3 million in cash and cash equivalents; and partly offset by (i) the increase of approximately HK$4.3 million in current income tax liability; and (ii) the increase of approximately HK$3.9 million in trade payables. Meanwhile, our net current assets increased by approximately HK$6.7 million or 6.1%, from approximately HK$110.5 million as at 31 December 2021 to approximately HK$117.2 million as at 31 December 2022 which was primarily attributable to (i) the decrease in trade payables of approximately HK$7.3 million; (ii) the increase in prepayments, deposits and other receivables of approximately HK$5.1 million; and partly offset by the decrease in cash and cash equivalents of approximately HK$5.4 million. Our net current assets then decreased by approximately decreased by approximately HK$3.4 million or 2.9%, from approximately HK$117.2 million as at 31 December 2022 to HK$113.9 million as at 30 June 2023, which was primarily attributable to (i) the increase of approximately HK$25.0 million in cash and cash equivalents; (ii) the increase of approximately HK$5.5 million in trade receivables; and partly offset by (i) the decrease of approximately HK$6.0 million in prepayments, deposits and other receivables; and (ii) the increase of approximately HK$16.0 million in dividend payable. As at 31 December 2020, 2021, 2022 and 30 June 2023, our Group did not have any bank borrowing.

Our net assets increased from approximately HK$101.1 million as at 31 December 2020 to approximately HK$129.5 million as at 31 December 2021, which was primarily due to the increase in retained earnings as a result of the net profit for FY2021 of approximately HK$35.1 million, partially net off by the decrease in share premium due to dividends paid of HK$8 million during the FY2021.

Our net assets further increased to approximately HK$143.6 million as at 31 December 2022, which was primarily due to the increase in retained earnings as a result of profit for the FY2022 of approximately HK$34.9 million, partially net off by the decrease in share premium due to dividends paid of HK$16 million during the FY2022.

Our net assets then decreased to approximately HK$138.9 million as at 30 June 2023, which was mainly due to the dividend declared during the 6M2023 and yet to be paid in the amount of approximately HK$16 million, and partially net off by the increase in retained earnings due to the profit for the 6M2023 of approximately HK$14.8 million.

Please refer to the section headed "Financial Information — Analysis of Major Components of the Consolidated Balance Sheets" in this listing document for a detailed analysis on our financial positions.

Highlights of consolidated statement of cash flows

	FY2020	**FY2021**	**FY2022**	**6M2022**	**6M2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net cash generated from operating activities	11,142	29,051	21,017	2,620	26,253
Net cash used in investing activities	(5,278)	(7,646)	(10,260)	(3,380)	(777)
Net cash used in financing activities	(11,870)	(8,108)	(16,108)	(54)	(54)
Net (decrease)/increase in cash and cash equivalents	(6,006)	13,297	(5,351)	(814)	25,422
Cash and cash equivalents as at beginning of year	49,040	43,130	56,387	56,387	51,003
Currency translation differences	96	(40)	(33)	202	(471)
Cash and cash equivalents as at end of year/period	43,130	56,387	51,003	55,775	75,954

We recorded a net cash outflow for FY2020 and FY2022. The net cash outflow for FY2020 was mainly due to (i) the purchase and prepayments made for purchases of property, plant and equipment in an aggregate amount of approximately HK$5.3 million; (ii) the payment of lease liabilities in an aggregate amount of approximately HK$3.9 million; and (iii) the dividends paid of HK$8 million during the year. The net cash outflow for FY2022 was mainly due to (i) the purchase of property, plant and equipment of approximately HK$3.9 million; (ii) the payments for construction in progress of approximately HK$6.4 million; and (iii) the dividends paid of HK$16 million during the year.

Summary of financial ratios

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2020	**2021**	**2022**	**2023**
Gross profit margin	37.6%	41.2%	45.3%	41.1%
Net profit margin	19.6%	26.5%	27.3%	19.1%
Current ratio	14.7	8.5	22.1	4.4
Quick ratio	11.0	6.8	18.4	3.8
Gearing ratio	0.2%	0.1%	0.1%	0.1%
Return on equity	13.5%	27.1%	24.3%	10.6%
Return on total assets	12.7%	24.3%	23.4%	8.5%

Please refer to the section headed "Financial Information — Key Financial Ratios" in this listing document for the description of calculations and detailed analysis.

DIVIDEND AND DIVIDEND POLICY

We declared a total dividend of nil, HK$16.0 million, HK$24.0 million and nil for FY2020, FY2021, FY2022 and 6M2023, respectively. We have adopted a dividend policy but we do not have any predetermined dividend payment ratio. Any future dividend payment will depend on various factors including but not limited to our operation, financial conditions and performance, cash flow, working capital requirements, retained earnings, economic prospects and other factors which our Board may consider appropriate from time to time. Our dividend payment is also subject to approval of our Shareholders as well as all applicable laws, which for instance, the PRC laws require that dividend be paid only out of the distributable profit calculated according to the PRC accounting principles. The historical dividend payments is not indicative of future dividend trends.

REASONS FOR THE TRANSFER OF LISTING

Our Directors are of the view that the GEM Listing has facilitated our Group in raising public awareness and profile as well as our recognition from existing and new customers. With the continuing development and business growth of our Group after the GEM Listing, appreciating the listing on the Main Board is often perceived to enjoy a premium status by investors, our Directors consider that the Transfer of Listing, if approved, will be beneficial to the future growth, financing flexibility and business development of our Group, and in particular, (i) further promote our corporate profile and recognition among public investors and increase the attractiveness of our Shares to the public investors and thus broaden our investor base and enhance the trading liquidity of our Shares; (ii) increase our bargaining power in negotiations with suppliers and other business associates, which will have more confidence in our Group's financial strength and credibility; and (iii) strengthen our position in the industry and enhance our competitive strengths in recruiting and retaining key management staff and experienced personnel.

As at the date of this listing document, our Board has no plan to change the nature of the business of our Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by our Company.

TRANSFER OF LISTING EXPENSES

Our financial performance for FY2022 was affected by expenses incurred in relation to the Transfer of Listing. The Transfer of Listing expenses are estimated to be approximately HK$16.0 million, in which approximately HK$3.9 million and HK$6.8 million was charged to profit or loss of our Group for FY2022 and for 6M2023, respectively. The estimated Transfer of Listing expenses include (i) professional parties expenses of approximately HK$15.8 million paid and payable to the Sole Sponsor and the reporting accountant, the legal advisers, and the industry consultant, etc.; and (ii) non-professional parties expenses of approximately HK$0.2 million. The actual amount to be recognised in profit or loss in FY2023 onwards are subject to final billing and other adjustments.

Our Directors are of the view that there has been no fundamental deterioration in the commercial and operational viability in our business despite the expected Transfer of Listing expenses.

LEGAL AND COMPLIANCE

Our Directors confirmed that we have complied with all applicable laws and regulations in relation to our business in all material aspects during the Track Record Period and up to the Latest Practicable Date. Our PRC Legal Adviser is of the view that the title defect in the Leased Property in Dongguan City will very unlikely affect the operation of our production facility, and the likelihood that we will be fined or will be required to make up the social insurance contributions and housing provident fund contributions is remote.

SUMMARY OF MATERIAL RISK FACTORS

Our business is subject to certain major risks, some of which are beyond our control. We have categorised these risks and uncertainties into (i) risks relating to our business and our industry; (ii) risks relating to the People's Republic of China; (iii) risks relating to our Shares; and (iv) risks relating to this listing document. Among these, certain particular risk factors are as follows:

- There is no assurance of liquidity of our Shares and the price and/or trading volume of our shares may be volatile;
- Our track record performance may not be indicative of our future revenue and profit;
- Our profitability may be adversely affected by the fluctuations in the price of raw materials;
- Our five largest customers in each year/period accounted for an aggregate of 63.9%, 58.6%, 55.1% and 57.4% of our revenue for the Track Record Period. If we fail to maintain our business relationship with them or any of them or other key customers, this could adversely affect our business, results of operations, financial condition and prospects;
- Our customers make purchases from us on an order-by-order basis and there is no certainty on the purchase amount and our revenue;
- The markets for our products are highly competitive;
- The delay in payments from customers may adversely affect our sufficiency of working capital to support a relatively long ageing of trade receivables; and
- The global occurrence and possible recurrence of COVID-19 may result in a significant delay in the delivery of our products, thus leading to a possible material and severe disruption on our business, financial condition and operations.

Investors should read the section headed "Risk Factors" in this listing document before making any investment decision related to our Shares.

IMPACT OF COVID-19

The slewing ring industry in general was adversely affected by the outbreak of COVID-19, due to, among other things, reduced international and inter-provincial flow of goods, unavailability of workers across the PRC due to travel restrictions, mandatory quarantine requirement and the temporary closure of factories in the first quarter of 2020 and more stringent import and export procedures in place due to the COVID-19 outbreak.

It caused disruption to our production plant which resulted in lockdown and quarantine measures as well as suspension in our production plant in the PRC for approximately two months in the first quarter of 2020. However, even with the corresponding suspension of operations of our production plant as well as our customers, we neither experienced any termination of contracts in relation to our sales nor paid any penalties due to rescheduling or delay in delivery. We also did not encounter any labour shortage as a result of the outbreak of COVID-19. We were able to agree on a revised delivery schedule with our customers for orders placed during the period of COVID-19. However, as our customers placed individual purchase orders on a case-by-case basis, we did not experience any reduction in sales orders during the Track Record Period. The transportation costs had been increased significantly, for instance, the sea freight rate for a 40-foot shipping container departing from the port at Shenzhen, the PRC to Los Angeles, the U.S. had increased sharply from approximately US$1,400 per container in September 2019 to its peak at approximately US$17,000 in August 2021. The sea freight rate for a 20-foot shipping container also increased from approximately US$1,200 per container in September 2019 to approximately US$3,700 in September 2020. The increase in the transportation costs was mostly borne by our customers. For FY2021 and FY2022, the operation of our Group was not impacted by COVID-19 other than infection by staff members which did not cause any material impact.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business operations remained stable and continued to grow steadily. During this period, we have applied for registration of various trademarks in Hong Kong and the PRC in relation to our new brand to be sold in the Asia market, predominantly in Japan and Singapore.

We have also changed our principal place of business in Hong Kong for larger space so as to cope with our business expansion. Kyoei Seiki also established a labour union in the PRC accordance with the PRC Trade Union Law (《中華人民共和國工會法》) on 6 September 2023.

For 6M2023, the Transfer of Listing expenses of approximately HK$6.8 million was charged to profit or loss of our Group. Potential investors should note that the financial performance of our Group for the financial year ending 31 December 2023 is expected to be negatively affected by the Transfer of Listing expenses and our forecast net profit for the financial year ending 31 December 2023 may decrease. Our Directors would like to emphasise that such Transfer of Listing expenses is a current estimate for reference only, and the final amount to be recognised in the income statement of our Group from the financial year ending 31 December 2023 onwards is subject to final billing and other adjustments.

Our Directors confirm that, save for the expenses in connection with the Transfer of Listing, as far as they are aware, since 30 June 2023 and up to the date of this listing document, there has been no material adverse change in our financial or trading position or prospect or adverse event to the overall economic and market conditions in the industries where we operate which had materially affected our business, results or operations or the information shown in our consolidated financial information included in the Accountant's Report set forth in Appendix I to this listing document.

OUR CONTROLLING SHAREHOLDERS

Immediately upon the completion of the Transfer of Listing (without taking into account of any Share which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), 75% of the issued share capital of our Company will continue to be held by C Centrum, which is wholly-owned by Mr. YP Chan. In this regard, Mr. YP Chan, together with C Centrum, are our Controlling Shareholders within the meaning of the Listing Rules. There has been no change in our Controlling Shareholders since the GEM Listing and up to the Latest Practicable Date. Please refer to the section headed "Relationship with Our Controlling Shareholders" in this listing document for further details.

SHAREHOLDER DISTRIBUTION

Based on the results of enquiries made by us and to the best knowledge of our Directors having made reasonable enquiries, as at 31 August 2023 (being the latest practicable date for ascertaining the shareholding structure of our Company prior to the Transfer of Listing), our Company had at least 300 public Shareholders. Excluding Mr. YP Chan and C Centrum, our Controlling Shareholders, which held 300,000,000 Shares, representing 75.00% of the issued share capital of our Company, our top 29 Shareholders held an aggregate of 53,575,000 Shares, representing 13.39% of the issued share capital of our Company. 46,425,000 Shares, representing 11.6% of the issued share capital of our Company were held by other Shareholders. Please refer to the section headed "Share Capital — Shareholder Distribution" in this listing document for further details.

SHARE PRICE AND TRADING VOLUME

Share Price

The chart below shows the daily closing price of our Shares since the day of the GEM Listing and up to the Latest Practicable Date:

Since the GEM Listing and up to the Latest Practicable Date, the highest closing price of our Shares was HK$1.90 on 13 April 2023 and 14 April 2023 and the lowest closing price of our Shares was HK$0.405 recorded on 19 March 2020 and 20 March 2020. Set out below are the quantitative information and explanations on material fluctuations in our Share price during this period:

— The closing price of our Shares maintained a relatively stable trend from the day of the GEM Listing on 15 November 2019 of HK$0.56 per Share to HK$0.48 per Share on 6 November 2020.

— The closing price of our Shares increased from HK$0.5 per Share on 9 November 2020 to HK$0.8 per Share on 1 December 2020, representing an increase of approximately 60%. Our Directors were of the belief that such increase was likely caused by the public investors' perception of the improvement in our Group's operating performance. On 9 November 2020 (after trading hours), our Company published its third quarterly results announcement for the nine months ended 30 September 2020 (the "**Third Quarterly Results Announcement**") which reported that our Group's business had improved quarter-over-quarter. For the three months ended 30 September 2020, our Group's revenue grew by approximately 38.3% as compared to the same period in 2019. The overall performance of our Group for the three months ended 30 September 2020 significantly improved from the three months ended 30 June 2020 and returned to a similar level for the same period in 2019, which our Directors believed was attributable to the manufacturing sector which made a swift comeback to near-normal activity level in terms of production and work resumption in China. For instance, our Group recorded a significant increase in net profit of approximately HK$6.6 million for the three months ended 30 September 2020, accumulating to approximately HK$10.3 million of net profits for the nine months ended 30 September 2020, while our Group only recorded a net profit of approximately HK$3.7 million for the six months ended 30 June 2020. Other than the publication of the Third Quarterly Results Announcement, our Directors were not aware of any reason that might have caused the increase in the Share price over this period.

— The closing price of our Shares then decreased sharply to HK$0.465 per Share on 5 January 2021, representing a decrease of approximately 41.8%. Our Directors believed that the fluctuations in our Share price during the period might be triggered by the publication of the consultation paper (the "**Consultation Paper**") on the Main Board profit requirement by the Stock Exchange on 27 November 2020. The proposed increase in the minimum profit requirement under the Consultation Paper has created uncertainty on GEM listed company's ability to fulfil the new Main Board profit requirement (the "**Profit Requirement**") and hence its prospect in transferring its listing from GEM to the Main Board in the foreseeable future. In particular, it was proposed that the Profit Requirement would increase by either 150% or 200% in the Consultation Paper. Such proposed increase in the Profit Requirement may cast doubt on the value of GEM listed company and may have dampened the interest by public investors in our Shares during the period.

— From 5 January 2021 to 3 March 2021, the closing price of our Shares fluctuated and traded in a range from the lowest of HK$0.46 per Share on 18 January 2021 and 19 January 2021 to the highest of HK$0.69 per Share on 3 March 2021. Our Directors believed the increase in our Share price in the period may be benefited from the optimistic market sentiment in the period that the Hang Seng Index increased from 26,387 on 25 December 2020 to 30,645 on 19 February 2021 and the closing price of S&P/HKEX GEM index, which consists of major GEM issuers as its constituents, increased sharply from 125.02 on 28 December 2020 to 216.32 on 17 February 2021.

— The closing price of our Shares decreased from HK$0.69 per Share on 3 March 2021 to HK$0.48 on 31 March 2021, representing a decrease of approximately 30.4%. Our Directors believed that such decrease might be triggered by the publication of annual results announcement for FY2020 on 22 March 2021. The profit for the year for FY2020 amounted to approximately HK$13.6 million, as compared to the profit for FY2019 (excluding the impact of listing expenses under non-HKFRS measure) of approximately HK$20.0 million, it represented a decrease of approximately 32.0%. Moreover, the Board did not recommend the payment of a final dividend for FY2020 against a final dividend of HK$0.02 per Share in FY2019. The public investors may have perceived from the annual results announcement for FY2020 that the profitability of the Group is affected by the COVID-19 pandemic in 2020 and would be continuously affected by the development of the COVID-19 outbreak.

— From 31 March 2021 to 15 February 2022, the closing price of our Shares fluctuated and traded in a range from the lowest of HK$0.48 per Share on 31 March 2021 to the highest of HK$0.7 per Share on 9 June 2021 and 16 June 2021, and gradually decreased to HK$0.54 per Share on 15 February 2022. From 31 March 2021 to 16 June 2021, our Group published the first quarterly report on 13 May 2021, of which our revenue and total comprehensive income for the period increased by approximately 91.9% and 78.1% from approximately HK$7.3 million and HK$0.7 million for the three months ended 31 March 2020 to approximately HK$14.1 million and HK$1.3 million for the three months ended 31 March 2021. Other than the publication of our first quarterly report for the three months ended 31 March 2021, our Directors confirmed that they are not aware of any reason that caused the fluctuation in our Share price over this period. Our Share price gradually decreased from HK$0.7 per Share on 9 June 2021 to HK$0.54 per Share on 15 February 2022, representing a decrease of approximately 22.9%, which was in line with the decrease in the Hang Seng Index from 29,288 to 20,553 from 25 June 2021 to 11 March 2022, representing a decrease of 29.8%.

— The closing price of our Shares then increased significantly from HK$0.54 per Share on 15 February 2022 to HK$1.25 per Share on 1 April 2022. Our Directors believed that such increase might be caused by the public investors' perception of the improvement in our Group's operating performance as reflected in (i) the positive profit alert announcement for the annual results for FY2021 published on 8 March 2022; and (ii) the annual results announcement for FY2021 published on 22 March 2022. Our Group's revenue increased significantly by approximately 90.3% or HK$62.8 million from approximately HK$69.5 million in FY2020 to approximately HK$132.3 million in FY2021. Profit attributable to our Shareholders was approximately HK$35.1 million in FY2021, as compared to approximately HK$13.6 million in FY2020. Moreover, the Board recommended the payment of final dividend of HK$0.02 per Share for FY2021.

— From 1 April 2022 to 13 July 2022, the closing price of our Shares fluctuated and traded in a range from the lowest of HK$1.02 per Share on 18 May 2022 to the highest of HK$1.25 per Share on 1 April 2022.

— The closing price of our Shares then increased from HK$1.05 per Share on 13 July 2022 to HK$1.58 per Share on 9 August 2022. Our Directors believed that such increase might be caused by the public investors' perception of the improvement in our Group's operating performance as reflected in the interim results announcement for the six months ended 30 June 2022 published on 8 August 2022. Our Group's revenue increased by 44.6% or HK$21.3

million from HK$47.5 million for the six months ended 30 June 2021 to HK$68.8 million for the six months ended 30 June 2022. Profit attributable to our Shareholders was approximately HK$21.6 million for the six months ended 30 June 2022, as compared to approximately HK$10.3 million for the six months ended 30 June 2021.

— From 9 August 2022 to 22 March 2023, the closing price of our Shares gradually slided and traded in a range from the highest of HK$1.58 per Share on 9 August 2022 to the lowest of HK$1.23 per Share on 1 March 2023. During the period, our Share price decreased from HK$1.31 per Share on 28 February 2023 to HK$1.23 per Share on 1 March 2023, representing a decrease of approximately 6.1%. On 28 February 2023, our Group published an announcement regarding entering into a banking facility letter with the Hongkong and Shanghai Banking Corporation Limited. Other than the aforesaid announcement, our Directors confirmed that they are not aware of any reason that caused the fluctuation in our Share price over this period.

— The closing price of our Shares maintained relatively stable at an average of HK$1.30 per Share from 23 March 2023 to 30 March 2023. The closing price of our Shares then significantly increased from HK$1.28 on 30 March 2023 to HK$1.90 on 13 April 2023. Our Directors believe that the significant increase might have been caused by the publication of the announcement on the proposed Transfer of Listing on 30 March 2023 (the "**Proposed Transfer of Listing Announcement**"). The closing price of our Shares then decreased from HK$1.90 on 14 April 2023 to HK$1.35 on 8 June 2023, which was at a similar price range before the publication of the Proposed Transfer of Listing Announcement. It then fluctuated and traded in a range from HK$1.35 per Share on 8 June 2023 to HK$1.54 per Share on 19 June 2023. Other than the aforesaid Proposed Transfer of Listing Announcement, our Directors were not aware of any other reason that might have caused the fluctuation in our Share price over this period.

— The closing price of our Shares traded in a relatively stable range from HK$1.54 per Share to HK$1.49 per Share between 19 June 2023 and 7 September 2023.

— The closing price of our Shares then increased significantly from HK$1.49 per Share on 7 September 2023 to HK$1.88 per Share on 15 September 2023, being the Latest Practicable Date. Our Directors confirmed they are not aware of any reason that caused the significant increase in our Share price over this period.

Having made reasonable enquiries, our Directors confirm, and the Sole Sponsor concurs, that our Directors were not aware of any reason for the price movement of the Shares or of any information that had to be disclosed under Part XIVA of the SFO.

Trading Volume

Our Group recorded the highest average daily trading volume of approximately 97,660,000 Shares on 20 November 2019, representing approximately 24.4% of the total number of our Shares. Our Group recorded the lowest average daily trading volume of nil Shares on various dates. The average daily trading volume of our Shares since the GEM Listing Date and up to the Latest Practicable Date amounted to approximately 803,844 Shares, representing approximately 0.2% of the total number of our Shares. Our Directors confirmed that they are not aware of any change in our Company's circumstances leading to the fluctuation of the trading volume of our Shares.

In this listing document, the following expressions and terms shall have the meanings set out below unless the context otherwise requires.

"6M2022"	the six months ended 30 June 2022
"6M2023"	the six months ended 30 June 2023
"Accountant's Report"	the Accountant's Report for the three years ended 31 December 2020, 2021 and 2022, the text of which is set out in Appendix I to this listing document
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, adopted on 16 June 2023, as supplemented, amended or otherwise modified from time to time, a summary of which is set out in Appendix III to this listing document
"associate(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Audit Committee"	the audit committee of our Board
"Best Linking"	Best Linking Limited (永聯豐有限公司), a company incorporated in Hong Kong on 15 September 2010 and an indirect wholly-owned subsidiary of our Company
"Best Linking Holdings"	Best Linking Holdings Limited, a company incorporated in the BVI with limited liability on 14 September 2018 and a direct wholly-owned subsidiary of our Company
"Board"	our board of Directors
"business day"	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal business to the public
"BVI"	the British Virgin Islands
"C Centrum"	C Centrum Holdings Limited, a company incorporated in the BVI with limited liability on 14 September 2018 and wholly-owned by Mr. YP Chan, and a Controlling Shareholder
"Cayman Islands Companies Act" or "Companies Act"	the Companies Act (2022 Revision) of the Cayman Islands as consolidated or revised from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Operational Procedures"	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force
"close associate(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice"	the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Best Linking Group Holdings Limited (永聯豐集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability under the Cayman Islands Companies Act on 26 October 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this listing document, means Mr. YP Chan and C Centrum
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Corporate Governance Committee"	the corporate governance committee of our Board
"COVID-19"	the coronavirus pandemic, a global pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)

"Deed of Indemnity"	the deed of indemnity (as supplemented by the Supplemental Deed of Indemnity) dated 21 October 2019 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) containing the indemnities more particularly referred to in the paragraphs headed "Statutory and General Information — Other information — 13. Tax and other indemnities" in Appendix IV to this listing document
"Director(s)"	director(s) of our Company
"EIT Law"	the Enterprise Income Tax Law of the PRC (中國企業所得稅法)
"Frost & Sullivan"	Frost & Sullivan International Limited, a market research company and an Independent Third Party
"FY"	the financial year ended or ending 31 December
"GDP"	gross domestic product
"GEM"	GEM operated by the Stock Exchange
"GEM Listing" or "Listing on GEM"	the listing of the Shares on GEM
"GEM Listing Date"	15 November 2019, being the date on which dealings in our Shares first commenced on GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
"GEM Prospectus"	the prospectus issued by our Company dated 31 October 2019 for the GEM Share Offer and Listing on GEM
"GEM Share Offer"	the issue and offer of our Shares at the offer price of HK$0.55 per Share for Listing on GEM
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Group", "our Group", "we", "us" or "our"	our Company and its subsidiaries or any of them at the relevant time, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries such subsidiaries as if they were subsidiaries of our Company at the relevant time

"HKFRSs"	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
"Independent Third Party(ies)"	a person(s) or company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any of the Directors, chief executive or Substantial Shareholders of our Company or its subsidiaries or any of their respective associates
"Industry Report"	the industry report prepared by Frost & Sullivan, which was commissioned by us for the purpose of, and inclusion in, this listing document
"JPY"	Japanese Yen, the official currency of Japan
"Kyoei Seiki"	Kyoei Seiki Co., Limited* (東莞共榮精密機械有限公司), a company established in the PRC on 5 September 2007 and an indirect wholly-owned subsidiary of our Company
"Kyoei Seiki Holdings"	Kyoei Seiki Holdings Limited, a company incorporated in the BVI with limited liability on 14 September 2018 and a direct wholly-owned subsidiary of our Company
"Latest Practicable Date"	15 September 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this listing document prior to its publication
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Division"	the Listing Division of the Stock Exchange
"Listing Rules" or the "Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange, as amended, modified or supplemented from time to time

"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on 21 October 2019, as supplemented, amended or otherwise modified from time to time, a summary of which is set out in Appendix III to this listing document
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中國工業和信息化部)
"MOFCOM"	the Ministry of Commerce of the PRC (中國商務部)
"Mr. HT Chen"	Mr. Chen Hsu Ting (陳旭汀先生), brother of Mr. YP Chan and Mr. LP Chan
"Mr. LP Chan"	Mr. Chan Lung Pan (陳龍彬先生), an executive Director; the brother of Mr. HT Chen and Mr. YP Chan
"Mr. YP Chan"	Mr. Chan Yuk Pan (陳煜彬先生), an executive Director and one of our Controlling Shareholders; the brother of Mr. LP Chan and Mr. HT Chen
"NDRC"	the National Development and Reform Commission of the PRC (中國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of our Board
"PRC" or "China"	the People's Republic of China, excluding, for the purpose of this listing document only, Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC government" or "Chinese government"	the central government of the PRC, including all governmental subdivisions (including provisional, municipal and other regional or local government entities)
"PRC Legal Adviser"	Jiayuan Law Offices, the legal adviser of our Company as to PRC law
"Q"	calendar quarter, and Q1, Q2, Q3 and Q4 shall mean the first calendar quarter, the second calendar quarter, the third calendar quarter and the fourth calendar quarter, respectively
"Remuneration Committee"	the remuneration committee of our Board
"SAC"	the Standardisation Administration of the PRC (中國國家標準化管理委員會)

"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (中國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme adopted by our Company on 21 October 2019 which shall remain valid and effective following the Transfer of Listing and will be implemented in full compliance with Chapter 17 of the Listing Rules, a summary of its principal terms is set out in the section headed "Statutory and General Information — Share Option Scheme — 12. Share Option Scheme" in Appendix IV to this listing document
"Sole Sponsor"	Goldlink Capital (Corporate Finance) Limited, the sole sponsor to our Company's application for the Transfer of Listing and a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity
"State Council"	the State Council of the PRC (中國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber Share"	has the meaning ascribed to it in the section headed "History and Group Structure — Corporate history — Our Company"
"subsidiary" or "subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules unless the context otherwise requires
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and details of our Substantial Shareholders are set out in the section headed "Substantial Shareholders" in this listing document

"Supplemental Deed of Indemnity"	the supplemental deed of indemnity to the Deed of Indemnity dated 20 September 2023 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) containing the indemnities more particularly referred to in "Statutory and General Information — Other information — 13. Tax and other indemnities" in Appendix IV to this listing document
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three financial years ended 31 December 2022 and six months ended 30 June 2023
"Transfer of Listing"	the proposed transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Listing Rules
"United States" or "U.S."	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, modified and supplemented from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"Wing Fung"	Wing Fung Machinery Company Limited (榮豐機械有限公司), a company incorporated in Hong Kong on 10 November 2005 and an indirect wholly-owned subsidiary of our Company
"HK$" or "HKD" or "Hong Kong dollar(s)"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"sq.ft."	square feet
"sq.m."	square meter(s)
"US$" or "U.S. dollar(s)" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent.

All dates and times in this listing document refer to Hong Kong time unless otherwise stated.

In this listing document, unless otherwise specified, amounts denominated in Renminbi, U.S. dollar and Japanese Yen have been translated, for the purpose of illustration only, into Hong Kong dollar at an exchange rate of (i) RMB1.00 = HK$1.14; (ii) US$1.00 = HK$7.85 and (iii) JPY1.00 = HK$0.059.

Such conversions shall not be construed as representations that amounts in Renminbi, Hong Kong dollar, U.S. dollar or Japanese Yen were or could have been or could be converted into Renminbi, Hong Kong dollar, U.S. dollar or Japanese Yen (as the case may be) at such rates or any other exchange rates on such date or any other date.

Certain amounts and percentage figures included in this listing document have been subject to rounding adjustments and, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

In this listing document, if there is any inconsistency between Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with "" are for identification purpose only.*

This glossary of technical terms contains explanations and definitions of certain terms used in this listing document in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"Boring"	boring is the process of enlarging and truing of a hole that has already been drilled or cast by removing material from internal surfaces with a single-point cutter tool (or of a boring head containing several such tools), such as in boring a gun barrel or an engine cylinder
"CNC" or "computer numerical control"	the automation of machine tools (as opposed to manually controlled) that are operated by a computer "controller" that reads programmed commands and drives a machine tool
"ERP system"	enterprise resource planning system
"EXW" or "Ex works"	a shipping arrangement in which a seller delivers when he places the goods at the disposal of the buyer at the seller's premises or another named place not cleared for export and not loaded on any collecting vehicle
"FOB"	free on board, a shipping arrangement in which a seller delivers when the goods pass the ship's rail at the named port of shipment
"Forged ring"	a forged ring is a ready-made base plate that comes from a steel manufacturer. It is formed and hot-rolled into a ring shape to meet the specified dimensions for the base plate
"Forging"	forging is a manufacturing process involving the shaping of metal using localised compressive forces. The pounding action of forging deforms and shapes the metal in the form of ring through the ring rolling process
"GB" or "GB/T"	national standards of SAC which are either mandatory (which are prefixed GB) or recommended (which are prefixed GB/T) and may be identical to or modified from or not equivalent to international standards of the ISO
"Heat treatment"	a process by which a metal piece is heated to certain degree for a period of time, and then cooled at a certain rate to room temperature or even lower. Such progress will improve the mechanical properties of the metal piece, such as hardness or durability. Each of quenching and tempering is one of the heat treatment technique

"HRC"	an abbreviation for Rockwell Hardness measured on the C scale. The abbreviation usually appears after a number, e.g. HRC 22. Rockwell C Hardness is a designation of hardness, usually of steel or corrosion resistant alloys, measured by pressing a specially shaped indenter against a clean prepared surface with a specific force
"Induction hardening"	a widely used process for the surface hardening of steel. It refers to the process by which the surface of a metal part is selectively hardened by induction heating and then quenched. The quenched metal undergoes a transformation, increasing the hardness and brittleness of the part, and yet the properties of the part as a whole is not altered
"Industry 4.0"	''Industry 4.0'' the 4th Industrial Revolution, meaning the integration of manufacturing machines, robots, digital tools and computer systems, shifting to more interconnected, efficient and flexible business models, which includes a wide range of technological solutions related to big data, autonomous robots, analytics to streamline supply chain processes, cloud, additive manufacturing and internet of things (IoT), to name a few
"ISO"	the International Organisation of Standardisation, an acronym for a series of quality management and quality assurance standards published by the International Organization for Standardization, a non-governmental organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	one of the management standards and guidelines of ISO which states the requirement for quality management systems and covers the following management principles — customer focus, leadership, involvement of people, process approach, system approach management, continual improvement, factual approach to decision making and mutually beneficial supplier relationship
"JB" or "JB/T"	recommended industry standards issued by the MIIT relating to machinery
"JIS"	stands for Japanese Industrial Standards. It indicates the standards used for industrial activities in Japan. Japanese Industrial Standards Committee (JISC) coordinates the standardisation process and publishes through the Japanese Standards Association (JSA)
"kg"	kilogram
"m"	meter

"medium-size player"	according to the Industry Report, it means slewing ring manufacturers in the PRC with an annual revenue between RMB10 million to RMB100 million
"mm"	millimeter
"OBM"	original brand manufacturing, whereby the manufacturer sells its proprietary branded products
"ODM"	original design manufacturing, whereby the manufacturer provides the product designs
"OEM"	original equipment manufacturing, whereby our customer provides the product designs and specifications
"Quenching"	a part of heat treatment that processes on the surface of the component on the slewing ring e.g. tooth, raceway, etc. It is heated to a certain temperature and then rapidly cooled in the air to improve the hardness and strength of the metal in order to increase the life and reliability of the ring
"Tempering"	a heat treatment technique that improves the properties of metallic materials. Low temperature tempering heating temperature is about 150–250°C. The martensite produced by quenching remains unchanged, but the brittleness of the steel and the quenching stress are lowered. It is mainly used for tools, rolling bearings, carburised parts and surface hardened parts that require high hardness and high strength
"Trader(s)"	customers/suppliers which conduct trading and/or distribution in their own right and do not possess any warehouse for inventory
"Turning"	turning is a process in which a forging ring is attached to a rotating moving part that spins it and at the same time, a cutting tool is used to trim the edge of the forging ring so as to remove the excessive materials and the rusty part of the forging ring. The forging ring is roughly turned into the designed size
"Wholesaler(s)"	customers/suppliers which conduct trading and/or distribution in their own right and possess a warehouse for inventory
"°C"	the degree Celsius (°C) can refer to a specific temperature on the Celsius scale or a unit to indicate a difference between two temperatures or an uncertainty

This listing document contains forward-looking statements that state our Company's belief, expectations, or intentions for the future. The words ''aim'', ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''forecast'', ''going forward'', ''intend'', ''ought to'', ''may'', ''plan'', ''potential'', ''project'', ''seek'', ''should'', ''will'', ''would'', ''wish'' and the negative of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements.

These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this listing document, which may cause our actual results, performance or achievements to be materially different from the performance or achievements expressed or implied by the forward-looking statements. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

These forward-looking statements reflecting the current view of our Company with respect to future events are, by their nature, subject to significant risks, assumptions and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business prospects
- our business and operating strategies and our various measures to implement such strategies;
- our operations and business prospects, including development plans for our existing and/or new businesses;
- our capital expenditure plans;
- changes in policies, legislation, regulations, practices or approval processes in the industry and those countries or territories in which we operate that may affect our business operations;
- our financial condition and results of operations;
- our dividend policy;
- our ability to control costs;
- changes in trends, economic conditions and competitions in the area in which we, our suppliers and customers operate, including a downturn in general economy;
- the regulatory environment and industry outlook in general;
- future events and developments in the competition markets of our industry and actions and developments of our competitors;
- changes or volatility in interest rates, equity prices or other rates or prices;
- catastrophic losses from fires, floods, wind and/or typhoons;
- other statements in this listing document that are not historical facts;

- realisation of the benefits or future plans and strategies; and
- other factors beyond our control and other risks and uncertainties described in the section headed "Risk Factors" in this listing document.

These forward-looking statements are based on current plans and estimates, and only as of the date they are made. Subject to the requirements of the applicable laws, rules (including the Listing Rules) and regulations, our Group does not have any obligation to update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way our Group expects, or at all.

We caution you that a number of important facts could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this listing document are qualified by reference to the cautionary statements set forth in this section.

In this listing document, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this listing document. Any such intentions may potentially change in light of future developments.

An investment in our Shares involves various risks. You should consider carefully all the information set out in this listing document and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision. The business, financial position, or results of business operation of our Group can be materially and adversely affected by the occurrence of any of following events. The market price of our Shares could fall significantly and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

THERE IS NO ASSURANCE OF LIQUIDITY OF OUR SHARES AND THE PRICE AND/OR TRADING VOLUME OF OUR SHARES MAY BE VOLATILE

Since GEM Listing, the trading volume of the Shares has been low. Our Group recorded nil trading volume for a number of days. The average daily trading volume of our Shares since GEM Listing up to the Latest Practicable Date were approximately 803,844 Shares, representing approximately 0.2% of our total issued Shares or 0.8% of the public float of our total issued Shares. There is no assurance that the trading volume of the Shares will increase after the Transfer of Listing. The price and/or trading volume of the Shares may be volatile and fluctuate significantly and rapidly. Investors should not place undue reliance on facts, statistics and data contained in this listing document relating to the economies and our industry. There may be press and media coverage regarding our Group or the Transfer of Listing which may include certain events, financial information, financial projections and other information about us that do not appear in this listing document. Shareholders and potential investors are cautioned not to place undue reliance on such information. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our track record performance may not be indicative of our future revenue and profit

Our revenue for each of the year/period of the Track Record Period was approximately HK$69.5 million, HK$132.3 million, HK$127.7 million and HK$77.4 million, respectively. Our profit for the year/period attributable to owners of our Company for the same year/period was approximately HK$13.6 million, HK$35.1 million, HK$34.9 million and HK$14.8 million, respectively. There was a one-off expense of approximately HK$3.9 million and HK$6.8 million in relation to the Transfer of Listing recorded in FY2022 and 6M2023, respectively. The trends of the historical performance and financial information of our Group is a mere presentation and analysis of our past performance only and do not carry any implication or may not reflect our financial performance in future. We cannot guarantee that our performance in future will remain positive or at a level comparable to the Track Record Period.

Our profitability may be adversely affected by the fluctuations in the price of raw materials

Cost of raw materials is one of the key factors which will significantly affect our profitability. The raw materials we use in our manufacturing process for our slewing ring products are primarily forged rings and steel balls, of which forged rings accounted for the biggest item of our total purchases. For FY2020, FY2021. FY2022 and 6M2023, the total purchase of forged rings accounted for approximately 91.5%, 91.0%. 93.4% and 92.5% of the total purchase of raw materials for slewing rings production, respectively and the average purchase price were approximately HK$7,178.7 per ton, HK$7,593.8 per ton, HK$7,156.6 per ton and HK$7,668 per ton for the corresponding year/period. The forged rings are primarily made from gear steel and carbon round steel. We also purchase various semi-finished products as the raw materials for the production of mechanical parts and components. Nearly all of our raw materials are sourced from suppliers based in the PRC.

There are many factors which can cause fluctuation in the price of raw materials, in particular the economic conditions in the PRC, the labour cost, supply and demand of raw materials and international trade restrictions. For details of the sensitivity analysis illustrating the change in our financial performance as a result of hypothetical change in our cost of inventories and consumables during the Track Record Period, please refer to the section headed "Financial Information — Principal Components of Consolidated Statements of Comprehensive Income — Cost of sales" in this listing document. In addition, given that our Group does not enter into long-term contracts with suppliers, and that the majority of our revenue was generated from the sales of slewing rings, there is no guarantee that we will be able to maintain the same or similar levels of revenue and profitability of the Track Record Period in the future. If we cannot pass the increase in the costs of raw materials to our customers, our operating margin and cash flow may be adversely affected, resulting in lower profitability, or loss making in the extreme case.

Our five largest customers for respective year/period accounted for an aggregate of 63.9%, 58.6%, 55.1% and 57.4% of our revenue for FY2020, FY2021, FY2022 and 6M2023. If we fail to maintain our business relationship with them or any of them or other key customers, this could adversely affect our business, results of operations, financial condition and prospects

A significant part of our revenue is derived from a limited number of customers. For FY2020, FY2021, FY2022 and 6M2023, sales to our five largest customers for respective year/period collectively accounted for 63.9%, 58.6%, 55.1% and 57.4%, respectively, of our total revenue. For the same periods, sales to our largest customer for respective year/period accounted for 18.8%, 17.9%, 22.6% and 23.3% respectively, of our total revenue for the respective periods.

If we cannot expand our customer base, we expect the present top five customers in each year/period of the Track Record Period will continue to account for a significant portion of our total revenue for a considerable period of time. There is no assurance that we will be able to maintain the same or achieve even higher sales amounts with those customers. Our sales to these customers may be affected by many factors beyond their control. For instance, if the companies within our top five customers in each year/period of the Track Record Period are unable to launch their marketing plans for their products successfully, or if there is any material and adverse change in political, economic or social conditions, foreign trade or monetary policies, legal or regulatory requirements or taxation or tariff regime or if the demand for their products weakens materially, and if we are unable to develop new customers and secure purchase orders of comparable size or under substantially the same terms, our business, financial condition, results of operations and prospects may be materially and adversely affected. Further, if we fail to achieve more diversified income or reduce our reliance on such customers, or if we fail to secure a similar level of business from other customers on comparable commercial terms, such that the reduction in revenue from our top five largest customers in each year/period of the Track Record Period could be partly or wholly offset, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our current concentration on a few significant customers exposes us to the risk of substantial loss if any of our key customers, including our top five customers in each year/period of the Track Record Period, were (i) to substantially reduce the volume and/or value of the orders to be placed with us or (ii) to terminate its business relationship with us entirely. If any of such circumstances arises, there is no guarantee that we will be in a position to obtain orders from other customers to replace such loss of sales, or whether we could obtain orders from other customers on similar terms.

Furthermore, if any of our customers fails to settle payment in accordance with the credit terms extended by us, the working capital position or cash flow of our Group could be adversely affected. If customers default in settling our invoices, provision for bad debts or write-offs will have an adverse effect on our profitability. If we fail to maintain our existing customer relationship and are unable to secure new orders, or if there is a drop in the credibility of our customers, our business, results of operations, financial conditions and prospects could be adversely affected.

Our customers make purchases from us on an order-by-order basis and there is no certainty on the purchase amount and our revenue

During the Track Record Period, the sales agreements we entered into with our customers were on an order-by-order basis and there was no guaranteed minimum purchase, and hence no purchase commitment from our customers. Our customers typically placed individual purchase orders with us from time to time and on a case-by-case basis based on their needs on our products. There is no guarantee that our major customers will continue to place orders with us for the same amount of products they ordered during the Track Record Period, and/or at similar selling price or profit margin. Given that there is no purchase commitment from our customers, the purchase volume or amount of customers' purchase orders we receive may fluctuate from time to time, and it will be difficult for our Group to forecast the future sales with certainty. If we cannot secure consistent and regular purchase orders from our customers, or we cannot expand our clientele or secure new customers, our revenue and profits may be materially and adversely affected.

The sales and profitability of our products are dependent on our customers' business performance

We sell our products mainly to (i) wholesalers; (ii) traders; (iii) construction contractors; and (iv) manufacturers (including leading Japanese manufacturers or their affiliates). The business performance of our customers will in turn affect their purchase patterns from us. The business performance of our customers can be affected by a number of factors, such as changes in the economic conditions, business strategies, market demand, etc. If the business performance of our customers deteriorates, that could reduce their purchases from us, or even terminate their business relationship with us altogether. If the situation worsens, they may close down their businesses which could adversely and materially affect our business and financial conditions, results of operations and prospects as not only will we lose their orders, we may have difficulty in recovering the reduced orders from other customers shortly.

Our marketing plan and sales efforts may be unsuccessful and in such event, we may be unable to recoup our marketing costs and increased staff costs

In a bid to capture a larger market share in both the PRC and overseas, we strengthened our marketing efforts through hiring additional marketing staff and enhancing our online marketing. We believe that such marketing plan and increase in sales force is crucial for us to continue or at least maintain the momentum of our business growth. However, we cannot guarantee that our marketing plan and sales efforts will be successful. Our products and marketing campaign may not be well-received by our customers as well as our potential customers. We may be unable to attract and secure sufficient level of business leads to recoup our significant marketing costs and increased staff costs. In such event, our results of operation, financial conditions and business prospects may be adversely affected.

Our purchase of new machineries will result in increased depreciation expenses

It is one of our business strategies to acquire up-to-date machinery and equipment with an aim to enhance our production capacity at our production facilities in Dongguan, the PRC. Since the GEM Listing, we have acquired a number of new machineries by utilising HK$17.2 million from the proceeds from the GEM Listing. For FY2020, FY2021, FY2022 and 6M2023, we recorded depreciation on property, plant and equipment of approximately HK$1.7 million, HK$1.8 million, HK$2.2 million and HK$1.9 million, respectively. It is estimated that the depreciation expense in relation to the new machineries will last for 10 years, according to our accounting policy. As such, the increased depreciation expenses would have a negative effect on our business, financial position and results of operations in future.

Any shortage in labour, increase in labour costs, strikes, labour unrests or other adverse factors affecting our labour force may have a material adverse effect on our business operations, profitability and prospects

The production of our slewing rings and machining of mechanical parts and components are not fully automated. Such process requires skilled workers to operate at various stages of production, in particular, turning, heat treatment, gear cutting and assembling. To support our business operation, we had a total of 96 full-time employees as at the Latest Practicable Date. For FY2020, FY2021, FY2022 and 6M2023, our direct labour costs accounted for approximately 8.8%, 6.3%, 6.7% and 6.6% of our total costs of sales, respectively. Our performance partly relies on the steady supply of skilled labour in the PRC. There is no assurance that we can secure a sufficient number of skilled workers to meet our production needs, or even if we can, with the rising trend in labour costs, it will push up the costs of production. Subsequent to the end of COVID-19 pandemic and the corresponding lifting of the quarantine measures imposed by the government, our Group has experienced fiercer competition for qualified and skilled personnel and increase in staff costs. As our production process requires skilled technical workers in design, operating and quality control, we cannot guarantee that we can retain and attract sufficient qualified employees on reasonable employment terms. We had 75, 82, 85 and 99 employees as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively and we did not lay off our employees or eliminate any position during the Track Record Period. However, in the event that we cannot keep the existing skilled workers or recruit sufficient skilled workers to replace the departing skilled workers, or to cope with our expansion plan on a timely basis at reasonable costs, or if the turnover rate of our workers is high and we do not have time to train up the workers to cope with our requirement, our production process can be severely affected or interrupted. If we are unable to meet the delivery deadlines set by our customers, or achieve the high level of production as expected by our customers, or to accommodate any sudden increase in the demand for our products, our business, prospects, financial condition and results of operations could be materially and adversely affected. We cannot guarantee that labour disputes, work stoppages or strikes will not arise in future. Increases in our staff costs and future disputes with our employees could materially and adversely affect our business, financial condition and results of operations.

The markets for our products are highly competitive

While we recorded a notable growth during the Track Record Period, the markets for slewing rings productions, mechanical parts and components are highly competitive. According to the Industry Report, the slewing rings market in China is fairly fragmented and there are approximately 200 slewing ring manufacturers in the PRC. Although we sell our products to various countries, we face an increasing competition from local and regional manufacturers which are also in a position to produce a vast range of similar products. Seeing the increasing demand in infrastructure work, affordable labour cost, encouraging local government policies as well as industry agglomeration in Southeast Asia, a number of slewing rings manufacturers are setting up production sites in the region. We expect there will be tough competition from local and foreign competitors which could adversely affect the labour market as well as the market price of slewing rings, mechanical parts and components, which in turn will affect our business, financial condition and results of operations. If we are unable to enhance our competitive advantages in the market, control our costs, adapt our production to new standards of our products or maintain our stringent quality and operation efficiency, we may not be able to compete effectively or benefit from the growing demand for slewing rings, mechanical parts and components in future.

We face risks associated with sales of our products to the overseas market, in particular the fluctuations in the global economy may affect our ability to maintain profitability and achieve business growth

As our business relies on our sales to the overseas market, any fluctuation in the global economy, especially the economy in Singapore, Malaysia, the Philippines and Japan, where we recorded over 50% of our revenue in aggregate in each year/period of the Track Record Period, may adversely affect our business operation and profitability. Apart from changes in international trade policies and barriers, our sales to the overseas market are generally subject to certain inherent risks, including but not limited to the changes and development in the geopolitical, regulatory and business conditions, compliance with the requirements of applicable restrictions, sanctions and related laws and regulations, political tension arising from dispute between the PRC and countries where we sell our products, and material foreign currency fluctuations. These uncertainties could have a material adverse effect on our business, results of operation and financial conditions, and affect our ability to remain profitable and achieve business growth.

In particular, there is no assurance that changes in the laws, regulations, government policies or tax of the overseas countries will not affect our ability to continue to sell our slewing rings and mechanical parts and components to such markets, or to maintain a healthy profit margin, or to effectively compete with the domestic manufacturers in such countries. Should any such event or similar event occur, we may need to cease our sales in certain markets. In the event that we fail to open up other markets, or expand our sales in other existing markets, our financial conditions and results of operations may be adversely affected.

If our customers transact with our suppliers directly, we may be exposed to the risk of disintermediation and our business operation and financial conditions could be adversely affected

As our Group is an intermediary for our customers for sourcing of products not manufactured by us, there are challenges brought by the rapid development of e-commerce whereby our customers can purchase the products directly from the manufacturers, and in particular, we do not enter into exclusive agreement with our suppliers. There may be risk of disintermediation in the sourcing of machineries and mechanical parts and components business in the future. Given the trend of digitalisation, vast amount of products or services and related information are readily available on the internet and, as a result of information transparency, manufacturers and end-users could transact directly without the need of an intermediary in the supply chain. Our customers, especially those which have gained sufficient knowledge or strong purchasing power, may be able to acquire machineries and mechanical parts and components from manufacturers directly rather than through us. During each of the year/period of the Track Record Period, our revenue generated from the sourcing business were approximately HK$34.0 million, HK$87.5 million, HK$60.7 million and HK$41.0 million, representing approximately 48.9%, 66.2%, 47.5% and 52.9% of our revenue for FY2020, FY2021, FY2022 and 6M2023, respectively. The occurrence of disintermediation could expose us to the risk of losing our sourcing business and as a result, materially and adversely affect our operation and financial conditions.

We are exposed to risks arising from fluctuations of foreign currency exchange rates

Our Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. As at 31 December 2020, 2021, 2022 and 6M2023, if RMB had strengthened/weakened by 5% against USD, with all other variables remain unchanged, the respective post-tax profit for the respective FY2020, FY2021, FY2022 and 6M2023 would have been approximately HK$0.8 million, HK$1.1 million, HK$1.2 million and HK$1.3 million lower/higher, mainly as a result of foreign exchange loss/gain on conversion of HKD with other currencies (including in particular currencies of countries where we purchase raw materials from and sell our products to) on cash and cash equivalent, trade and other receivables and trade and other payables. For further details about the foreign exchange risk, please refer to the section headed "Financial Information — Financial Risk Disclosure — Foreign Exchange Risk" and Note 3 to the "Accountant's Report" in Appendix I to this listing document. The currency translation differences for FY2020, FY2021, FY2022 and 6M2023 were approximately gain of HK$3.0 million, gain of HK$1.4 million, loss of HK$4.9 million and loss of HK$3.4 million, respectively. We have not entered into any agreement to hedge our exchange rate exposure in such regard and there is no assurance that we will be able to enter into such agreements on commercially viable terms in future. Accordingly, there can be no assurance that future exchange rate fluctuations will not adversely affect our business and financial performance.

Our operation is susceptible to the availability of external funding

Our business operations is capital intensive in nature and we rely on timely payment from our customers to support our working capital and operating cash flow. Sufficient working capital is required to manage our significant trade receivables as well as long ageing of trade receivables. Whilst we had banking facilities in place and may utilise them for working capital management, the banks have the overriding rights to demand repayment from us as well as the right to call for cash cover on demand for prospective and contingent liabilities. The banking facilities also required, amongst others, Mr. YP

Chan, one of our Controlling Shareholders, to continue to hold more than 50% of the beneficial interest of our Company and remain as a Director. Our banking facilities are subject to their review any time. As at the Latest Practicable Date, we had secured HK$31 million of banking facilities in aggregate and had HK$30.7 million unutilised amount available. Should we fail to maintain our banking facilities on similar terms or are requested to repay the funds drawn and unable to secure new banking facilities or borrowings on similar terms or at all, or if Mr. YP Chan does not hold more than 50% of the beneficial interest in our Company or remain as a Director in future, we may experience tight in cashflows and our business, financial conditions and operations could be materially and adversely affected.

We are exposed to credit risk under our operations and any material delay or default in payment by our customers may negatively affect our sufficiency of working capital, financial position and incur impairment losses

We generally grant a credit period of 30 to 90 days to our customers for slewing rings and mechanical parts and components orders and generally do not require any deposit in advance. For machineries, we generally grant a credit period of up to 120 days to our customers while our suppliers will require a 25% deposit in advance before we place the orders in some occasions. We are therefore subject to the credit risk of our customers and our cash flow may be adversely affected if our customers delay, default or not paying in full.

During the Track Record Period, we relied on a combination of net cash flow from operating activities and proceeds from the GEM Listing as our working capital. There may be time lags between making payments to our suppliers and receiving payments from our customers, resulting in mismatch of timing of settlement with suppliers and receipts of payments from our customers and hence tightening of our working capital. Further, when we place orders with our suppliers to acquire raw materials such as forged rings and semi-finished mechanical parts and components, we incur payment obligations before we utilise them for our production of slewing rings and mechanical parts and components. We are generally granted a credit period of up to 90 days by our suppliers, however, we do run into situations where we receive no credit period at all from some of our suppliers. If our customers delay in payment, or fail to settle our bills at all, we may not have sufficient working capital to maintain our operation and our business may be adversely affected.

We rely on timely and full payment from our customers to meet our payment obligations to our suppliers, in particular when we have a high level of inventory and a long period of inventory turnover and our production cycle takes up a considerable period of time. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our total trade receivables amounted to approximately HK$22.0 million, HK$38.9 million, HK$41.7 million and HK$47.2 million, respectively and our trade receivables turnover days were 102 days, 84 days, 115 days and 103 days for FY2020, FY2021, FY2022 and 6M2023, respectively. Most of our trade receivables, being HK$3.2 million, HK$20.5 million, HK$14.8 million and HK$19.3 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively were payable within 30 days. However, there is no guarantee that we can continue to grant the same credit terms to our customers or being granted the same credit terms by our suppliers. If our customers request for a longer credit term, we will experience significant increase in amounts due from them, which may lead to insufficient working capital and our cash flow conditions may be adversely affected. For further details, please refer to the section headed "Financial Information — Analysis of major components of the consolidated balance sheets — Trade receivables" in this listing document.

We make impairment on receivables based on assumption of risk of default and expected loss rates and such impairment will affect our operating profits. Whilst we monitor the credibility and collectability of our customers and no provision of impairment for trade receivables was made during the Track Record Period as the expected loss rate was minimal, there is no assurance that our customers will not default in future thus we have to record impairment losses.

We may be subject to transfer pricing challenge

Our Group operates mainly in Hong Kong and the PRC and we have an international customer base. During the Track Record Period, we sold our products to customers located in different countries, for instance Singapore, Malaysia, the Philippines and Japan which involve cross-border business arrangements and inter-company buy-sell transaction arrangements in relation to the sale of finished goods from Kyoei Seiki to Best Linking. The amount of these intra-group transactions were approximately HK$15.6 million, HK$15.5 million, HK$27.0 million and HK$14.0 million for FY2020, FY2021, FY2022 and 6M2023, respectively. While our independent tax adviser concluded that our transfer pricing arrangements were in compliance with the applicable rules and regulations in the PRC and Hong Kong during the Track Record Period, there were uncertainties associated with the profit allocation and the tax position in respect of the intra-group transaction arrangements. The tax treatments of these transaction arrangements may be subject to interpretation by the respective tax authorities in Hong Kong and the PRC. For details, please refer to the section headed "Business — Regulatory Compliance — Transfer pricing arrangement" in this listing document.

There is no assurance that the tax authorities will not subsequently challenge the appropriateness of our Group's transfer pricing arrangement or that the relevant regulations or standards governing such arrangement will not be subject to future changes. If any competent tax authority in Hong Kong or the PRC later consider that our transfer pricing arrangements do not comply with the relevant transfer pricing laws and regulations, we may face adverse tax consequences including additional taxes, interests or penalties, which may result in a higher overall tax liability for our Group and may adversely affect the business, financial condition and operating results of our Group.

There is no certificate for lease and permit for construction of our factory premises. In the event that the lease is deemed invalid or there is an order to dismantle our production factory and facilities, we need to relocate to a suitable location and this may materially and adversely affect our profitability

Our Dongguan factory premises were constructed on a property leased from an Independent Third Party during the Track Record Period. The owner of such property (i.e. our landlord) did not possess a valid property ownership certificate and the construction planning permit for the construction of our production factory and utilities. According to our PRC Legal Adviser, the absence of a valid property ownership certificate could deem our lease invalid and the absence of the construction planning permit could lead to our landlord being ordered by the relevant PRC authorities to dismantle our production factory and utilities. For further details, please refer to the section headed "Business — Property Interests — Title defect of our Leased Property in Dongguan City" in this listing document. As a tenant, we are not imposed with any mandatory requirement to apply for such certificate or permit under the PRC law. As advised by the PRC Legal Adviser, (i) the landlord already paid tax on the rent received and (ii) the title defect was reported to and registered with the relevant authority in Dongguan in 2009 and no action has been taken up to the Latest Practicable Date. Nevertheless, if there is an order to dismantle our production factory and facilities, we will be forced to relocate our factory premises and the related facilities to another location. If for any reason our production process is put to a halt, or if for any reason we fail to relocate our production factory and facilities within the statutory six-month period from the commencement of administrative proceedings against the government's decision to dismantle the relevant facilities, this may impair our ability to meet our customers' schedule and hence expose us to claims from customers. This can in turn affect our goodwill as well. As a result, our business operation and hence our profitability may be adversely and materially affected.

We do not enter into long-term supply agreements with our suppliers and our production schedule and business may be materially affected if we fail to locate another supplier on substantially the same terms

We do not enter into any long-term supply agreements with our suppliers, and we procure our raw materials through the placement of individual orders with our suppliers on a case-by-case basis. Accordingly, the selling price and quantity of the raw materials required are negotiated on a case-by-case basis as and when we require the materials to meet a new sales order. Given that there is no commitment from our suppliers to supply raw materials to us at an agreed price and to deliver within a scheduled time, the costs of our raw materials is subject to price adjustments, or even cyclical fluctuations and there is no guarantee that we can source raw materials under the same price and terms offered to us in the past when we enter into a new sales order. As there is no long-term commitment between us and our suppliers, our suppliers may decide to substantially reduce the production capacity allocated to us, or not to supply raw materials to us at all. In the event that we are unable to locate other suppliers to supply on substantially the same terms and quality and on a timely basis, our production schedule and business could be materially and adversely affected, which could in turn adversely affect our business, financial condition and operation results.

We rely on independent logistic service providers for the transportation of our products

We engage independent logistics service providers to transport raw materials from our suppliers and to deliver our products to our customers. During each of the year/period of the Track Record Period, we incurred freight and transportation charges of approximately HK$0.7 million, HK$1.6 million, HK$2.1 million and HK$0.8 million, respectively. In the event any of such service providers is unable to provide logistic services to us or provides poor quality services or cannot provide logistics services to us on the same or similar terms, we will need to identify other logistic service providers on a timely basis. If we cannot secure another service provider on similar terms, we may experience delay in our products delivery, increase in our transportation costs and suffer reputational damage and financial losses.

We may be unable to retain members of our management team and any loss of key personnel may adversely affect our business, financial condition and results of operations

Our management team, which comprises our executive Directors and senior management, has in-depth knowledge of the industry and extensive managerial experience in the manufacture and the sales of slewing rings and mechanical parts and components which are crucial to our operations and financial performance. Our key personnel include Mr. YP Chan and Mr. LP Chan, our executive Directors, as well as members of our senior management team, namely, Mr. Chan Ho Chee Gilbert and Ms. Chen Fang. For details of our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this listing document. Our Group's future performance and success depend significantly on our ability to continue to attract, retain and motivate key personnel. If we are unable to retain members of our management team and other key personnel or recruit additional competent personnel or replacements for our business, it may cause material interruption to our business operation, limit our competitiveness, affect our production planning and implementation and/or lower the manufacturing quality, leading to customer dissatisfaction.

Further, should any member of our management team join our competitor, it could lead to our Group losing customers, suppliers and other key staff members. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Any unexpected disruption in our production facilities could have a material and adverse effect on our business, financial condition and operating results

Our production facilities are powered by electricity, which is supplied by the local electricity grid administered by the local government. As our manufacturing process relies on a consistent and sufficient supply of utilities, in particular electricity and water, any power or water supply interruption or rationing could disrupt our manufacturing process. During the Track Record Period, we experienced nine times of temporary suspension of power supply for a total of 20 days in 2021. While these suspensions were announced with advance notices and did not last for more than two days generally, we had to reschedule our production plan and workforce in order to mitigate the impact from such temporary suspension. The longest suspension period was six days within three weeks. While the impact on our production plan and capacity was relatively insignificant, there is no guarantee that our production facilities will not suffer power failure or water supply failure in future, or without any advanced notice which may cause disruption to our operation.

In addition, in the event of any force majeure event, or other situation beyond our control, such as fire, floods or other natural disasters, outbreak of epidemic, political instability, riots or civil unrest, prolonged and widespread interruption of critical utilities or transportation systems, terrorist attacks or any other events that may limit or disrupt our ability to operate our production facilities, it may substantially and adversely impact our production process. If we could not reschedule our production plan or workforce or if the suspension is implemented without any advance notice or longer than scheduled, we may fail to fulfil our customers' orders or meet their delivery schedule and affect our business relationship with them. In addition, if our production facilities are impaired or damaged as a result of any of the above incidents, our Group may incur material expenses for carrying out urgent repair, or replacement of machineries. Our business, financial condition, results of operations and prospects will be materially and adversely affected.

We may be unable to maintain our quality assurance systems effectively and any failure to maintain our quality standards may affect our market reputation, brand recognition and results of operations

We position ourselves as a premium manufacturer of slewing rings. We pride ourselves in our ability to produce slewing rings that conform to different industry standards and JIS in particular. Our reputation in the market depends to a large extent on the quality of our products and our ability to effectively maintain our quality assurance systems. If we deliver any products which are not compliant with these standards, our reputation in the market can be adversely impaired, which may in turn affect our ability to continually secure repeated orders from customers, or to enlarge our customer base. Our Group obtained ISO 9001 certificate for the first time in 2009 and continued such achievement up to the Latest Practicable Date. We also produce slewing rings on an OEM basis for leading manufacturers from

Japan. We believe that these recognitions and accreditations are pivotal to our past as well as future success. In the event that our products fail to adhere to the requested standards in quality leading to a significant number of product recalls, our market reputation, business operation and results of operation will be adversely affected. Further, we cannot guarantee that our quality assurance system can eliminate all of our product defects. Our quality control and assurance protocol for mechanical parts and components and machineries rely heavily on physical and visual inspection due to the products nature and limitation on the machines. Any significant failure or deterioration of our quality assurance system could result in a loss of such recognitions and certifications, which may translate into loss of customers and hence revenue, and could expose us to claims, and would therefore have a material adverse impact on our business, financial condition and results of operations.

Further, there is no assurance that the reputation of our brands and our products will continue to be recognised as a premium status by our customers and suppliers. Our recognition in the heat treatment process and capability to produce JIS, JB or JB/T compliant products could fade out due to technological advancement or new standard requirements or other unforeseen reasons.

Failure to comply with relevant regulations relating to social insurance and the housing provident fund may subject us to penalties and adversely affect our business, financial condition, results of operations and prospects

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), we are required to make contributions to the social insurance plans and the housing provident fund under the relevant PRC laws for our employees at Kyoei Seiki. For details relating to these relevant laws, please refer to the section headed "Regulatory Overview — Laws and Regulations on Employment and Social Welfare — Social Insurance and Housing Fund in the PRC" in this listing document. During the Track Record Period, we did not fully contribute to the social insurance and housing provident fund for our PRC employees.

During the Track Record Period, Kyoei Seiki made social insurance contributions for all our employees in the PRC which reached the minimum regulatory requirements of the Dongguan Human Resources and Social Security Bureau (東莞市人力資源和社會保障局). For FY2020, FY2021, FY2022 and 6M2023, we estimate that the amount of social insurance payments and housing provident fund contributions that Kyoei Seiki fell short of the standards required under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》) were approximately RMB36,000, RMB0.4 million, RMB0.5 million and RMB0.3 million, respectively in respect of social insurance payments and approximately RMB0.1 million, RMB0.3 million, RMB0.4 million and RMB0.2 million respectively in respect of housing provident fund contributions.

Although we have not received any order or notice from the local authorities nor any claim or complaint from our current and former employees during the Track Record Period up to the Latest Practicable Date, regarding shortfall in payments and contributions, we may be subject to future order to rectify such non-compliance. We could also face complaints and/or claims regarding the non-compliance with the social insurance payments and/or housing provident fund contributions. We may also incur additional costs to comply with such laws and regulations and subject to fines or penalties from the PRC government or relevant local authorities. If this happens, it could adversely affect our business, financial condition, results of operations and prospects.

For further details, please refer to the section headed "Business — Employees" in this listing document.

Our insurance coverage may be insufficient to cover all losses or potential claims against us or Directors from our employees, customers or their end-consumers which would affect our business, financial condition and results of operations

Our Group takes out insurance policies covering our Directors and employees. For FY2020, FY2021, FY2022 and 6M2023, the total insurance costs paid by our Group amounted to approximately HK$57,000, HK$68,000, HK$79,000 and HK$11,000, respectively. However we cannot guarantee the insurance that we have taken out is sufficient to cover all losses or potential claims.

We do not maintain product liability insurance for our products. Firstly, the maintenance of product liability insurance is not a market practice in our trade. Secondly, our products are usually examined by our customers upon delivery. If the customers reject our products, we will at our own costs repair the products, or replace them.

Further, while we do maintain business interruption insurance and third-party liability insurance for claims of personal injury or property damage arising from accidents relating to our operations, the coverage could be insufficient. There are certain types of losses, such as losses arising from wars, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters for which we cannot obtain insurance at a reasonable cost. As such, we can be subject to liabilities against which we are not insured sufficiently or we cannot be insured at all. Should an uninsured loss or a loss in excess of insured limits occur, we may have to pay such claims out of our own resources, and any material uninsured loss could materially and adversely affect our business, financial condition and results of operations.

We may be subject to liability in connection with industrial accidents at our production facility

The production process of our Group involves the use of tools, and the operation of numerous large-scale production machineries and equipments. Any improper use of these tools, machineries and equipments can cause work-related injuries to our workers, or even death. It is impossible to ensure that our production facility to be accident-free at all times, whether due to improper use or malfunctions of such tools, equipments or machineries or other reasons, like the negligence of the workers. In such event, our Group may be liable for the personal injuries or deaths and subject to claims, fines or penalties or other forms of legal liability. Further, any large-scale industrial accidents may prompt investigation from the PRC government, or implementation or imposition of safety measures. For example, work safety laws imposed by the PRC government or authorities could lead to compliance costs or reduce the efficiency of our Group's operations, thereby materially and adversely affect our business, results of operations and financial condition.

We are exposed to risk of inventories obsolescence

We had inventories of approximately HK$23.9 million, HK$25.6 million, HK$20.6 million and HK$21.1 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. Our average inventory turnover days were recorded at approximately 198 days, 116 days, 121 days and 82 days for FY2020, FY2021, FY2022 and 6M2023, respectively. The demand for our products depends on the economic condition of the markets as well as the application of our slewing rings to the machineries in use by our customers or their ultimate customers, which are factors beyond our control. We have stock of slewing rings which come in different designs and sizes suitable for different machineries or models, and sufficient mechanical parts and components for a short turnaround time and delivery. Any unexpected change in the product design and standard of machineries in use by our customers or their ultimate customers may render our inventory obsolete as our slewing rings and mechanical parts and components may not be applicable for such new design or standard of machineries. If our products fail to suit the up-to-date models or standards required for the machineries in future, the volume of obsolete inventory may increase. Such unexpected change in the demand for our products may result in over-stocked items which may lead to decline in inventory values, and significant write-offs. Furthermore, obsolescent inventories may directly impact our sales and pricing as we may be required to lower the sale price of our products to reduce the inventory level, which may lead to lower profit margin. All these factors may in turn affect our Group's business, results of operations and financial position.

The global occurrence and possible recurrence of COVID-19 may result in a significant delay in the delivery of our products, thus leading to a possible material and severe disruption on our business, financial condition and operations

The outbreak of COVID-19 has spread across various parts of the world, particularly in the PRC and Hong Kong (the "**Outbreak**") since December 2019, and was declared a pandemic by the World Health Organisation on 11 March 2020 until 5 May 2023 when the World Health Organisation declared the COVID-19 no longer constituted a public health emergency of international concern. The Outbreak has created a negative impact on macro-economy globally.

Various countries and regions from which we derive revenue had introduced emergency measures to combat and contain the quick development and widespread of COVID-19. COVID-19 has impacted industries across the spectrum, including the slewing rings and machineries industries, which had resulted in the forced closure of factories, travel bans, grounding of flights, traffic control, compulsory quarantine, restrictions on enterprises from resuming work, and forced "work from home" procedures implemented by employers. Our normal business activities were disrupted due to those measures. As our revenue is derived mainly from the overseas markets, the global spread and recurrence of COVID-19 had materially and adversely affect our business, results of operations and financial performance. Resumption of our factory operations following the Chinese New Year holidays was postponed in 2020. Our Directors confirm that in compliance with the relevant government policies, the PRC Factory resumed their full operations since April 2020, which resulted in delay in fulfilling some of our outstanding purchase orders.

The Outbreak has taken a toll on the global economy worldwide. While government policies had been generally relaxed in 2023, there is no assurance that the Outbreak end or will not recur. Although we have maintained a steady revenue generation during the Track Record Period, we cannot guarantee that our business and our growth rate will not be adversely affected by any further Outbreak in future.

There remain uncertainties concerning the Outbreak with regard to the recent regional resurgence of COVID-19 cases in certain areas of the PRC and overseas. If the Outbreak continues or recurs drastically in future, our business, financial conditions and operations may be materially and adversely affected.

If the implementation of travel and logistics restrictions, quarantine measures and lockdown were imposed again and extended to countries where our customers are located, there may be a decrease or delay in, or cancellation of, purchase orders. It may also lead to delay in payments from our customers. There is no assurance that we could procure raw materials from our suppliers or arrange for the transportation and delivery without disruption from certain customers which experienced difficulties in business operations due to the impact and restrictions caused by the Outbreak.

If in the future there is a spread of COVID-19 or outbreak of any other severe communicable disease, this could disrupt our business operations and render us unable to deliver our products in a timely manner which may increase our production costs or lead to termination or cancellation of orders from our customers. Even though our business was not substantially affected during the Track Record Period, and there had been no instance of cancellation of orders from customers, the Outbreak could, in extreme circumstances, lead to the forced suspension or closure of our production facilities and the operations of our customers or suppliers. These adverse impacts, if materialise and persist for a substantial period of time, could materially and adversely affect our operations, the purchase orders of our customers and the supply or shortage of raw materials from our suppliers.

Supply of raw materials and production equipments may be disrupted or become unstable. Due to the Outbreak, supply of raw materials had been temporarily disrupted. According to the Industry Report, the production of slewing ring is highly correlated with the raw material price of gear steel, carbon round steel and other types of steel. The price of steel has fluctuated over the past five years. We cannot guarantee that the steel price will remain the same in future. Constraints in material sourcing and increase in steel price may directly affect the production costs as well as sale price of slewing rings.

RISKS RELATING TO THE PEOPLE'S REPUBLIC OF CHINA

Substantial amount of our assets and business operations are in the PRC. As our production lines are located in Dongguan, the PRC, our results of operations, financial position, performance and prospects are subject to the risk of, to a significant degree, economic, political and legal developments in the PRC.

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations

As most of our assets are located in the PRC and our slewing rings and mechanical parts and components are manufactured in the PRC, our business and results of operations are subject to the economic, political, and social policies and conditions of the PRC. The PRC's economy differs from the economies of most developed countries in many aspects, including the extent of its government involvement, its development, its growth rate and its control over foreign exchange. The PRC economy has been undergoing transition, implementing measures emphasising market forces for economic reform, as well as reducing State ownership of productive assets and the establishment of sound corporate governance in business enterprises.

Despite the significant reform of the economic rules and the relaxation of government policies in the PRC during the past years, these reforms are experimental in nature and are expected to be adjusted and modified from time to time. Thus, the PRC government continues to play a significant role in regulating industrial development and exercises significant control over the PRC's economic growth through its allocation of resources, restricting payment of foreign currency-denominated obligations, setting monetary policies, providing preferential treatments to particular industries or companies and imposing additional import restrictions. All these factors could detrimentally affect the economic conditions in the PRC, consequently our business.

Furthermore, the PRC's economic growth has been unevenly distributed across both the geographic regions and various sectors of the economy, and thus, the growth may not subsist. We cannot predict whether our results of operations and financial condition could be materially and adversely affected by the future changes in the economic conditions in the PRC, or the PRC governmental monetary policies, interest rate policies, tax regulations or other policies and regulations.

In addition, our products are mainly used in the construction and infrastructure industries. Any economic downturn in the PRC, the Southeast Asia region and globally may lead to a negative effect on these industries. As construction and infrastructure projects involve huge capital and investment, any cyclical trends in the economy, fluctuation in interest rates and availability of new development initiatives by the government could affect the progress and scale of a construction project, which may in turn affect the demand for our products. If the PRC experiences any adverse economic conditions due to events beyond our control, our overall business and results of operations and profits could be materially and adversely affected.

We may experience a decrease or discontinuation of export VAT tax refund towards exported goods

Goods exported from the PRC are entitled to a refund of VAT based on a range from 0% to 16%. These goods include raw materials and supplies used for our production in the PRC, as our products are subsequently exported to overseas countries. During the Track Record Period, we obtained VAT tax refund from the PRC tax authority at the rate of 13% for our products exported from the PRC, which was determined on a prescribed formula. There is no guarantee that we will continue to obtain similar tax refund from the PRC tax authority and that there will be no change to the relevant PRC laws and/or policies on tax refund which may materially affect our business and financial position. In the event that there is any decrease or discontinuation of VAT refund for export goods, we will be subject to increase in tax liability and our business and results of operations will be adversely affected.

We may be deemed a PRC "resident enterprise" under the EIT Law and be subject to PRC taxation on our worldwide income

The EIT Law and its implementation regulations issued by the State Council defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises." Under the EIT Law, a foreign enterprise whose "de facto management bodies" are located in the PRC is considered a "resident enterprise" and thus will be subject to the enterprise income tax rate of 25% on its global income. In April 2009, the SAT further specified certain criteria for the determination of what constitutes "de facto management bodies" for foreign enterprises which are controlled by PRC enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a PRC enterprise will be deemed to have its "de facto management bodies" located in the PRC and therefore, be considered a PRC resident enterprise. These criteria comprise whether (i) the enterprise's day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC.

We are currently not treated as a PRC resident enterprise by the relevant tax authorities in the PRC. Since our production plant, the daily management of our operation, and assets are mainly based in the PRC, we cannot give any assurance that we will not be considered as a "resident enterprise" under the EIT Law and not be subject to the enterprise income tax of 25% on our global income. If we are subsequently treated as a PRC resident enterprise by the relevant tax authorities and are required to pay income tax of 25% on our global income, our financial condition and results of operation may be adversely affected.

If our preferential tax treatments become unavailable, our net profits and profitability may be materially and adversely affected

Under the EIT Law, the applicable income tax rate for Kyoei Seiki in the PRC is 25%. Our principal operating subsidiary in the PRC, namely Kyoei Seiki, has been recognised as a High and New Technology Enterprise since 2017. As a result, Kyoei Seiki has been subject to a preferential income tax rate of 15%. Income tax expense incurred in the PRC were approximately HK$0.9 million, HK$0.7 million, HK$2.2 million and HK$1.6 million for FY2020, FY2021, FY2022 and 6M2023, respectively. If our Group were not entitled to the preferential tax rate, our income tax rate would have been 25% and our income tax expense in the PRC would have been approximately HK$1.6 million, HK$1.1 million, HK$3.7 million and HK$2.8 million instead for FY2020, FY2021, FY2022 and 6M2023, respectively. For further details regarding the breakdown of income tax expenses during the Track Record Period, please refer to section headed "Financial Information — Principal Components of Consolidated Statements of Comprehensive Income — Income tax expense" in this listing document.

The qualification of a High and New Technology Enterprise is subject to review by the relevant PRC authorities every three years. The current qualification granted to Kyoei Seiki will expire in December 2023. If Kyoei Seiki fails to renew its status as a High and New Technology Enterprise, or ceases to be entitled to any other preferential tax treatment that it was previously entitled to, or if such preferential tax treatment becomes less favourable, Kyoei Seiki will be subject to income tax up to the ordinary rate of 25%. In such event, our income tax expenses may increase, which will adversely affect our results of operations.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our indirect PRC subsidiary

As an offshore holding company of our indirect PRC subsidiary, we may make loans or additional capital contributions to our indirect PRC subsidiary. However, any loans made to a PRC subsidiary are subject to PRC regulations and approvals. There is no guarantee we will be able to obtain these government registrations or approvals on a timely basis, on our future loans or capital contributions to our subsidiary. If we fail to receive such registration or approval, our ability to capitalise our PRC operations may be adversely affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company and we may rely on dividend payments from our subsidiary in the PRC for funding, which is subject to restrictions under PRC law

Our Company is a holding company incorporated in the Cayman Islands, and we manage our operation through Kyoei Seiki, our indirect wholly-owned subsidiary in the PRC. The availability of funds for us to pay dividend to our Shareholders and to service our indebtedness will depend upon dividend from Kyoei Seiki. If Kyoei Seiki incurs debt or loss, its ability to pay dividend or other distributions to us may be impaired. As a result, our ability to pay dividend and to repay our indebtedness may be affected.

In addition, under PRC law, Kyoei Seiki can only pay dividend out of distributable profits. Distributable profits are our net profits as determined under PRC accounting principles, plus undistributed profits at the beginning of the period less any accumulated loss and appropriation to statutory and other reserves that we are required to make. As PRC laws also require enterprises established in the PRC to set aside part of their after-tax profits as statutory reserves, these statutory reserves are not available for distribution as cash dividend. Thus, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders, even though our financial statements may show that our business is generating profits. Furthermore, our ability to pay dividend may also be restricted due to the existence of restrictive covenants in banking facilities or other agreements which we may enter in future. Thus, these restrictions on the availability of our funding may impact our ability to pay dividend to our Shareholders and to deal with our indebtedness.

We may be subject to liability under, and may make substantial future expenditures to comply with, environmental laws and regulations

We are subject to laws, rules and regulations concerning the discharge of effluent water and solid waste during our manufacturing processes. Any violation of these regulations may result in substantial fines, criminal sanctions, revocation of operating permits, shutdown of our facilities with obligations to take corrective measures. Furthermore, the cost of complying with current and future environmental protection laws, rules and regulations and the liabilities which may potentially arise from the discharge of effluent water and solid waste may materially increase our costs thereby materially decrease our profit.

Certain environmental laws impose liability, sometimes regardless of fault, for investigating or cleaning up contamination on or emanating from our currently or formerly owned, leased or operated property, as well as for damages to property or natural resources and for personal injury arising out of such contamination. These environmental laws also assess liability on persons who arrange for hazardous substances to be sent to third-party disposal or treatment facilities when such facilities are found to be contaminated. Moreover, governments, including the PRC government, may take steps towards the adoption of more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become prohibitively expensive, we may be forced to close down some of our operations. In addition, environmental liability insurance is not commonly available in the PRC, where we conduct most of our operations. Consequently, any significant environmental liability claims successfully brought against us could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to risks associated with changes in PRC laws and regulations on our production, including those relating to environmental protection, and any failure to control associated costs could harm our business

We are subject to various PRC laws and regulations relating to the manufacture of slewing rings and machining of mechanical parts and components, including those relating to environmental protection. For details, please refer to the section headed "Regulatory Overview" in this listing document. Given the complexity and uncertainties of the relevant PRC laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require significant amount of financial resources and attention of our management. In addition, the relevant environmental protection administration authorities in the PRC may impose more stringent standards in future which could increase our operational costs to meet such higher standards. There is no assurance that the PRC government will not impose more stringent laws and regulations applicable to the manufacturing of slewing rings and compliance may require additional or significant investment in upgrading our facilities and employing additional staffs. Any failure to control associated costs could adversely affect our business, financial condition, results of operations and prospects.

The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protection available to our Shareholders

As our main business operation is conducted in the PRC, it is governed by PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited as reference but do not have binding precedential effect and carry little weight. Since the late 1970s, the PRC government has promulgated laws and regulations, governing economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new, as well as the non-binding nature of the limited published cases, the interpretation and enforcement of these laws, regulations and rules provide a high degree of uncertainty, and may not be as consistent or predictable when compared to those in the more developed jurisdictions. Thus, the legal protections available to us under these laws, regulations and rules may be limited.

In addition, there is no assurance that the PRC government will not further amend, modify or revise existing laws, regulations or rules in implementing additional approvals, licenses or permits and/or imposing stricter requirements or conditions for approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain or renew our approvals, licenses or permits could disrupt our operations and may subject us to fines or penalties imposed by the PRC government.

Furthermore, the application, interpretation and enforcement of the PRC laws and regulations may be subject to the political condition and changes in the social policies in the PRC. Different regulatory authorities may have different interpretations on each law and regulation and adopt different approach in enforcement. As a result, companies may from time to time be required to comply with different requirements and standards, obtain different approvals, and complete different filings in accordance with the varying interpretation and enforcement of such laws and regulations, as set by different relevant authorities. Uncertainties in the application, interpretation and enforcement of the PRC laws and regulations may require us to incur additional costs and time in complying with the requirements or standards imposed by the PRC regulatory authorities, which may materially and adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR SHARES

Historical market price and trading volume are not indicative of future performance and may be volatile and there can be no assurance that an active market would continue

Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares are traded. The price and trading volume of our Shares may be highly volatile and are determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including but not limited to:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- new investments, acquisitions or alliances in future;
- addition or departure of our key personnel;
- our dividend distribution and policy;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- actions taken by our competitors;
- general market sentiment regarding the industry we operate;
- changes in laws and regulations;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in Hong Kong, the PRC and worldwide.

We cannot guarantee that any of these factors will not occur in the future. In addition, it is possible that significant price and volume fluctuations may affect the market price for the securities of companies quoted on the Stock Exchange from time to time. Such volatility has not always been directly related to the performance of the specific companies which shares are being traded. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline

Our Shares are freely tradable and the Shares held by our Controlling Shareholders are not subject to any lock-up period. There is no guarantee that our Controlling Shareholders will not dispose of their Shares in future. We cannot predict the effect, if any, of any future sales of the Shares by the Controlling Shareholders or any Shareholder on the market price of the Shares. Sales of substantial amounts of Shares in the public market, or the perception that these sales could occur, could affect the market price of our Shares materially and adversely.

Investors of our Shares may experience dilution if we issue additional Shares in the future

If we issue securities or additional Shares other than on a pro-rata basis to our existing Shareholders, or upon exercise of options to be granted under the Share Option Scheme in future, the percentage ownership of our Shareholders in our Company may be diluted and reduced or such new securities may confer rights and privileges that have priority over those conferred by the existing Shares. In addition, it may result in a dilution in the earnings per Share and net asset value per Share. We may need to raise additional funds in future through debt financing which may contain restrictive covenants such as dividend distribution or further corporate actions.

The interests of our Controlling Shareholders may not always coincide with the interests of our Group and those of our other Shareholders

The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. Immediately upon completion of the Transfer of Listing, our Controlling Shareholders will continue to own 75% of our Shares. Therefore, our Controlling Shareholders will continue to have substantial control and influence over the operations and business strategies of our Group by directly or indirectly voting at shareholders' meetings, and may have the ability to require our Group to effect corporate actions according to their own desires or to pursue strategic objectives that conflict with the interests of other Shareholders, who may be disadvantaged as a result. We cannot guarantee you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the best interests of our other Shareholders.

There is no guarantee that dividend will be declared or will remain at the similar level declared and paid by us during the Track Record Period

The declaration and payment of future dividend will depend on our operating results, financial position, cash requirements, restrictions in banking facilities and other factors deemed relevant by our Board. During the Track Record Period and up to the Latest Practicable Date, our Group declared and paid dividend of nil for FY2020, HK$16.0 million for FY2021, HK$8.0 million for Q3 2022, HK$16.0

million for the final dividend for FY2022 and nil for 6M2023. However, our historical dividend distributions should not be used as a reference or basis to determine the level of dividend that may be declared and paid by our Group in future. We may be unable to record profits or have sufficient funds above our funding requirements, other obligations and business plans to declare dividend to our Shareholders. There is no assurance that we will be able to declare and pay any dividend. Our future declaration of dividend will be at the absolute discretion of our Board.

Shareholders and investors could face difficulties in protecting their interests because our Company was incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong

Our corporate affairs are governed by the Memorandum and the Articles and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of interests of minority shareholders could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they would have under the laws of Hong Kong.

RISK RELATING TO THIS LISTING DOCUMENT

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Industry Report contained in this listing document

Certain facts and statistics in this listing document, including but not limited to information and statistics relating to the slewing rings industry and machineries and equipments for construction and industrial work, are based on the Industry Report or are derived from various publicly available publications, which our Directors believe to be reliable. We cannot, however, guarantee the quality or reliability of such facts and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Industry Report, the information and statistics from official government sources have not been independently verified by us, the Sole Sponsor, any of their respective directors and advisers, or any other persons or parties in the Transfer of Listing, and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information compiled by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Industry Report contained in this listing document.

Investors should not rely on any information in the press articles or other media not contained in this listing document regarding our Group or the Transfer of Listing

There may be certain press coverage in certain news publications regarding our Group and the Transfer of Listing which include certain financial information, financial projections and other information about our Group that do not appear in this listing document. We do not accept any responsibility for the accuracy or completeness of any information disseminated in the articles or media on information not sourced from or authorised by our Group. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the information and underlying assumptions. To the extent that any of such information is inconsistent with, or conflicts with, the information contained in this listing document, we disclaim it. Accordingly, Shareholders and investors are cautioned to make their investment decisions on the basis of the information contained in this listing document only and should not rely on any other information.

Forward-looking statements contained in this listing document are subject to risks and uncertainties

This listing document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "aim", "anticipate", "believe", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "ought to", "plan", "potential", "project", "seek", "should", "will", "would", "wish" and the negative of these terms and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this listing document should not be regarded as representations or warranties by us and that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set out in this section. Our Group's future results could materially differ from those expressed or implied by such forward-looking statements. Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this listing document to the public, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this listing document are qualified by reference to this cautionary statement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This listing document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (i) the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this listing document misleading; and (iii) all opinions expressed in this listing document have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

INFORMATION ON THE TRANSFER OF LISTING

This listing document is published solely in connection with the Transfer of Listing. It may not be used for other purposes and, in particular, no person is authorised to use or reproduce this listing document or any part hereof in connection with any offering of Shares or securities of our Company. Accordingly, this listing document does not constitute an offer or invitation in any jurisdiction to acquire, subscribe for or purchase Shares or other securities of our Company nor is it calculated to invite any offer or invitation for the Shares or other securities of our Company.

No person is authorised to give any information in connection with the Transfer of Listing or to make any representation not contained in this listing document, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, any of their respective directors, agents, employees or advisers or any other party involved in the Transfer of Listing.

APPLICATION FOR LISTING ON THE MAIN BOARD

Application has been made to the Listing Division for the listing of, and permission to deal in, our Shares in issue and which may fall to be issued pursuant to the exercise of options that may be granted under the Share Option Scheme, on the Main Board, pursuant to the Transfer of Listing.

The share capital of our Company is currently listed on or traded on GEM. The Transfer of Listing will not involve the issue of new Shares by our Company.

SHARES WILL CONTINUE TO BE ACCEPTED AS ELIGIBLE SECURITIES BY HKSCC INTO CCASS

Our Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 15 November 2019, being the date on which dealings in our Shares first commenced on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, our Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in our Shares commence on the Main Board. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

All of the Shares are registered in our Company's branch register of members maintained in Hong Kong by the branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to enable them to be traded on the Main Board upon the Transfer of Listing. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Main Board upon Transfer of Listing, unless the Stock Exchange otherwise agrees.

Our Company's principal register of members is maintained by the principal share registrar and transfer office, Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Dealings in the Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividend payable in HKD in respect of the Shares will be paid by cheque to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for our Shares are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, our Shares. None of our Company, the Sole Sponsor, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons involved in the Transfer of Listing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any right in relation to, our Shares.

COMMENCEMENT OF DEALINGS IN OUR SHARES ON THE MAIN BOARD

The last day of dealings in our Shares on GEM (stock code on GEM: 8617) will be on Thursday, 28 September 2023. Dealings in our Shares on the Main Board are expected to commence at 9:00 a.m. on Friday, 29 September 2023. The Shares will be traded on the Main Board under the new stock code 9882 following the Transfer of Listing.

ROUNDING

Certain amounts and percentage figures included in this listing document have been subject to rounding adjustments. As a result, any discrepancies in any table or chart set out in this listing document between totals and sums of individual amounts listed therein are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

LANGUAGE

If there is any inconsistency between the English version of this listing document and the Chinese version of this listing document, the English version of this listing document shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this listing document and for which no official English translation exists are unofficial translations for your reference only.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Chan Yuk Pan (陳煜彬先生)	Flat B, 11/F, Block 1 Royal Peninsula 8 Hung Lai Road Kowloon Hong Kong	Chinese
Mr. Chan Lung Pan (陳龍彬先生)	Flat F, 16/F, Tower 6 Sorrento 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Mr. Chan Wan Tsun Adrian Alan (陳弘俊先生)	Flat A, 18/F, Block 6 Cavendish Heights 33 Perkins Road Hong Kong	Chinese
Ms. Tsang Hau Lam (曾巧臨女士)	Flat 1203, Block 2, 12/F The Metropolis Residence 8–9 Metropolis Drive Hung Hom Kowloon Hong Kong	Chinese
Ms. Tam Ho Ting (譚可婷女士)	Flat D, 59/F, Tower 6 The Belcher's 89 Pok Fu Lam Road Hong Kong	Chinese

Further information is disclosed in the section headed "Directors and Senior Management" in this listing document.

PARTIES INVOLVED IN THE TRANSFER OF LISTING

Sole Sponsor	**Goldlink Capital (Corporate Finance) Limited** 28/F, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong (A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity as defined in the SFO)
Legal advisers to our Company	*As to Hong Kong law:* **Robertsons** 57th Floor, The Center 99 Queen's Road Central Hong Kong *As to PRC law:* **Jia Yuan Law Offices** F408, Ocean Plaza, 158 Fuxing Men Nei Street Xicheng District, Beijing 100031 China *As to Cayman Islands law:* **Conyers Dill & Pearman** 29th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Sole Sponsor	*As to Hong Kong law:* **Llinks Law Offices LLP** Room 3201, 32/F Alexandra House 18 Chater Road Central, Hong Kong *As to PRC law:* **Allbright Law Offices (Shenzhen)** 23rd Floor, Tower 1 Excellence Century Centre Fu Hua 3 Road Futian District Shenzhen Guangdong Province 518048, PRC

Auditor and reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry consultant	**Frost & Sullivan International Limited** Suite 1706, One Exchange Square 8 Connaught Place Central Hong Kong

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit No. 1119, 11th Floor The Metropolis Tower No. 10 Metropolis Drive Kowloon Hong Kong
Headquarters and principal place of business in the PRC	Industrial 2nd Cross Road Tutang Industrial Zone 2 Changping Town Dongguan City The PRC (中國東莞市常平鎮土塘村 工業二區工業二橫路)
Company secretary	Mr. Chan Ho Chee Gilbert (陳浩賜先生) *(CPAA)* Flat C, 25/F Block 10 Royal Ascot Fotan New Territories Hong Kong
Authorised representatives	Mr. Chan Yuk Pan (陳煜彬先生) Flat B, 11/F, Block 1 Royal Peninsula 8 Hung Lai Road Kowloon Hong Kong Mr. Chan Ho Chee Gilbert (陳浩賜先生) Flat C, 25/F Block 10 Royal Ascot Fotan New Territories Hong Kong

Compliance officer	Mr. Chan Yuk Pan (陳煜彬先生) Flat B, 11/F, Block 1 Royal Peninsula 8 Hung Lai Road Kowloon Hong Kong
Audit Committee	Mr. Chan Wan Tsun Adrian Alan (陳弘俊先生) *(Chairman)* Ms. Tam Ho Ting (譚可婷女士) Ms. Tsang Hau Lam (曾巧臨女士)
Remuneration Committee	Ms. Tam Ho Ting (譚可婷女士) *(Chairlady)* Mr. Chan Lung Pan (陳龍彬先生) Ms. Tsang Hau Lam (曾巧臨女士)
Nomination Committee	Mr. Chan Yuk Pan (陳煜彬先生) *(Chairman)* Mr. Chan Wan Tsun Adrian Alan (陳弘俊先生) Ms. Tam Ho Ting (譚可婷女士)
Corporate Governance Committee	Mr. Chan Lung Pan (陳龍彬先生) *(Chairman)* Mr. Chan Wan Tsun Adrian Alan (陳弘俊先生) Mr. Chan Ho Chee Gilbert (陳浩賜先生)
Principal share registrar and transfer office in the Cayman Islands	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong

Principal bankers

Hang Seng Bank Limited
83 Des Voeux Road Central
Central, Hong Kong

China Construction Bank, Dongguan Branch, Changping Sub-branch*
(中國建設銀行東莞市分行常平支行)
1/F and 2/F, Wanye Financial Centre
Langbei Section, Changlang Avenue
Changping Town
Dongguan City
PRC

DBS Bank (Hong Kong) Ltd
11th Floor, the Center
99 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Central
Hong Kong

Company website

www.blg.hk
(Note: information on this website does not form part of this listing document)

The information contained in this section, unless otherwise indicated, have been derived from various official government publications and other publications generally believed to be reliable and the Industry Report prepared by Frost & Sullivan which we commissioned. The information and statistics from official government sources have not been independently verified by us, the Sole Sponsor, any of their respective directors and advisers, or any other persons or parties involved in the Transfer of Listing, and no representation is given as to its accuracy. As such, you should not unduly rely upon such information in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the Slewing Ring Market and Construction and Industrial Machineries and Other Parts Market. The report prepared by Frost & Sullivan for us is referred to in this listing document as Industry Report. We agreed to pay Frost & Sullivan a fee of HK$300,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices, advising, training, client research, competitive intelligence, and corporate strategy.

We have included certain information from the Industry Report in this listing document because we believe this information facilitates an understanding of the Slewing Ring Market and Construction and Industrial Machineries and Other Parts Market for the prospective investors. The Industry Report includes information of the Slewing Ring Market and Construction and Industrial Machineries and Other Parts Market, as well as other economic data, which have been quoted in the listing document. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Slewing Ring Market and Construction and Industrial Machineries and Other Parts Market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all the data and forecasts contained in this section are derived from the Industry Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of the Slewing Ring Market and Construction and Industrial Machineries and Other Parts Market in the PRC and Hong Kong.

OVERVIEW OF SLEWING RING MARKET

Definition and Classification

A slewing ring is a necessary transmission part for some large-size machineries and equipments, which can ensure the relative rotational motion between objects, as well as bearing the axial force, radial force and tilting moment simultaneously. Generally, it is a rotational rolling-element bearing that typically supports a heavy but slow-turning or slow-oscillating load.

A slewing ring is usually made with gear teeth integrated with the inner or outer race. Compared to other rolling-element bearings, slewing rings are generally made in length of diameters of a meter or more.

Slewing rings can be classified into single row four-point contact ball, double row angular ball, single row crossed cylindrical roller, triple row roller, ball and roller combine, single row cylindrical roller.

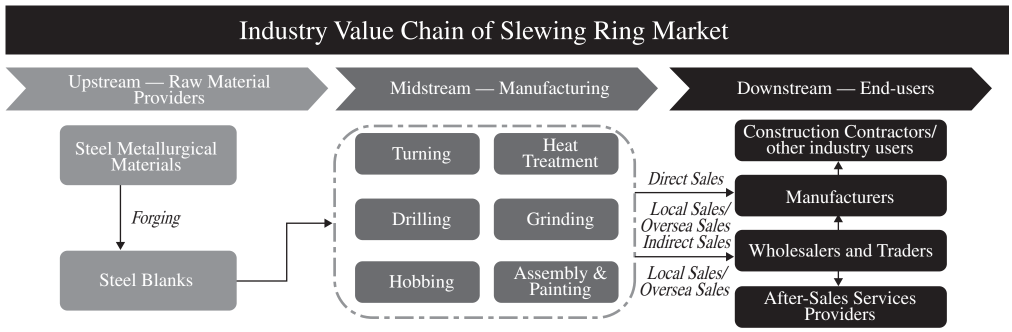
Industry Value Chain

As the direct manufacturing material of slewing rings, steel is usually forged from steel metallurgical materials such as iron ore and manganese ore. The manufacturing process of slewing rings generally contains turning, heat treatment, drilling, grinding, hobbing, assembly and painting. Detailed processing technologies are also involved in different procedures. For instance, turning includes rough turning and finish turning whilst quenching and tempering composes the heat treatment process. Different tests have to be conducted when all parts are assembled to ensure the product quality.

After manufacturing slewing rings, manufacturers can either sell products to end-users directly, or sell products to intermediates engaged in wholesale trading, retailing and distribution, which will resell the products to end-users with or without after-sales services. It is common for end-users, especially overseas users to purchase through wholesalers and traders.

Manufacturers are one of the end-users of slewing rings. Other end-users are mainly those companies providing after-sales services such as equipment repairing for construction machineries and equipments. Slewing ring manufacturers usually manufacture slewing rings on ODM basis and OEM basis. Slewing rings are not only the key components for excavators and cranes, but widely applied in other construction equipments, machineries equipments, wind turbines, military industry, robots, etc. The ultimate end-users of machinery that adopts slewing rings and other components are construction contractors and other industry users such as wind turbine service providers.

Our Group is a midstream slewing ring manufacturer that manufactures slewing rings for sale to wholesalers, traders, construction contractors and manufacturers in both domestic and overseas markets.



Source: Frost & Sullivan

As products move through the supply chain from manufacturer to distributor to end customer, value is added at each stage along the value chain, with value-added service offered by intermediaries including distributors, wholesaler and retailers. Each participant in the supply chain adds a mark-up to cover their costs and generate a profit, which in turn accumulates and results in a considerable spread between manufacturing price and retail price. Accordingly, it is concluded that it is common in the slewing ring manufacturing and mechanical parts and components and machineries sourcing and distribution market that discrepancy is commonly seen between (i) manufacturing price and wholesale price; (ii) wholesale price and retail price; and (iii) manufacturing price and retail price.

Disintermediation

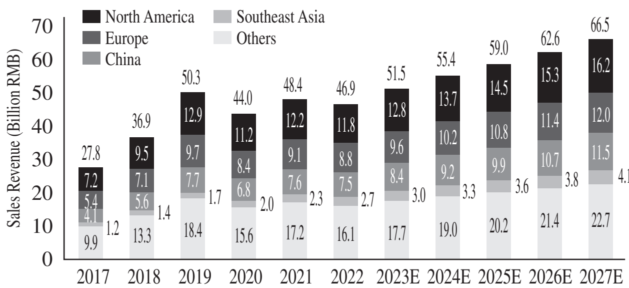
There may be disintermediation in the machinery and components distribution industry in the future. Given the trend of digitalization, vast amount of product or service information is readily available on the internet and as a result of information transparency, manufacturers and retailers are working on reducing the number of intermediaries in the supply chain by shipping directly to end customers, thereby reducing costs in the process. The machinery and components distributors continue to play an important role in supply chain and would not be replaced by other players throughout the value chain in the near future.

The reason for such a limited amount of companies engaging in machinery and components distribution is attributable to related entry barrier including (i) industry expertise, where existing machinery and components distributors have long-established experience and understanding in product sourcing, clients requirements gathering and market seasonality, and offer comprehensive service offering; (ii) networking, where notable distributors are required to establish systematic cooperation with various manufacturers with regional or globally footprint, and different product portfolio; (iii) capital investment, engagement in distribution services requires a sufficient amount of working capital for the procurement of machinery and components.

Distributors have the competitive edges over manufacturers including (i) higher flexibility in provision of services, particularly in product selection; (ii) value add-services, where distributors keep up with market trends and advise on product design; and (iii) local expertise in engaging suppliers/ manufacturers and formulating sales and marketing strategy for customers.

Global Sales Value of Slewing Rings Consumption by Region

Sales Value of Slewing Rings Consumption Breakdown by Region (World), 2017–2027E

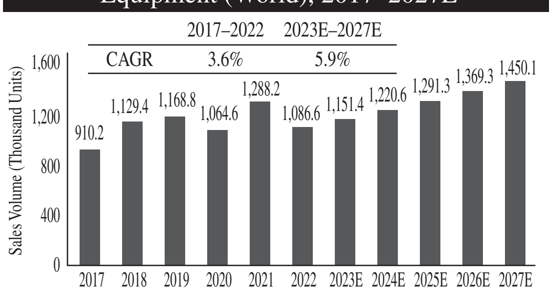


Region	CAGR 2017–2022	CAGR 2023E–2027E
Global	11.0%	6.6%
North America	10.3%	6.0%
Europe	10.2%	5.8%
China	12.9%	8.1%
Southeast Asia	18.3%	8.2%
Others	10.2%	6.4%

Source: Trade Map, Frost & Sullivan

As slewing rings are necessary transmission parts for large-size machineries and equipments in construction equipment industry, the slewing ring market is highly correlated with the construction equipment industry. Generally, the construction equipment industry is likely to experience a recession period roughly every eight years and displays periodic characteristics. Going forward, the sales value of slewing rings consumption is expected to attain RMB66.5 billion globally in 2027, representing a CAGR of approximately 6.6% during 2023 to 2027.

Global Sales Volume of Construction Equipment (World), 2017–2027E



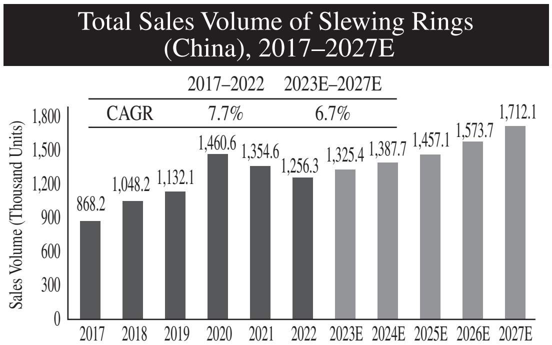
Source: Trade Map, Frost & Sullivan

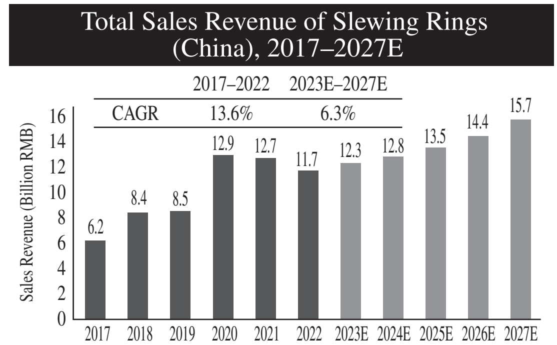
The global sales volume of construction equipments registered a growth from 910.2 thousand units in 2017 to 1,086.6 thousand units in 2022, at a CAGR of 3.6%. The drop in 2020 was due to the COVID-19 outbreak and the slow down of construction activities. The global sales volume of construction equipments is expected to expand at a CAGR of 5.9% from 2023 to 2027. The worldwide rise in construction activity is anticipated to drive the demand for these equipments. Favourable government initiatives such as stimulus packages and lower housing rates that inclined consumers for new house purchases are key factors expected to drive market growth over the forecast period.

Market Size of Slewing Ring Market by Sales Volume and Revenue in China

Sales revenue, which is primarily impacted by the sales volume and composite steel index, is mainly driven by several factors including sustained demand from downstream industries and government policy support such as The Belt and Road Initiative and Made in China 2025. The Belt and Road Initiative is expected to drive the infrastructure construction in relevant countries, which will raise the demand for construction equipments. The sales revenue of slewing rings in China has increased from RMB6.2 billion to RMB11.7 billion during 2017 to 2022, representing a CAGR of approximately 13.6%.

The sales revenue of slewing rings in China is expected to grow at a CAGR of approximately 6.3% during 2023 to 2027.





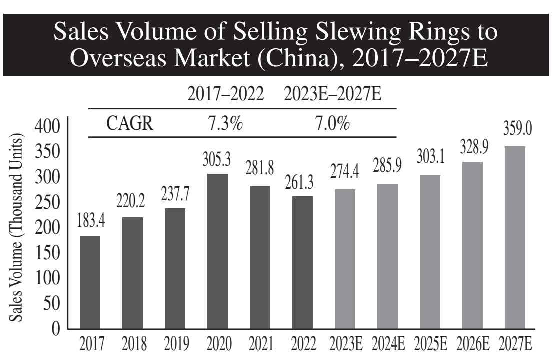
Note: Total sales volume = domestic sales volume + sales volume of selling slewing rings to overseas market; Total sales revenue = domestic sales revenue + sales value of selling slewing rings to overseas market

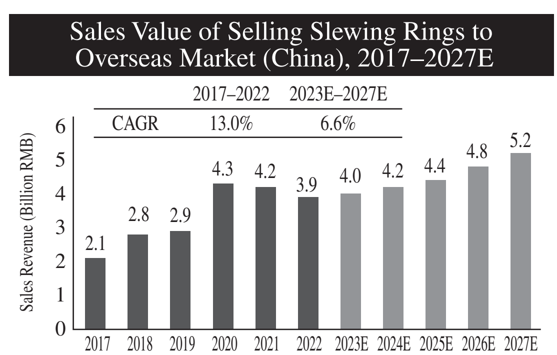
Source: National Bureau of Statistics, Trade Map, Frost & Sullivan

Market Size of Slewing Ring Market by Sales Volume and Revenue from China to Overseas Market

For global downstream market of slewing rings, the expansion in the infrastructure sector is driving the market expansion for slewing ring globally. The sales volume of selling slewing rings to overseas market has increased from 183.4 thousand units to 261.3 thousand units, representing a CAGR of approximately 7.3%. It is expected to attain 359.0 thousand units in 2027, representing a CAGR of approximately 7.0%. The sales value of selling slewing rings to overseas market on the other hand, has increased from RMB2.1 billion in 2017 to RMB3.9 billion in 2022, representing a CAGR of approximately 13.0% and is expected to record CAGR of approximately 6.6% during 2023 to 2027.

There is still a gap between domestic and foreign brands of slewing rings. The lifespan of foreign slewing rings is generally longer than domestic products. Compared with domestic products, slewing rings manufactured in Europe generally have a lower dispersion and a higher quality, while Japanese slewing rings create less noise.





Source: National Bureau of Statistics, Trade Map, Frost & Sullivan

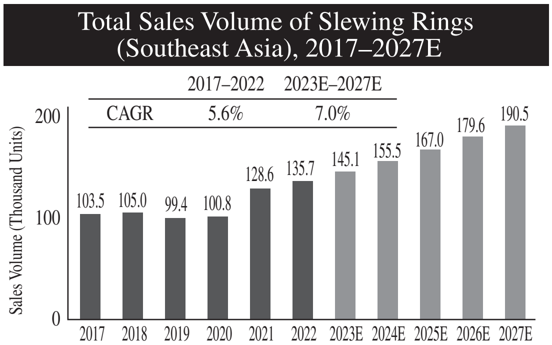
The U.S. has been the largest country of China's overseas sales of slewing rings from 2017 to 2022. The sales value of slewing rings to the U.S. increased from RMB388.5 million to RMB556.1 million, and is expected to reach RMB819.4 million by 2027. The sales value of slewing rings to Hong Kong has increased from RMB55.9 million in 2017 to RMB100.4 million in 2022. Hong Kong is acting as an intermediate transfer station for the sales of slewing rings to overseas markets of China.

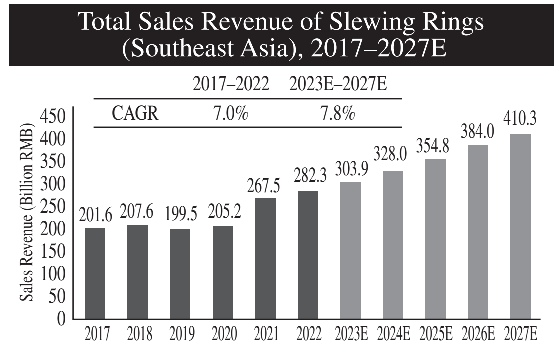
Singapore as an international trading center with well-established networking is experiencing rapid urbanisation and growing demand for smart machinery. The business-friendly tax system in Singapore offers a sustainable and stable environment for international trading and has long been considered as a trading centre and entrepot for the slewing ring industry. Over 90% of imported slewing rings are re-exported to other regions etc. From 2017 to 2022, the sales value of slewing rings to Singapore has increased from RMB29.1 million to RMB52.1 million. Going forward, the sales value of selling slewing rings to Singapore is likely to maintain a moderate growth pace from 2023 to 2027, reaching RMB86.6 million by 2027. Similar to Singapore, Malaysia and the Philippines situated in the Southeast Asia have their local demand for slewing rings in manufacturing machinery as well as the demand from re-export to other countries such as the U.S. and Europe. The sales value of selling slewing rings to the Philippines from China has increased from RMB7.7 million to RMB23.2 million from 2017 to 2022, representing a CAGR of 24.7% during the period and is expected to attain RMB37.9 million in 2027, representing a CAGR of approximately 9.7% during 2023 to 2027. Malaysia as another growing sales destination in the Southeast Asia recorded a robust growth during 2017 to 2022, attaining a CAGR of 31.0%, and is expected to attain RMB173.2 million in 2027, representing a CAGR of 7.7% during 2023 to 2027.

Europe has been one of the largest exporting regions for Chinese slewing ring manufacturers. From 2017 to 2022, the sales value of selling slewing rings to Europe has increased significantly from RMB441.7 million to RMB907.5 million, representing a CAGR of 15.5%.

Market Size of Slewing Ring Market by Sales Volume and Revenue in Southeast Asia

In recent years, multinational slewing rings manufacturing companies have started to set up production site in Southeast Asia owing to the continuously improving infrastructure, affordable labour cost, encouraging government policies as well as industry agglomeration in the area where value chain across the upstream raw material providers, midstream manufacturer and downstream customers are setting up branches in the area. Investment from sizeable slewing ring companies is dedicated to improve its local manufacturing capabilities, boost the supply chain network and accelerate regionalisation to accommodate to the local supply chain. Accordingly, the sales volume of slewing rings in Southeast Asia has increased from 103.5 thousand units to 135.7 thousand units, representing a CAGR of approximately 5.6% during 2017 to 2022, and is expected to attain a CAGR of approximately 7.0% during 2023 to 2027. The sales revenue of slewing rings in Southeast Asia on the other hand has increased from US$201.6 million to US$282.3 million during 2017 to 2022, representing a CAGR of approximately 7.0%.





Source: Trade Map, Frost & Sullivan

Key Growth Drivers

Favourable Government Policies — Catering to the rapid urbanisation process in China and the subsequent demand for construction equipments and wind turbine generators, the Chinese Government has promulgated various policies directions in underpinning the slewing ring industry development. In 2021, the China Bearing Industry Association published the National Bearing Industry 14th Five Year Development Plan ("**全國軸承行業"十四五"發展規劃**") outlined that continuous research and development shall be devoted on applying advanced slewing rings into high-end industries such as aerospace equipments, and marine engineering equipments. The 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives through to the Year 2035 ("**十四五規劃和2035年遠景目標綱要**") remarked the promotion of advanced industrial base, modernisation of the industrial chain and deepen the implementation of intelligent manufacturing and green manufacturing project in the slewing ring industry. Further, the Tariff Adjustment Plan for 2021 ("**2021關稅調整方案**") in China has rolled out a series of tariffs relieving policies on various types of slewing ring products. In light of the Chinese favourable policy environment, the bearing market including the slewing ring market in China is therefore expected to grow in the future.

Thriving Demand for Construction Machineries — In regard to the construction industry in China, the total sales volume of various machineries such as excavator, bulldozers, graders, tractor scraper have all recorded robust increment during past few years. These machineries are essential during the incidence of infrastructure, traffic and road construction, real estate, and mining industry, while the country is continuously rolling out large-scale infrastructural project to meet the burgeoning population in recent years. In particular, the production volume of excavator in China has increased considerably at a CAGR of approximately 9.5% during 2017 to 2022. Going forward, as outlined in the National Comprehensive Three-Dimensional Transportation Network Planning Outline ("**國家綜合立體交通網規劃綱要**"), a modern high-quality comprehensive three-dimensional transportation network shall be built to ensure the citizens are able to reach any urban cluster in two hours any cities in the nation within three hours. In the connection of the thriving construction industry, slewing rings serving as an integral part of construction machinery shall grow along.

Wider Application Domain — Though slewing ring is mainly applied in the manufacturing of construction equipments, the application of the stuff has been broadening in recent years. Slewing ring has been applied in medical machines, packaging facilities, transporters, water treatment processes, mining equipments and other fields. In particular, industrial automation and application of robotics is thriving in recent years in order to reduce operational cost and enhance production efficiency, while alleviating the impact of costly labour and ageing population. The industrial automation market in China has increased at a CAGR of 3.8% during 2016 to 2021. Slewing rings serve as pivotal part within industrial robots and machine tools and therefore the demand would be stimulated accordingly. Also, the slewing ring has also filled the unique needs of several government applications including missile systems, antenna and radar positioning, catapults, etc. The increasing range of application of slewing rings is forecast to further drive the market.

Technology Development — The requirement on the performance of slewing ring has increased due to the wider application especially in high precision fields. As the demand grows, the industry of slewing ring is likely to face an upgrade and development. High end products are likely to be needed in the future.

***Automation and Streamlined Slewing Ring Production* —** Slewing ring manufacturers are increasingly devoted to accelerate automation and assimilate computer numerical controlled machineries into the production and inspection line. In view of the outbreak of the COVID-19, leading players in the industry leverage the incorporation of such technology to implement automation to elevate overall production yield and efficiency under the operational pressure of shortage of labour and growing labour cost. Further, the promotion of Industry 4.0 is likely to help increase the demand for slewing rings and the slewing ring manufacturers are expected to shift towards automation and adoption of industry 4.0.

Market Challenges

***Fluctuation of Raw Material Price* —** The production of slewing ring is highly associated with the raw material price of gear steel, carbon round steel and other types of steel. The price of steel has greatly fluctuated over the past five years, which directly affects the production cost and selling price slewing bearing. The potential risk of steel price fluctuation is expected to remain as a threat to the stable development of slewing bearing market.

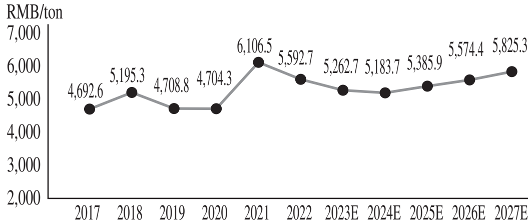
***Competition from Emerging Countries* —** In recent years, the manufacturing industry has seen a change in supply chain. Attributable to the growing availability of skilled labour and lower labour cost, Southeast Asia has become an additional option of outsourcing locations and taking up a share of electronics manufacturing from the PRC. There is a shift of production facilities from the PRC to other countries due to the trade dispute between the PRC and the U.S. As a result, the emergence of these alternative locations shall pose a threat to manufacturing industry in the PRC.

Cost Structure Analysis

The steel price is affected by many factors such as macro economy, supply and demand situation, raw material price, international trade, etc. The price trend of gear steel and carbon round steel has risen during 2017 to 2022 and is expected to remain upward trend in short-term owing to rising demand. The steel comprehensive price index is expected to attain 136.5 in 2027, showcasing a steady increase over the forecast period.

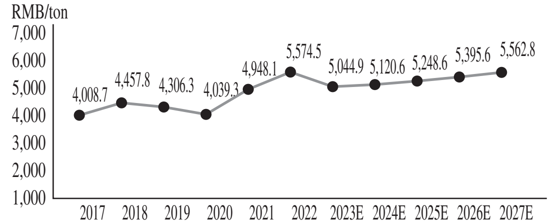
Steel made of 50Mn, 42CrMo and S48C are the major raw materials for manufacturing slewing rings. The price trends of major raw materials generally followed the price trend of steel comprehensive price index, which reflects the overall performance of steel price in China. 42CrMo is the material with the highest quality. Most of the steel companies in China are able to provide this kind of steel, hence the supplier option is rather flexible. Leading steel companies including a major supplier of our Group during the Track Record Period generally are more reliable in terms of quality. The prices of the three major raw materials are highly correlated with the overall steel price. They are also expected to fluctuate in the future, but remain an upward trend in short term.

Price Trend of Gear Steel (China), 2017–2027E



Note: The price above is the national average price of all types of gear steel (35/42CrMoØ50).

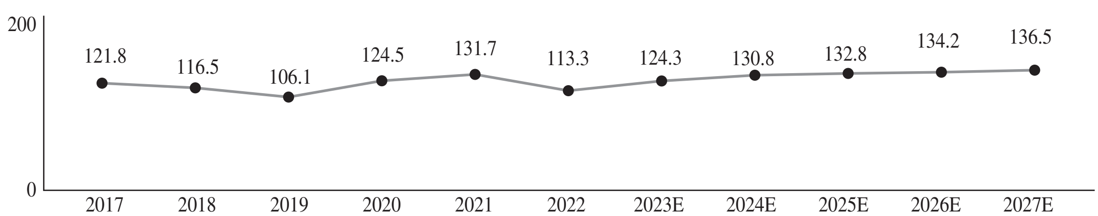
Price Trend of Carbon Round Steel (China), 2017–2027E



Note: The price above is the national average price of all types of carbon round steel (45# steel in GB, S45C and S48C in JIS).

Source: National Bureau of Statistics, Frost & Sullivan

Steel Comprehensive Price Index (China), 2017–2027E



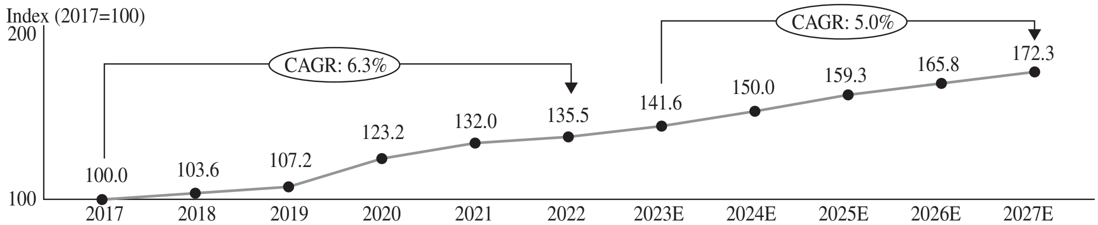
Note: The price above is the national average price of all types of carbon round steel (45# steel in GB, S45C and S48C in JIS).

Source: WIND, China Iron and Steel Industry Association, Frost & Sullivan

Price Trend of Slewing Rings

The price trend of slewing rings is highly associated with the price of raw material including gear steel, carbon round steel and other types of steel. Attributable to the growing demand originated from construction machinery, other equipment and wind turbine, coupled with the continuously rising complexity of slewing ring that elevates the cost in relation to research and development, manufacturing and quality assurance, as well as the rising raw material price of slewing ring including gear steel, carbon round steel and other types of steel, the price trend index of slewing rings has increased from 100.0 to 135.5 during 2017 to 2022, representing a CAGR of approximately 6.3% during the period. Going forward, alongside with the rise in the price of raw material, and constantly growing demand from downstream, the price trend index of slewing rings is expected to attain 172.3 in 2027, growing at CAGR of 5.0% during 2023 to 2027.

Price Trend Index of Slewing Rings (China), 2017–2027E



Note: The price index is made reference to export unit values of ball or roller bearings (HS code: 8482) originated from the PRC.

Source: Trade Map, Frost & Sullivan

Comparison of JB, JB/T and JIS standard

Japanese Industrial Standards ("**JIS**") are the standards used for industrial activities in Japan, coordinated by the Japanese Industrial Standards Committee and published by the Japanese Standards Association. In particular, the JIS sets out standards on gear with regards to product specifications including but not limited to accuracy, shapes, profile, dimensions, backlash and measuring method. For instance, the JIS 1702 standard specifies accuracy for the involute spur gears and helical gears in certain diameter.

The JB standard, originated from the Chinese pronunciation Ji Biao ("機標") refers to a series of national standards in regards to the machinery industry, involving the standardisation of electrical mechanics, instrumentation and operational machinery. JB/T is a subset of JB standard in which the T refers to a recommended but not mandatory standard. According to the Standardisation Law of the PRC (2017 Revision) ("中華人民共和國標準化(2017年修訂)") promulgated by the Standing Committee of the National People's Congress, JB standards must be mandatorily implemented while JB/T is encouraged to be carried out. In 2018, the Ministry of Industry and Information Technology published the JB/T 2300–2018, to be regarded as the universal industry standard in replacement of the JB/T 2300–2011 published in 2011. This standard specifies the symbols, classification and marking, requirements, test methods, inspection rules, marking, packaging, transportation and storage of slewing rings. As of 2022, there are approximately 150 industry players in the slewing ring market in the PRC, among which a majority of them are capable of producing JB products. There are approximately 20 industry players capable of producing JIS standard products, a majority of them are Japanese-based companies setting up manufacturing sites in the PRC and a few Chinese companies attaining such capability. The Group is able to offer a long warranty period of up to 3,000 hours of operation or two years (whichever occurs first) for slewing rings manufactured under its OEM basis, which is significantly higher than the usual warranty period of 2,000 hours of operation or one year (whichever occurs first) available in the market.

- Compared with other industry standard such as JB and JB/T which are recommended industry standards issued by the Ministry of Industry and Information Technology of China, JIS is stricter in terms of quality control requirements on specifications and level of precision. There are only a few slewing ring manufacturers in China that sell slewing rings overseas that are qualifiable to the JIS standard. The company is one of the very few manufacturers in China that adopt the JIS standard in manufacturing certain product lines that are sold to domestic and overseas markets. The ability of a company to produce JIS-compliant goods is strongly favoured by downstream industry players, including domestic and overseas markets and particularly the Japanese market. In general, the Japanese downstream manufacturers in most cases require the slewing ring parts raw material to meet the requirements of JIS.

- Further, Japanese construction equipment manufacturers may set up their production plants beyond Japan in order to save production costs and establish foothold in overseas markets, while the raw material requirement is as well JIS-compliant. As such, JIS is not only just relevant to customers situated within Japan, but it is also applicable to other overseas customers which use the excavators produced in Japan or excavators produced by Japanese manufacturers in countries outside Japan. Competent industry players are therefore able to garner significant competitive advantage and market foothold.

JIS-standard slewing rings have a significant position in the global market, and are particularly and widely used in Japan for manufacturing excavators and other heavy equipment. Japan relies primarily on the JIS-standard slewing rings from either domestic or certified Chinese manufacturers for their excavator production. China produces a wide range of slewing rings for the domestic market, of which 3–5% of its slewing ring production is of JIS-standard which are mostly exported to Japan branded excavators operators.

The JIS certification signifies high quality and durability, which are crucial for components like slewing rings that enable rotational and oscillating movements of heavy structures and also ensures interoperability and dimension compatibility between slewing rings and the excavator assemblies. Given Japan's advanced technological expertise in hydraulics and heavy machinery, their excavators have a reputation for high precision and performance. This also places stringent quality demands on all components including the slewing rings. China has invested to upgrade its manufacturing capabilities to meet the sophisticated technical specifications required for JIS-standard slewing rings. Less than 10 of the PRC manufacturers are capable of exported JIS certified slewing rings which have gone through rigorous testing and quality control.

COMPETITIVE LANDSCAPE OF SLEWING RINGS MARKET IN CHINA

The slewing ring market in China is fairly fragmented, the top three manufacturers together attained a revenue of RMB5,386.9 million in 2022, accounting for approximately 46.0% of the slewing ring market in 2022. There are approximately 200 slewing ring manufacturers in the PRC and a majority of them are small and medium enterprises.

According to the Measures for Statistical Definitions of Large, Medium and Small Enterprises ("統計上大中小微型企業劃分辦法"), the classification of large, medium and small enterprises in the manufacturing industry is as follows: (i) Large enterprise: annual revenue greater than RMB400 million; (ii) Medium enterprise: annual revenue between RMB20 million and RMB400 million; (iii) Small enterprise: annual revenue between RMB3 million and RMB20 million.

In the slewing ring market in the PRC, large-size players generally own several integrated production lines which involves the vertical integration from production to quality assurance, as well as horizontally integrated with multiple product lines that produce different types of slewing ring and other types of bearing products.

Our Group is a medium-size player with an integrated production line in the market. In 2022, our Group recorded a revenue of approximately RMB66.5 million, accounting for approximately 0.6% of the total market in terms of sales revenue. In 2022, the increasing pressure on environmental protection, as well as the outbreak of the COVID-19 which resulted in lockdown and quarantine measures that led to temporary stagnation in business pipeline of certain companies, have collectively led to the closure of several small-size manufacturers, which in turn decreases the total number of slewing ring manufacturers in China and the industry is witnessing market consolidation.

Top Three China-Based Manufacturers of Slewing Ring Market in China by Revenue in 2022

Rank	Market participants	Revenue in 2022 *(RMB Million)*	Market share *(%)*
1	Luoyang Xinqianglian Slewing Bearing Co., Ltd.	2,139.0	18.3%
2	Xuzhou Rothe Erde Slewing Bearing Co., Ltd.	2,112.4	18.1%
3	Luoyang LYC Automobile Bearing Technology Co., Ltd.	1,135.5	9.7%
	Sub-total	5,386.9	46.0%
	Others	6,313.1	54.0%
	Total	11,700.0	100.0%

Note: Luoyang Xinqianglian Slewing Bearing Co., Ltd. was founded in 2005 in Henan and is a listed company trading in Shenzhen Stock Exchange. Company A serves the slewing ring market with downstream industry including wind turbine and port equipment sector extensively.

Xuzhou Rothe Erde Slewing Bearing Co., Ltd. is a joint venture headquartered in Jiangsu and was founded in 2002. The major products of the Company are slewing rings and industrial steel balls.

Luoyang LYC Automobile Bearing Technology Co., Ltd. was established in 1954, and its capacity, production and sales scale and supporting service have expanded around the globe. Main products include slewing rings, railway bearings, automotive bearings, and rotary table bearing.

Source: Frost & Sullivan analysis which takes into account the information published on the websites of companies and the annual report of a listed company

The market of overseas sales of slewing rings is also fragmented. Our Group ranked at the fourth place, accounting for approximately 1.7% of the market in 2022 in terms of sales revenue to overseas markets. Our Group is positioned as a premium slewing ring manufacturer targeting the local PRC and overseas markets.

Our Group faces potential competition from non-PRC players in oversea markets, especially in developed regions such as Japan and Europe, where local manufacturers have relatively strong experience to the local markets. However, comparing with these manufacturers, our Group has a price advantage, as well as high quality, capacity and variety production, which may help to attract and retain customers.

Top Five Manufacturers of Overseas Slewing Ring Sales in China by Revenue in 2022

Rank	Market participants	Revenue in 2022 *(RMB Million)*	Market share *(%)*
1	Luoyang LYC Automobile Bearing Technology Co., Ltd.	470.1	12.1%
2	Xuzhou Rothe Erde Slewing Bearing Co., Ltd.	397.8	10.2%
3	Maanshan Jingwei Slewing Bearing Co., Ltd	128.5	3.3%
4	**Our Group**	**65.6**	**1.7%**
5	Maanshan Fangyuan Precision Machinery Co., Ltd.	62.4	1.6%
	Sub-total	1,124.4	28.8%
	Others	2,775.6	71.2%
	Total	3,900.0	100.0%

Note: Maanshan Jingwei Slewing Bearing Co., Ltd is a company located in Anhui and was established in 2007. The company focuses on the manufacturing and sales of slewing rings and slewing drives.

Maanshan Fangyuan Precision Machinery Co., Ltd. is a leading domestic manufacturer headquartered in Anhui founded in 1984. The company is the subsidiary of a listed company in the Shenzhen Stock Exchange.

Source: Frost & Sullivan analysis which takes into account the information published on the websites of companies and the annual report of a listed company

Entry Barriers

Stringent Quality Requirement — As downstream products of slewing rings such as construction machinery are considered durable and precise devices, clients, i.e. manufacturer of these machineries, are therefore generally maintaining stringent requirements towards their contract manufacturers and demonstrate stickiness to qualified slewing ring manufacturer. Slewing rings manufacturers shall continuously monitor the products are of high quality and are highly consistent and stable. Slewing rings that are able to undergo stringent and comprehensive verification such as JIS standard, validation, testing, site audit processes are highly preferred by customers. Further, steady flow of product is one of the key considerations when downstream customers select a slewing ring manufacturer. As a result, suppliers which have their own production facilities can maintain competitive advantages within the industry. Overall, establishment and existing players excel their competitive advantages in this area while it poses certain barrier to new entrant.

Industry Know-how — With the continuous improvement of China's equipment industry, the downstream manufacturers are demanding a higher standard on the precision, life and reliability of slewing rings. In order to produce qualified products, slewing ring manufacturers should have the corresponding technical ability in material selection, processing, heat treatment and product testing. Slewing bearings usually need more advanced and professional equipment and technology to meet its performance. It is difficult for new entrants to construct perfect technical system and recruit enough technical personnel in a short period.

Business Relationship — Downstream customers of slewing rings are more likely to keep long cooperation relationships with leading and well-known manufacturers with high quality slewing rings. Given the long-standing relationship of existing slewing ring manufacturers with various levels of stakeholders, relationship and networking within the industry act as an entry barrier due to the fact that the fabrication of slewing ring requires materials and equipment supply, as well as sales network and reputation comprising traders and various downstream customers. Business relationships also enable slewing ring manufacturers to expand their product offerings and achieve provision of a comprehensive line of products in order to stand out from other competitors.

Capital Investment — Manufacture of slewing ring is considered a capital-intensive business with substantial initial investment in purchase of steel as raw material, module and tooling, establishment of production facilities with automated and precise production chain as well as recruitment of technical staff. The initial set up cost together with the operational cost will pose a barrier for new entrants without sufficient financial resources.

OVERVIEW OF CONSTRUCTION AND INDUSTRIAL MACHINERIES AND OTHER PARTS MARKET

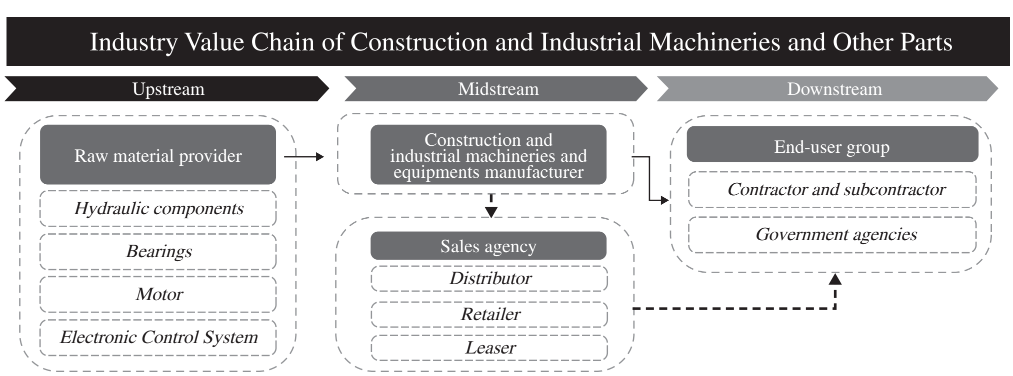
Definition and Introduction

Machineries and equipments for construction and industrial works are the tools and machineries used in projects including civil, building, electrical and mechanical (E&M) and repair, maintenance, alteration and addition (RMAA) works and other industrial activities.

Examples of construction and industrial machinery and equipment include generator welding set, air-compressor, compactor, roller, lighting tower water pump, forklift, wheel loader, bulldozer, tele-handler, boom lift, forklift, scissor lift. The machines and devices used in construction and industrial projects are illustrated below.

Value Chain

The construction and industrial machineries and equipments market is divided into upstream raw material provider, midstream manufacturer and sales agency and downstream end-user group. Upstream raw material provider provides mechanical and electronic components for midstream manufacturer, where subsequently construction and industrial equipments such as heavy equipments, cranes, roadwork machineries, mobility machineries, power units and portable equipments are fabricated by midstream machineries and equipments manufacturer. Manufacturer may establish its own sales channel, or engage sales agency in distributing, leasing and retailing respective machineries to downstream end-user groups including contractor, subcontractor and government agencies.



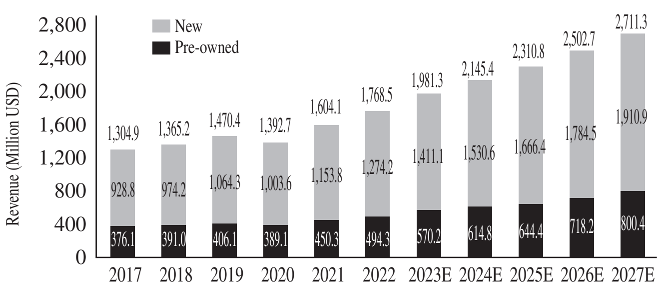
Source: Frost & Sullivan

Market Size of Construction and Industrial Machineries and Other Parts in Southeast Asia

Market size of construction and industrial machineries and other parts in Southeast Asia has seen an increase from US$1,304.9 million in 2017 to US$1,768.5 million in 2022, representing a CAGR of 6.3%. The increase is predominantly due to the increasing infrastructure investment and development of affordable housing, which creates the increasing need for excavators and undercarriage parts.

The overall construction demand is forecasted to rise, with an increase in demand for healthcare facilities, civil engineering works and government projects. The private sector's construction demand is expected to improve due to a brighter economic outlook and upturn in the property market sentiment, thereby translating into growth for construction works, namely digging, trenching, earthmoving, loading and foundations. Market size of construction and industrial machineries and other parts globally and in Southeast Asia is expected to maintain the growth at a CAGR of 5.9% and 8.2% for the next five years, and reach US$76.6 billion and US$2,711.3 million in 2027, respectively.

Market Size of Construction and Industrial Machineries and Other Parts in Southeast Asia, 2017–2027E



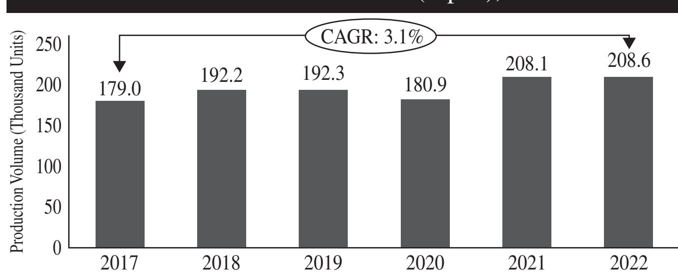
	CAGR 2017–2022	CAGR 2023E–2027E
New	6.5%	7.9%
Pre-owned	5.6%	8.8%
Total	6.3%	8.2%

Note: Construction and industrial machineries and other parts mainly refers to excavators and undercarriage parts such as track chains, rollers and track shoes. The market size refers to the business receipt of the companies engaged in the manufacturing and sales of construction and industrial machineries and other parts, taking the change in price and quantity into consideration.

Source: Trade Map, Frost & Sullivan

In 2022, the volume of excavators produced in Japan amounted to approximately 208.6 thousand units, increased from about 179.0 thousand in 2017. Among construction equipments, excavators had the highest production volume in Japan.

Production volume of excavators (Japan), 2017–2022



Source: Statista, Frost & Sullivan

Key Market Drivers

***Increased Infrastructure Investments* —** There will be more construction projects in both private and public sector in the near future, driven by the increased infrastructure investments in the aftermath of the COVID-19 outbreak. The resumption of projects in the commercial and leisure sectors helps improve the construction industry's overall growth and increases regional investment in large-scale public infrastructure, particularly in railways, expressways, and airports. This is most notable in Southeast Asia, which is being earmarked as countries to have positive construction sector growth. Infrastructure investments, residential, commercial, and industrial construction, mine and well construction and institutional spending are all expected to increase, following the economic activities resumption, which would drive the global sales of construction and industrial machineries and equipments.

***Supportive Government Initiatives* —** Supportive government initiatives are expected to drive the growth of the market. For instance, in August 2021, the federal government of the U.S. announced stimulus packages including US$550 billion in new federal investment for modernising infrastructure are expected to drive construction spending in the country. Similarly, in 2019, the Government of India announced to invest US$1.4 trillion for infrastructure projects from 2019 to 2023. To boost the economy, the Chinese Government announced the US$1 trillion infrastructure plan in 2022, targeting investments in new energy projects, high-speed rail and water tunnels.

Accordingly, the supportive government initiatives would translate into the upcoming demand for construction machinery over the forecast period.

***Technological Advancements* —** The construction and industrial machineries and other parts market are witnessing a lot of technological advancements in efficiency optimisation and product reliability. This is seen in automated solutions as it helps increase productivity with minimum effort and reduced errors. Autonomous operating technology is widely adopted in the off-highway operating vehicle segment and other construction tasks that are repetitive, physical, precise, and time-sensitive. This is driving the demand for the development of autonomous construction equipment. For example, manufacturers are developing autonomous construction equipment which works on wireless communication technologies by interfering with radio signals from other equipments, receiving commands, and reporting status. The trend for autonomous construction equipment would translate into growth opportunities for the construction and industrial machineries and other parts market.

***Increasing Investment in Smart City Projects* —** The demand for excavators is expected to be driven by the construction sector in the near future. In particular, smart cities in Southeast Asia takes a more focused look at how cities across the region can make better use of data, digital tools, and smart solutions to solve specific public problems and make the urban environment more livable, sustainable, and productive. On the back of the substantial government funding, there is an increasing number of smart infrastructure projects initiated in the developing countries. The strong investment in the real estate sector will foster the need for superior hydraulic excavators in construction and undercarriage parts.

Replacement Cycle — According to the characteristics of the machinery industry product replacement cycle, the renewal and replacement cycle of construction machinery such as excavator, bulldozer and grader are generally 8–10 years. Owing to the robust demand for this equipment in past years, the demand for renewal and replacement is expected to continuously propel the construction machinery market globally.

Demand for Comprehensive Products Provider — Parts like sprocket, idler, track roller, track chain and track shoes go through many steps from raw material to finished components ready for assembly and the process, such as casting, precision machining, heat treatment and surface finishing takes time to perform. A comprehensive products provider, such as the Company, takes complexity out of the procurement process, which reduces lead time and improves quality too. The synergy of manufacturing and sourcing capabilities also enable the customers to simplify and accelerate new product development and prototyping activities. Engaged in the provision of construction and industrial machineries and other parts, the suppliers are able to provide comprehensive products and tap into market growth.

Market Challenges

Shortage of Expertise and Talented Labour — A shortage of expertise and talented labour, coupled with an absence of systematic cultivation and recruitment for human capital, may pose a significant challenge for the development of the industry. Construction machinery is considered technology-intensive industries and requires extensive research and development effort by personal and technical workers. The specialised knowledge in designing, developing and manufacturing construction machinery requires at least 3–5 years of training. which further exacerbates the lack of professional and technical personnel in the industry.

Disruption in Supply Chain — Global event such as the COVID-19 outbreak since early 2020 and the US China Trade War has temporarily affected the supply of raw material due to the disruption on material supply chain and availability of labour associated with the containment measures undertaken around the globe. Constraints in material sourcing and price fluctuation in raw material poses significant challenge to industry players.

COMPETITIVE STRENGTHS OF OUR GROUP

Please refer to the section headed "Business — Competitive strengths" in this listing document for a detailed discussion of competitive strengths of our Group.

This section sets forth a summary of the significant laws and regulations that affect our Group's business and operations. Information contained in this section should not be construed as a comprehensive summary nor a detailed analysis of laws and regulations applicable to the business and operations of our Group.

OVERVIEW

Our business operations are subject to respective supervision and regulations from the PRC government and in Hong Kong. Below is a summary of laws, regulations and policies which are material to our Group:

LAWS AND REGULATIONS RELATING TO WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 December 1993 and came into effect on 1 July 1994. It was revised several times afterwards, and the latest version was implemented on 26 October 2018. According to the PRC Company Law, companies are classified into two categories, namely limited liability companies and limited companies by shares. The PRC Company Law also applies to foreign-invested limited liability companies and companies limited by shares unless otherwise specified in the relevant foreign investment laws and regulations. The Draft Amendment to the PRC Company Law (《中華人民共和國公司法(修訂草案)》) was released to seek public comments on 24 December 2021. As of the Latest Practicable Date, the Draft Amendment to the PRC Company Law has not been formally adopted.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, labour matters and all other relevant matters of a wholly foreign-owned enterprise shall be subject to the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), which was promulgated by the SCNPC on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, the Implementation Rules of the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》), which was promulgated on 12 December 1990 and amended by the State Council on 12 April 2001 and 19 February 2014, and the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprise (《外商投資企業設立及變更備案管理暫行辦法》) (the "**Provisional Measures**"), which was promulgated on 8 October 2016 and lastly amended on 29 June 2018. According to the Provisional Measures, only filing is needed for the establishment and changes of the foreign-invested enterprises with no special administrative measures on the admission of foreign investors. The foreign-invested enterprises or their investors shall truly, accurately and completely provide the filing information and fill out the filing application commitment according to the Provisional Measures. On 1 January 2020, the Wholly Foreign-owned Enterprise Law of the PRC was terminated and replaced by the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"). On the same date, the Implementation Rules of the Wholly Foreign-owned Enterprise Law of the PRC and the Provisional Measures were terminated and replaced respectively by the Implementing Rules of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) and the Foreign Investment Information Reporting Measures (《外商投資信息報告辦法》).

The Foreign Investment Law, which was promulgated by the National People's Congress (the "**NPC**") on 15 March 2019 and effective as of 1 January 2020, establishes the basic framework for promoting foreign investment and protecting the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investment refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organisations in the PRC, including the following: (a) foreign investors establishing foreign-invested enterprises in the PRC alone or collectively with other investors; (b) foreign investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (c) foreign investors investing in new projects in the PRC alone or collectively with other investors; and (d) foreign investors investing through other ways prescribed by laws and regulations or the State Council.

The Implementing Rules of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on 26 December 2019 and effective as of 1 January 2020 and the Measures for the Foreign Investment Information Report (《外商投資信息報告辦法》), specify the authorities, procedures, requirements and legal responsibilities of the reporting of the establishment and changes of a foreign-invested enterprise through the Foreign Investment Information Report System which replaces the Filing System as stipulated under the Provisional Measures. Accordingly, foreign-invested enterprises or foreign investors shall submit the initial record, the change record, the cancellation report and the annual report to report investment information.

Moreover, investment activities in the PRC by foreign investors are governed by the Catalog of Industries for Encouraged Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Catalog**") and the Special Management Measures for the Access of Foreign Investment (Negative List) (2021) (《外商投資准入特別管理措施) (負面清單) (2021年版)》) (the "**Negative List**"), which were both promulgated by MOFCOM and NDRC and each became effective on 1 January 2023 and 1 January 2022. Industries that are not listed in the Negative List are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations. The Negative List has no restriction on our business in the PRC.

REGULATIONS AND POLICIES RELATING TO THE SLEWING BEARINGS INDUSTRY

The management of the slewing bearings industry in the PRC adopts a combination of government macro-control and industry self-discipline. The production, operation and specific business management of enterprises are carried out in a market-oriented manner.

According to the Guidance Catalogue for Industrial Restructuring (2019) (《產業結構調整指導目錄》(2019)) which was promulgated on 30 October 2019 and amended on 30 December 2021 by NDRC, the industry of slewing rings which forms under the machinery industry category has been classified as an "encouraged" industry.

According to the Standardisation Law of the PRC (2017 Revision) (《中華人民共和國標準化法》(2017年修訂)) promulgated by the SCNPC on 4 November 2017, national standards shall comprise mandatory standards and recommended standards; industry standards and local standards are recommended standards. Mandatory standards must be implemented. Recommended standards are encouraged to be adopted. National machinery industry standards applicable to the products of our Group include: JB/T 2300–2011 Slewing Bearings (《迴轉支承》), JB/T 10471–2017 Rolling Bearings-Slewing Bearings (《滾動軸承轉盤軸承》), which are recommended standards.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

Product quality supervision in the PRC is generally governed by the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), which was promulgated on 22 February 1993 and amended on 29 December 2018. Producers and sellers shall be liable for product quality in accordance with the Product Quality Law. A system of supervision and inspection of product quality is implemented, based mainly on a random inspection of products. Producers and sellers must not refuse product quality supervision and inspection that is carried out in accordance with the law. Under the Product Quality Law, consumers or other victims who suffer personal injury or property damage due to product defects may claim compensation from the producer as well as the seller. In case of violations of the Product Quality Law, the responsible authorities have the right to impose fines on the violators, order them to suspend operations and revoke their business licenses. In serious cases, even criminal liability may be incurred.

The Measurement Law of the PRC (《中華人民共和國計量法》) was promulgated by the SCNPC on 6 September 1985 and lastly amended on 26 October 2018. On 23 July 2010, the Standing Committee of the Guangdong Provincial People's Congress promulgated the Measures for the Implementation of the Measurement Law of the PRC in the Guangdong Province (《廣東省實施<中華人民共和國計量法>辦法》), which stipulated that when an enterprise or institution needs to assess the effectiveness of its metrological assurance system and the date provided, it may apply to the metrological administrative department of the province or city for confirmation of the metrological assurance system. We were awarded the Certificate for Measurement Assurance System (Level 3) by the Bureau of Quality Supervision of Dongguan City in July 2012.

LAWS AND REGULATIONS RELATING TO SAFE PRODUCTION

Work Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Work Safety Law**") was promulgated by the SCNPC on 29 June 2002, came into effect on 1 November 2002 and was revised on 31 August 2014 and 10 June 2021. According to the Work Safety Law, business entities shall meet the work safety conditions prescribed by relevant laws, administrative regulations, and national or industry standards, set aside and use work safety expenses exclusively for improving work safety conditions. Violations of the Work Safety Law may result in the imposition of fines and penalties, the suspension of operation, an order to cease operation, and/or criminal liability in severe cases. In addition, production and operation entities shall supply their employees with protective articles that meet national or industrial standards and instruct them to wear or use such articles as required.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on 12 May 1994 and amended on 6 April 2004, 7 November 2016 and the Measures for the Archival Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》) which was promulgated by MOFCOM on 25 June 2004 and amended on 18 August 2016 and 10 May 2021, foreign trade operators engaged in imports and exports of goods or technologies shall file records with the foreign trade department of the State Council or its authorised agency, unless otherwise stipulated by the laws, administrative regulations or the foreign trade department of the State Council. Foreign trade operators that have not filed for registration in accordance with the provisions will be declined by the customs to carry out customs clearance and inspection procedures for the import and export of goods.

On 30 December 2022, SCNPC amended the Foreign Trade Law of the PRC, in which the provisions about the requirement of the records filing towards the foreign trade operators no longer exist. However, MOFCOM has not yet abolished the Measures for the Archival Filing and Registration of Foreign Trade Business Operators.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) promulgated by the SCNPC on 21 February 1989 and lastly amended on 29 April 2021 and its implementation rules. According to the aforesaid relevant laws and regulations, the import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the State administration shall be inspected by the commodity inspection authorities, and the consignor shall apply to the inspection and quarantine authorities for inspection in the places and within the time limit specified by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC. No permission shall be granted for the export of export commodities until they have been found to be up to standard through mandatory inspection by the inspection and quarantine authorities while the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or their entrusted agents may apply for inspection from the commodity inspection authorities.

The Customs Law of the PRC (the "**Customs Law**") (《中華人民共和國海關法》) was promulgated by the SCNPC on 22 January 1987 and lastly amended on 29 April 2021. Pursuant to the Customs Law, unless otherwise stipulated, the declaration of import and export goods and payment of duties on them may be completed by consignees and consignors themselves, and such formalities may also be completed by representatives entrusted by the consignees and consignors and approved by and registered with the customs. In addition, the consignor or consignee of the goods exported or imported and the customs broker must register themselves for declaration activities with the customs. Pursuant to the Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities (《中華人民共和國海關報關單位备案登記管理規定》) promulgated by the General Administration of Customs on 19 November 2021, consignees and consignors of imports and exports and customs declaration enterprises which have filed records with the customs can handle the customs declaration business within the customs territory of the PRC, and the filing is valid permanently.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND FIRE PREVENTION

The major laws and regulations in the PRC concerning environmental protection include: the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Evaluation of Environmental Effects Law of the PRC (《中華人民共和國環境影響評價法》), the Prevention and Control of Water Pollution Law of the PRC (《中華人民共和國水污染防治法》), the Prevention and Control of Atmospheric Pollution Law of the PRC (《中華人民共和國大氣污染防治法》), the Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國噪聲污染防治法》), the Prevention and Control of Solid Waste Pollution Law of the PRC (《中華人民共和國固體廢物污染環境防治法》), and the Regulations on Environmental Protection Management for Construction Projects (《建設項目環境保護管理條例》), and the Promotion of Cleaner Production Law of the PRC (《中華人民共和國清潔生產促進法》).

According to the aforesaid laws and regulations, the PRC has established an environmental impact assessment system for project construction, and the construction, expansion and operation of product manufacturing facilities are subject to the advance approval and acceptance of the completed environmental protection facility from the competent PRC environmental authorities. For failure to obtain the advance approval and acceptance of the completed environmental protection facility, the enterprise may be ordered to cease the construction or operation of facilities, make repairs within the time limit or be fined by the competent PRC environmental authorities. The aforesaid laws and regulations also impose fees for the discharge of waste substances and impose fines and indemnity for the improper discharge of waste substances and serious environmental pollution. The PRC environmental authority may shut down any facility that fails to comply with the environmental protection laws and regulations at its discretion.

The Fire Services Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on 29 April 1998 and lastly amended on 29 April 2021 was formulated for the purposes of preventing fire disasters and reducing fire hazards, strengthening emergency rescue operations, protecting personal and property safety and safeguarding public security. Fire brigades of public security agencies shall carry out supervision and inspection of compliance with fire services laws and regulations by enterprises. The fire brigade of a public security agency shall notify the relevant organisations or individuals of hidden fire hazards discovered in fire services supervision and inspection to forthwith adopt measures to eliminate the hidden hazards; where public security may be seriously compromised if the hidden hazards are not promptly eliminated, the fire brigade of the public security agency shall adopt temporary seizure measures for the hazardous location or site pursuant to the provisions. Where a construction project which is required by law to carry out fire control acceptance inspection fails to undergo fire control acceptance inspection or fails to pass fire control acceptance inspection, the project shall be prohibited to be put into use; other construction projects which are found to be unqualified in a random inspection conducted pursuant to the law shall cease to be put into use.

LAWS AND REGULATIONS RELATING TO OUR LEASE AGREEMENT

According to the Regulations on the Lease of the Properties in Towns and Cities in the Guangdong Province (《廣東省城鎮房屋租賃條例》), the landlord should not lease any building without the relevant Property Ownership Certificate or management right. According to the Interpretation by the Supreme People's Court about the Specific Application of Law on Certain Issues in the Hearing of Contractual Dispute Cases on the Leasing of the Properties in Towns and Cities (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》), if a landlord enters into a lease with a tenant for a property which has not been issued with the construction planning permit (建設工程規劃許可證) or was not built in accordance with the provisions of the construction planning permit (建設工程規劃許可證), such a lease could be deemed invalid.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulation governing foreign exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and subsequently amended on 14 January 1997 and on 5 August 2008. Under these rules, foreign exchange receipts and payments under current account items shall be based on true and legitimate transactions. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchases of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting valid documentation. Overseas organisations and overseas individuals making direct investments in the PRC shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Domestic organisations and domestic individuals making direct investments overseas or engaging in the issuance and trading of quoted securities or derivatives overseas shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council. Where the PRC state stipulates that prior approval by or filing with the relevant authorities in charge is required, the approval or filing formalities shall be processed prior to foreign exchange registration formalities.

On 4 July 2014, the SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular No. 37**"), for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. Under the SAFE Circular No. 37, a resident in mainland China must register with the local SAFE branch before he or she contributes assets or equity interests in an offshore special purpose vehicle, that is directly established or indirectly controlled by the domestic resident for the purpose of conducting investment or financing; and in the event of the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendments of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. In addition, pursuant to the Notice of SAFE on Further Simplifying and Improving the Direct Investment related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Notice No. 13**"), which was promulgated on 13 February 2015 and amended on 30 December 2019, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with Notice No. 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Under the relevant rules, failure to comply with the registration procedures set forth in the Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividend and other distributions to its offshore parent or affiliate, and the relevant PRC residents may also be subject to penalties under PRC foreign exchange administration regulations.

On 19 November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**SAFE Circular 59**"), which came into effect on 17 December 2012 and lastly amended on 30 December 2019. SAFE Circular 59 substantially amends and simplifies the current foreign exchange procedure. According to SAFE Circular 59, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal law regulating the dividend distribution by foreign-invested enterprises in the PRC is the Company Law of the PRC (《中華人民共和國公司法》). Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividend only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC enterprise is required to set aside at least 10% of its after-tax profit as general reserves until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment provide otherwise. A PRC enterprise shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for Avoidance of Double Taxation and the Prevention of Tax Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") concluded on 21 August 2006, if a Hong Kong resident enterprise is determined by the competent tax authority in mainland China to have satisfied the relevant conditions and requirement under the Arrangement and other applicable laws, the 10% withholding tax on the dividend the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the in-charge tax authority. The Notice on Issues relating to the Implementation of the Dividend Provision in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the "**Notice 81**") was promulgated on 20 February 2009 by the SAT. The Notice 81 reaffirms the qualification for dividend recipient to enjoy a preferential tax levy at the rate of 5% as follows: (i) the recipient of the dividend must be a corporation; (ii) the recipient's ownership in the Chinese company must meet the prescribed direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividend; and (iii) the deal or arrangement is not mainly for the purpose of obtaining the preferential tax. Since the shareholders of our PRC subsidiaries are established in Hong Kong and hold 100% shares of our PRC subsidiaries, the shareholders of our PRC subsidiaries could enjoy preferential tax levy at the rate of 5% after obtaining the approval from the tax authorities.

LAWS AND REGULATIONS ON TAXATION

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC on 16 March 2007, and came into effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, and the Regulations for the Implementation of the Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (collectively, the "**EIT Law**"), which was promulgated by the State Council on 6 December 2007 and amended on 23 April 2019, enterprises are classified into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income derived from both inside and outside mainland China at the rate of 25%. A non-resident enterprise that does not have an establishment or place of business in mainland China or has an establishment or place of business in mainland China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income derived from inside the PRC at the reduced rate of 10%.

According to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》), which came into effect on 1 January 2008 and amended on 29 January 2016, the certificate of a high and new technology enterprise is valid for three years. If the high-tech enterprise is qualified upon review by the accreditation institution, it continues to enjoy the qualification as a high-tech enterprise, and in case of change in its name, a new accreditation certificate will be issued with the number and term of validity remaining the same as the previous certificate; otherwise, the qualification as a high-tech enterprise shall be cancelled as of the year of change in the name or any other condition.

Pursuant to the EIT Law, transactions in respect of the sale and purchase and transfer of products between enterprises under direct or indirect control by the same third party are regarded as affiliated party transactions and should comply with the arm's length principle. If the failure to comply with such principle reduces the amount of income or taxable income of the enterprise or its affiliated parties, the tax authority has the power to make the necessary adjustment by reasonable methods. Pursuant to the EIT Law, when submitting its annual enterprise income tax return to the tax authority, an enterprise shall attach an annual report on affiliated transactions (if any) between itself and its affiliated parties.

Value-added tax

The Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on 13 December 1993 and came into force on 1 January 1994 which were subsequently amended on 10 November 2008, 6 February 2016 and 19 November 2017, The Implementation Rules of the Interim Regulations on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) were promulgated by the Ministry of Finance of the PRC (the "**MOF**") and came into effect on 25 December 1993, and was amended on 15 December 2008 and 28 October 2011 (collectively, the "**VAT Law**"). The VAT Law sets out that all enterprises or individuals engaging in the sales of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax. For the sales of goods, services or importation of goods by the taxpayer, the rate of value-added tax is 17%; for the sales of services and intangible assets by the taxpayer, the rate of value-added tax is 6%. The rate of value-added tax is 0% for taxpayer engaging in the exportation of goods unless otherwise stipulated by the State Council. Pursuant to the Circular on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》), which was promulgated by the MOF and the SAT on 4 April 2018 and came into effect on 1 May 2018, where a VAT taxpayer engages in taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% tax rate shall be adjusted to 16%. The Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF, the SAT and the General Administration of Customs, which was issued on 20 March 2019 and implemented on 1 April 2019, further adjusted the 16% tax rate to 13%.

Income Tax on Share Transfer of Non-resident Enterprise

Pursuant to the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) promulgated by the SAT, effective from 3 February 2015 and lastly amended on 29 December 2017, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any reasonable commercial purpose with the aim of avoiding to pay enterprise income tax, such an indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the EIT. Indirect transfer of PRC taxable properties shall mean transactions of non-resident enterprises which are carried out through the transfer of equity of enterprises aboard that directly or indirectly hold PRC taxable properties (not including the Chinese resident enterprises registered aboard, hereinafter referred to as "**enterprises aboard**") and other similar equities (hereinafter referred to as "**equity**") and cause same or similar results as the direct transfer of PRC taxable properties, including the circumstance of the restructuring of non-resident enterprises causing change of shareholders of enterprises aboard. Non-resident enterprises that indirectly transfer PRC taxable properties are referred to as equity transferors.

Transfer pricing

Transfer pricing laws and regulations in the PRC

In light of the EIT Law and the Implementation Regulations for Special Tax Adjustments (Trial) (特別納稅調整實施辦法(試行)) (the "**STA Rules**"), transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are defined as related party transactions.

According to the EIT Law and STA Rules, related party transactions should comply with the arm's length principle and if the related party transactions fail to comply with arm's length principle resulting in the reduction of the enterprise's taxable income, the tax authority has the power to make an adjustment on tax based on set procedures.

Pursuant to the Announcement of the State Administration of Taxation on Relevant Matters relating to Improvement of the Filing of Related-Party Transactions and the Management of Contemporaneous Documentation (國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告) which was promulgated by the SAT and came into effect on 29 June 2016, any resident enterprise subject to audit collection and any non-resident enterprise which has establishments or offices in the PRC and honestly reports and pays enterprise income tax shall, in filing a tax return for the annual enterprise income tax with a tax authority, make related filings with regard to its business transactions with any related party and attach thereto the Annual Report on the Related Party Transactions of Enterprises of the People's Republic of China (2016 version). Enterprises shall prepare contemporaneous documentation based on a tax year and submit contemporaneous documentation for the related-party transactions according to the requirements of the tax authorities.

The SAT has published an announcement on issuing the Administrative Measures for Special Tax Adjustment and Investigation and Mutual Consultation Procedures (特別納稅調查調整及相互協商程序管理辦法) (the "**STA Measures**") which came into effect on 1 May 2017 and was amended on 15 June 2018. According to the STA Measures, the tax authorities exercise special tax adjustment monitoring and management of enterprises via review of the reporting of connected transactions, management of contemporaneous documentation, profit level monitoring and other means. When any enterprise is found to have special tax adjustment risks, they will send a Notice of Tax Matters to the enterprise, suggesting the existence of a tax risk. An enterprise may adjust and pay taxes at its own discretion when it receives a special tax adjustment risk warning or identify its own special tax adjustment risks. The tax authorities may also carry out special tax investigations and adjustments in accordance with the relevant provisions in regard to enterprises that adjust and pay taxes at their own discretion.

Transfer pricing laws and regulations in Hong Kong

As we carry on our business through our factory situated in the PRC under Kyoei Seiki and Best Linking in Hong Kong, the provisions relating to transfer pricing for intra-group transactions in the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**") are applicable to us. The IRO contains provisions which require the adoption of the arm's length principle for pricing in related party transactions.

Section 20A of the IRO gives the Inland Revenue Department of Hong Kong (the "**IRD**") wide powers to collect tax due from non-residents. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions, such as sections 61 and 61A of the IRO.

Under section 60 of the IRO, where it appears to an assessor that for any year of assessment any person chargeable with tax has not been assessed or has been assessed at less than the proper amount, the assessor may, within the year of assessment or within six years after the expiration thereof, assess such person at the amount or additional amount which, according to his judgment, such person ought to have been assessed, and, provided that where the non-assessment or under-assessment of any person for any year of assessment is due to fraud or wilful evasion, such assessment or additional assessment may be made at any time within 10 years after the expiration of that year of assessment.

In December 2009, the IRD released Departmental Interpretation and Practice Notes ("**DIPN**") No. 46 which provided clarifications and guidance on the IRD's views on transfer pricing and how it intended to apply the existing provisions of the IRO to establish whether related parties are transacting at arm's length prices. Generally, the IRD would seek to apply the principles in the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by Organisation for Economic Cooperation and Development, except where they are incompatible with the express provisions of the IRO. In July 2018, the Inland Revenue (Amendment) No. 6 Ordinance 2018 (the "**Amendment Bill**") was enacted to introduce a legislative framework to codify how the pricing for the supply of goods and services between associated parties should be determined and implemented. Codified international transfer pricing principles include, amongst others, the arm's length principle for provision between associated persons, the separate enterprises principle for attributing income or loss of non-Hong Kong resident person, and the three-tier transfer pricing documentation requirements relating to master file, local file and country-by-country report.

Based on the Amendment Bill, a person who would have a Hong Kong tax advantage if taxed on the basis of a non-arm's length provision (the "**advantaged person**") will have income adjusted upwards or loss adjusted downwards. The advantaged person's income or loss is to be computed as if arm's length provision had been made or imposed instead of the actual provision. If the advantaged person fails to prove to the satisfaction of the assessor of the IRD that the amount of the person's income or loss as stated in the person's tax return is an arm's length amount, the assessor of the IRD must estimate an amount as the arm's length amount and, taking into account the estimated amount, (a) make an assessment or additional assessment on the person; or (b) issue a computation of loss, or revise a computation of loss resulting in a smaller amount of computed loss, in respect of that person pursuant to section 50AAF of the IRO. In July 2019, the Inland Revenue Department further issued DIPN No. 58, No. 59 and No. 60 to set out interpretations to the Amendment Bill.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

The Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on 23 August 1982 and last amended on 23 April 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council on 3 August 2002 and amended on 29 April 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office under the State Administration for Industry and Commerce handles trademark registrations and grants a term of validity of ten years to registered trademarks. Trademarks are renewable every ten years and a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. Where a trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such a trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

The Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC, and its Implementation Rules (《中華人民共和國專利法實施細則》) promulgated by the State Council, the State Intellectual Property Office of the PRC is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its Implementation Rules provide for three types of patents, "invention", "utility model" and "design". Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, from the date of application. The PRC patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

LAWS AND REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

The Labour Contract Law in the PRC

The Labour Law of the PRC (《中華人民共和國勞動法》) which came into effect on 1 January 1995 and amended on 27 August 2009 and 29 December 2018 stipulates general provisions with regard to labour contracts, working hours, wages, occupational safety and health, special protection for female staff and juvenile workers, vocational training, social insurance and welfare, and settlement of labour disputes. Enterprises failing to comply with the Labour Law of the PRC may be subject to warnings, fines, orders to pay compensation, and cancellation of business licenses.

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) which was promulgated on 29 June 2007 and amended on 28 December 2012 and the Implementation Regulations on the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated and implemented on 18 September 2008 by the State Council, provide that a written labour contract shall be concluded for the establishment of a labour relationship. Labour contracts concluded pursuant to the law shall be legally binding and the employers and the workers shall perform the obligations stipulated in the labour contracts. When recruiting a worker, the employer shall truthfully notify the worker of the job duties, working conditions, work premises, occupational hazards, work safety and health conditions, labour remuneration and any other information in which the worker is interested to know. Employers shall promptly pay labour remuneration to workers in a full amount pursuant to the stipulations of the labour contract and the provisions of the PRC state.

Social Insurance and Housing Fund in the PRC

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on 1 July 2011 and amended on 29 December 2018, employers are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance in accordance with the rates provided under the relevant regulations and shall withhold the social insurance that should be assumed by the employees. Employers who fail to promptly contribute social security premiums in full shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the amount in arrears.

Under the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), promulgated by the State Council on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, employers must register with applicable housing provident fund management centers and establish a special housing provident fund account in an entrusted bank. Both employers and their employees are required to contribute to the housing funds. The subsequent late registration or no registration may be subject to a fine above RMB10,000 and below RMB50,000. Where, in violation of the provisions of these regulations, an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit have not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

Mandatory Provident Fund Schemes Ordinance in Hong Kong

The Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) provides for, *inter alia*, the establishment of a system of privately managed, employment-related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement. Both employers and their employees are mandated to contribute 5% of the employee's relevant income to the mandatory provident fund scheme subject to the minimum and maximum relevant income levels. Currently, the minimum and maximum relevant income levels for employees who are paid monthly are HK$7,100 and HK$30,000 respectively.

Further, employers are obliged to enroll their regular employees (except for certain exempt persons) aged 18 to 65 years old to a mandatory provident fund scheme within the first 60 days of his or her employment. Employers must enroll the employee in a mandatory provident fund scheme and make contributions for the first 60 days once a part-time employee has been employed for 60 days.

An employer must ensure that contributions in respect of each employee for each contribution period are paid to a registered MPF scheme on or before the contribution day, which is the 10th day of the following month. A non-complying employer is liable to a financial penalty of HK$5,000 or 10% of the amount due, whichever is greater.

Employees' Compensation Ordinance in Hong Kong

The Employee's Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "**ECO**") establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or deaths caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

All employers are required to take out employee compensation insurance policies to cover their liabilities both under the ECO and at common law for injuries at work in respect of all employees (including full-time and part-time employees) for an amount not less than the applicable amount specified under the ECO pursuant to section 40 of the ECO.

An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK$100,000) and to imprisonment for two years, and on summary conviction to a fine at level 6 (currently at HK$100,000) and to imprisonment for one year.

REGULATIONS RELATING TO INFORMATION SECURITY AND PERSONAL INFORMATION PROTECTION

The PRC Civil Code (《中華人民共和國民法典》), which was issued by the NPC on 28 May 2020 and came into effect on 1 January 2021 provides that natural person personal information shall be protected by law and any organisations and individuals shall legally collect personal information and ensure the security of personal information collected. It is not allowed to illegally collect, use, process or transfer personal information, or illegally buy or sell, provide, or make public the personal information of others. Personal information of natural persons refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify the natural persons' names, dates of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information, whereabouts, etc. The processing of personal information shall be subject to the principle of legitimacy, rightfulness, and necessity, with no excessive processing. The PRC Civil Code has revised the internet tort liability and further elaborated on ''safe harbour'' rule with respect to an internet service provider from both the aspects of notice and counter notice, including (i) upon receiving notice from the right holder, promptly adopting necessary protective measures such as deletion, screening or disconnection of hyperlinks and reefing right holder's notice to disputed internet user; and (ii) upon receiving counter-notice from the disputed internet user, referring such counter-notice to the claiming right holder and informing him/her to take other corresponding measures such as filing complaint with competent authorities or suit with courts.

On 7 November 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which came into effect on 1 June 2017. Pursuant to the Cyber Security Law of the PRC, network operators shall comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities and maintain the integrity, confidentiality and usability of network data. Network operators shall not collect the personal information irrelevant to the services they provide or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store all the personal information and important data collected and produced within the territory of PRC. Their purchases of network products and services that may affect national security shall be subject to national cyber security review. The network operators who violate the aforesaid regulations may be ordered by the competent authority to make corrections, be given a warning, or be imposed a fine with different amounts.

The PRC Data Security Law (《中華人民共和國數據安全法》) was promulgated on 10 June 2021 and became effective on 1 September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organisations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. Violation of the PRC Data Security Law may subject the relevant entities or individuals to warning, fines, suspension of business for rectification, revocation of permits or business licenses, and/or even criminal liabilities. According to the PRC Data Security Law, the maximum monetary fine imposed on the breaching party is RMB10 million.

On 28 December 2021, the Cyberspace Administration of China and certain other PRC regulatory authorities published the Measures for Cybersecurity Review (《網絡安全審查辦法》), which became effective on 15 February 2022, replacing the Measures for Cybersecurity Review in 2020. Pursuant to the new measures, critical information infrastructure operators that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. A network platform operator that has the personal information of more than one million users must apply for a cybersecurity review when it seeks to list in a foreign country. The Measures for Cybersecurity Review further elaborates the factors to be considered when assessing the national security risks of the relevant activities, including, among others: (i) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or exited the country, and (ii) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments after listing abroad.

On 14 November 2021, the Cyberspace Administration of China issued the Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Cyber Data Security Regulations**"). The Draft Cyber Data Security Regulations have set out requirements on matters such as the protection of personal information, security of important data, security management of cross-border data transfer, application for cybersecurity review and obligations of internet platform operators. Pursuant to the Draft Cyber Data Security Regulations, data processors carrying out the following activities must, in accordance with the relevant national regulations, apply for a cybersecurity review: (i) the merger, reorganisation or spin-off of internet platform operators that possess a large number of data resources related to national security, economic development and public interests that affects or may affect national security; (ii) listing in a foreign country of any data processors that process the personal information of more than one million users; (iii) listing in Hong Kong of data processors, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. The Draft Cyber Data Security Regulations did not define the scope of and threshold for determining what "affects or may affect national security." The term "national security" is defined as "the status of National regime, sovereignty, unity and territorial integrity, people's well-being, sustainable economic and social development, and other major national interests that are relatively safe and free from internal and external threats, as well as the ability to ensure continuous security" in the National Security Law of the PRC (2015) (《中華人民共和國國家安全法》(2015)). In the absence of further explanation or interpretation, the PRC government authorities may have wide discretion in the interpretation of "affects or may affect national security". As of the Latest Practicable Date, the Draft Cyber Data Security Regulations has not come into effect.

REGULATIONS RELATING TO MERGERS AND ACQUISITIONS RULES AND OVERSEAS LISTING

On 8 August 2006, six PRC governmental and regulatory agencies, including MOFCOM and CSRC, promulgated the Mergers & Acquisitions Rules (the "**M&A Rules**"), which came into effect on 8 September 2006, and was revised on 22 June 2009, governing the mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules, among other things, require that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals through acquisitions of shares of or equity interests in PRC domestic companies, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

In addition, in 2011, the General Office of the State Council promulgated the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) (the "**Circular 6**"), which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), which took into effect in September 2011, to implement Circular 6. Under Circular 6, security review is required for mergers and acquisitions by foreign investors having "national defence and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit to the Inter-Ministerial Panel, an authority established under Circular 6 led by NDRC, and MOFCOM under the leadership of the State Council, to carry out security review. The Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company mainly engaged in the design, development, manufacturing, marketing, and sales of electric two-wheeled vehicles requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review. On 19 December 2020, NDRC and MOFCOM jointly promulgated the Measures for the Security Review for Foreign Investment (《外商投資安全審查辦法》), which came into effect on 18 January 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment will lead the task together with MOFCOM. Foreign investor or relevant parties in China must declare the security review to the aforesaid office prior to the investments in, among other industries, important cultural products and services, important information technology and internet products and services, important financial services, key technologies, and other important fields relating to national security and obtain control in the target enterprise.

On 6 July 2021, the relevant PRC government promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), among which it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of relevant domestic industry regulatory authorities and other regulatory authorities.

On 17 February 2023, with the approval of the State Council, CSRC issued the Trial Administrative Measures of Overseas Security Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five supporting guidelines, which will come into effect on 31 March 2023. According to the Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfil the filing procedure and report relevant information to CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (ii) its major operational activities are carried out in mainland China or its main places of business are located in mainland China, or the senior managers in charge of operation and management of the issuer are mostly citizens from mainland China or are domiciled in mainland China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with CSRC, and where an issuer makes an application for listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

For domestic enterprises that have been listed overseas, upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within three working days after the occurrence and public disclosure of the event: (1) change of control; (2) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (3) change of listing status or transfer of listing segment; (4) voluntary or mandatory delisting. Where an issuer's main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within three working days after occurrence of the changes.

On the same day, CSRC also released the Notice on Administrative for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which clarifies that companies that have been listed overseas prior to the effective date of the Trial Measures do not need to immediately file with the CSRC for their overseas listing.

Based on the audited consolidated financial statements of the Group, the proportion of the total assets of Kyoei Seiki to that of the Group in FY2022 had exceeded 50%, and the main production activity of the Group is conducted in the territory of the PRC, our PRC Legal Adviser is of the view that our Company falls under the circumstances of indirect overseas issuance and listing of domestic enterprises as stipulated in the Trial Measures.

As advised by our PRC Legal Adviser, according to Article 22 of the Trial Measures and the relevant guidelines released by the CSRC, if a listed company intends to apply for a change of listing segment in the overseas market without involving the issuance of new shares, no filing before the change of listing becoming effective is required. The listed company shall submit a report on the details of the relevant matters to the CSRC within three working days from the date of occurrence and announcement of the change of listing segment becoming effective. As the Transfer of Listing does not involve the issuance of new shares, no filing to the CSRC is required before the Transfer of Listing becomes effective. Our Company intends to submit a post-completion report in respect of the Transfer of Listing to the CSRC within three working days from the date of completion and announcement of the Transfer of Listing under Article 22 of the Trial Measures and the relevant guidelines.

On 24 February 2023, the CSRC and other relevant government authorities issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Administration Provisions**"), which will be effective on 31 March 2023. Pursuant to the Confidentiality and Archives Administration Provisions, where a domestic enterprise provides or publicly discloses documents and materials involving state secrets and working secrets of state organs ("**relevant documents and materials**") to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses relevant documents and materials through its overseas listing subjects, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall complete the corresponding procedures pursuant to the relevant provisions of the PRC. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and out-of-country transfers shall go through the examination and approval formalities in accordance with the relevant provisions of the PRC.

HISTORY AND DEVELOPMENT OF OUR GROUP

Business History

Our Group was found in 2007 when Mr. YP Chan utilised his personal resources and the internal resources of Wing Fung, an investment holding company incorporated in Hong Kong in November 2005, to establish Kyoei Seiki in September 2007. Prior to the establishment of Kyoei Seiki, Mr. YP Chan had spent three years in Japan, including completing an advanced Japanese language course at the Japanese Language Institute of Sapporo and working as a sales and marketing executive in a company specialised in the distribution and export of confectionery and related products. During his time in Japan, Mr. YP Chan developed his network with the Japanese business community which gave him the first insight of the machineries manufacturing business. Mr. YP Chan was highly impressed by the Japanese culture in their pursuit of excellence in technology and manufacturing.

After Mr. YP Chan returned from Japan, starting from 2006, he worked in South Wing Machinery Company Limited, a company engaged in the trading of new and used construction machineries, where he gained experience in the sale and supply of heavy duty equipment. In light of the increasing need for infrastructure as well as housing, Mr. YP Chan realised there would be an increasing need for heavy duty machineries, which inevitably requires the increased use of slewing rings and machinery parts. As Japan was renowned for producing top-quality machineries, Mr. YP Chan, through his acquaintance with the renowned manufacturers for components for heavy duty machineries, seized the opportunity to establish Kyoei Seiki and to commence our Group's business.

To ensure that our products would conform to the applicable JIS, we engaged a Japanese consultant from 2009 to 2011 to modify and provide guidance on the production process in order to strengthen our quality assurance process. During this period, the Japanese consultant provided training to our employees, identified and advised on areas for improvement in our process. With his guidance, we have become one of the few recognised manufacturers which can sell slewing rings to Japan adopting applicable JIS.

As our business continued to grow, we have expanded our customer base. Impressed by our products, a subsidiary of a then listed company on the Singapore Exchange, which was principally engaged in the trading of heavy machinery and diesel engine parts, and a Japanese leading machinery and parts supply company became our customer in 2010 and 2012 respectively. They have sustained business relationship with us ever since. From 2011 to 2015, three Japanese equipment manufacturers also became our regular OEM customers.

We received a number of certifications and accreditations over the past 10 years which reflected the high standard of the slewing rings and heavy construction machinery parts we produced. Our Group was first accredited with GB/T 19001–2008/ISO 9001:2008 and GB/T 19001–2000 idt ISO 9001:2000 by Beijing Xingguo Global Certification Co., Ltd. (北京興國環球認證有限公司) in January 2009 for production and service of slewing rings, ISO 9001:2008 and ISO 9001:2015 by SGS United Kingdom Ltd in December 2014, December 2017 and December 2020 for manufacturing slewing rings. Since 2012, we have been consistently re-accredited with the Certificate for Measurement Assurance System (Level 3) (計量保證體系確認合格證書) by the Bureau of Quality Supervision of Dongguan City (東莞市質量技術監督局). In 2017, we also obtained the Certificate of High and New Technology Enterprise (高新技術企業證書) from the Guangdong Provincial Science and Technology Department (廣東省科學技術廳), the Guangdong Provincial Finance Bureau (廣東省財政廳), the Guangdong Provincial Office of State Administration of Taxation (廣東省國家税務局) and the Guangdong Provincial Local Taxation

Bureau (廣東省地方稅務局), and renewed in 2020. In 2019, we received the Price Performance Award from Sumitomo Construction Machinery Co., Ltd. (and together with its affiliate, Sumitomo Construction Machinery (TangShan) Co. Ltd., collectively referred to as "**Sumitomo Construction Machinery**"). As at the Latest Practicable Date, our Group is one of the few manufacturers that can sell slewing rings to Japan in accordance with JIS. Furthermore, we have also been accredited with certifications from our OEM customer from Japan, pursuant to which we have built our brand name and image. For further particulars on business strategies of our Group, please refer to the section headed "Business — Business strategies, Implementation and Use of Proceeds" in this listing document.

Key milestones of our Group

The following table sets out the key developments and milestones of our Group since our establishment.

Year	Milestone
2007	Kyoei Seiki was incorporated on 5 September 2007.
	Wing Fung injected HK$8 million capital into Kyoei Seiki, which led to Kyoei Seiki commencing business in October.
2009	Our factory was assessed and certified to meet the requirements of GB/T 19001–2008/ ISO 9001:2008 and GB/T 19001–2000 idt ISO 9001:2000 quality management system standard in January.
	We participated in the Beijing International Construction Machinery Exhibition and Seminar in November.
2010	We obtained the first OEM order from a Japanese customer in March.
	We expanded our warehouse in June.
	We started to sell slewing rings to the North America market in September.
	We participated in Bauma China, one of the world's largest trade fair in the construction industry in Shanghai, China in November.
	We started to sell our products to a subsidiary of a then listed company on the Singapore Exchange, which was principally engaged in the trading of heavy machinery and diesel engine parts in November.
2011	Our factory was assessed and re-accredited with GB/T 9001:2008/ISO 9001:2008 by Beijing Xingguo Global Certification Co., Ltd in December.
2012	We started to sell slewing rings to the Australia market in February.
	We were awarded with the Certificate for Measurement Assurance System (Level 3) (計量保證體系確認合格證書) by the Bureau of Quality Supervision of Dongguan City (東莞市質量技術監督局) in July.
	We began to receive orders from a leading machinery and parts supply company in Japan in July.

Year	Milestone
2013	We started to sell slewing rings to the Italy market in January.
2014	We received certification of quality of our heat treatment process from Sumitomo Construction Machinery in February.
	We engaged in a research and development project with Nanjing Tech University in October.
	Kyoei Seiki was assessed and certified as meeting the requirements of ISO 9001:2008 quality management system standards by SGS United Kingdom Ltd in December.
2016	We started to sell slewing rings to the New Zealand market in April.
2017	We participated in the drafting of the national Industry Technical Standards (行業技術標準) in the PRC in April.
	We obtained Certificate of High and New Technology Enterprise (高新技術企業證書) from Guangdong Provincial Science and Technology Department (廣東省科學技術廳), Guangdong Provincial Finance Bureau (廣東省財政廳), Guangdong Provincial Office of State Administration of Taxation (廣東省國家稅務局) and Guangdong Provincial Local Taxation Bureau (廣東省地方稅務局) in November.
	Our factory has been assessed and certified as meeting the requirements of ISO 9001:2015 quality management system standards in December.
2019	We listed on GEM.
2019	We received the Price Performance Award from Sumitomo Construction Machinery.
2020	We commenced manufacturing of mechanical parts and components for machineries and expanded our business in sourcing of machineries.
2021	We started to sell slewing rings to a nominated supplier of a theme park and resort in Hong Kong.
	We sourced machineries to a nominated supplier for the use in the Hong Kong International Airport Three Runway System Project.
2023	We were awarded "A Caring Company" by the Hong Kong Council of Social Services.
	We expanded our production capacity to manufacture slewing rings of a maximum of 3.6m in (inner) diameter with our new equipments.

CORPORATE HISTORY

As at the Latest Practicable Date, our Group comprised our Company, Kyoei Seiki Holdings, Best Linking Holdings, Wing Fung, Best Linking and Kyoei Seiki. The following is the brief corporate history of the establishment and major changes in the shareholdings of our Company and our subsidiaries during the Track Record Period.

Our Company

Our Company was incorporated on 26 October 2018 in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 Shares. Upon its incorporation, one nil-paid initial Share ("**the Subscriber Share**") was allotted and issued and subsequently transferred to C Centrum at par. As a result, our Company became a wholly-owned subsidiary of C Centrum.

On 21 December 2018, the entire issued shares of Wing Fung were transferred from Mr. YP Chan to Kyoei Seiki Holdings in consideration of our Company (i) allotting and issuing 49 Shares to C Centrum credited as fully paid; and (ii) crediting the Subscriber Share as fully paid in its share capital registered in the name of C Centrum.

On 21 December 2018, the entire issued share of Best Linking was transferred to Best Linking Holdings in consideration of our Company allotting and issuing 50 Shares from its share capital to C Centrum credited as fully paid.

On 21 October 2019, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$100,000,000 comprising 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares which rank *pari passu* in all respects with the existing Shares. Pursuant to the GEM Share Offer, 100,000,000 Shares were issued at the offer price of HK$0.55 each. For details of changes in the share capital of our Company, please refer to the section headed "Statutory and General Information — Further information about our Company and its Subsidiaries — 2. Changes in authorised and issued share capital of our Company" in Appendix IV to this listing document.

As at the Latest Practicable Date, our Company (i) had an authorised share capital of HK$100,000 divided into 10,000,000,000 Shares, of which 400,000,000 Shares have been issued; and (ii) was owned as to 75.0% by C Centrum and 25.0% by public Shareholders, respectively.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 11 January 2019.

Kyoei Seiki Holdings

On 14 September 2018, Kyoei Seiki Holdings was incorporated in the BVI with limited liability as an investment holding company. Kyoei Seiki Holdings was authorised to issue a maximum of 50,000 shares of a single class with par value of US$1.00 each share. On 1 November 2018, our Company subscribed for, and Kyoei Seiki Holdings allotted and issued, one share to our Company at par, following which Kyoei Seiki Holdings became wholly-owned by our Company.

Best Linking Holdings

On 14 September 2018, Best Linking Holdings was incorporated in the BVI with limited liability as an investment holding company. Best Linking Holdings was authorised to issue a maximum of 50,000 shares of a single class with par value of US$1.00 each share. On 1 November 2018, our Company subscribed for, and Best Linking Holdings allotted and issued, one share to our Company at par, following which Best Linking Holdings became wholly-owned by our Company.

A summary of the corporate history of the major operating subsidiaries of our Group is set out below:

Best Linking

Best Linking was incorporated in Hong Kong on 15 September 2010 with limited liability and with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. It principally engages in the sale of slewing rings and other mechanical parts and components in Hong Kong and to overseas customers.

Upon incorporation, one share was allotted and issued as fully paid at par to the initial subscriber, an Independent Third Party. The one share was subsequently transferred to Mr. HT Chen, the elder brother of Mr. YP Chan and Mr. LP Chan, at par on 11 October 2010. In or about October 2012, Mr. YP Chan acquired Best Linking from Mr. HT Chen.

As at the Latest Practicable Date, Best Linking had issued one share which was wholly owned by Best Linking Holdings.

Wing Fung

Wing Fung was incorporated in Hong Kong on 10 November 2005 with limited liability and with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. Wing Fung is an investment holding company of Kyoei Seiki.

As at the Latest Practicable Date, Wing Fung had issued 13,000,000 shares which was wholly owned by Kyoei Seiki.

Kyoei Seiki

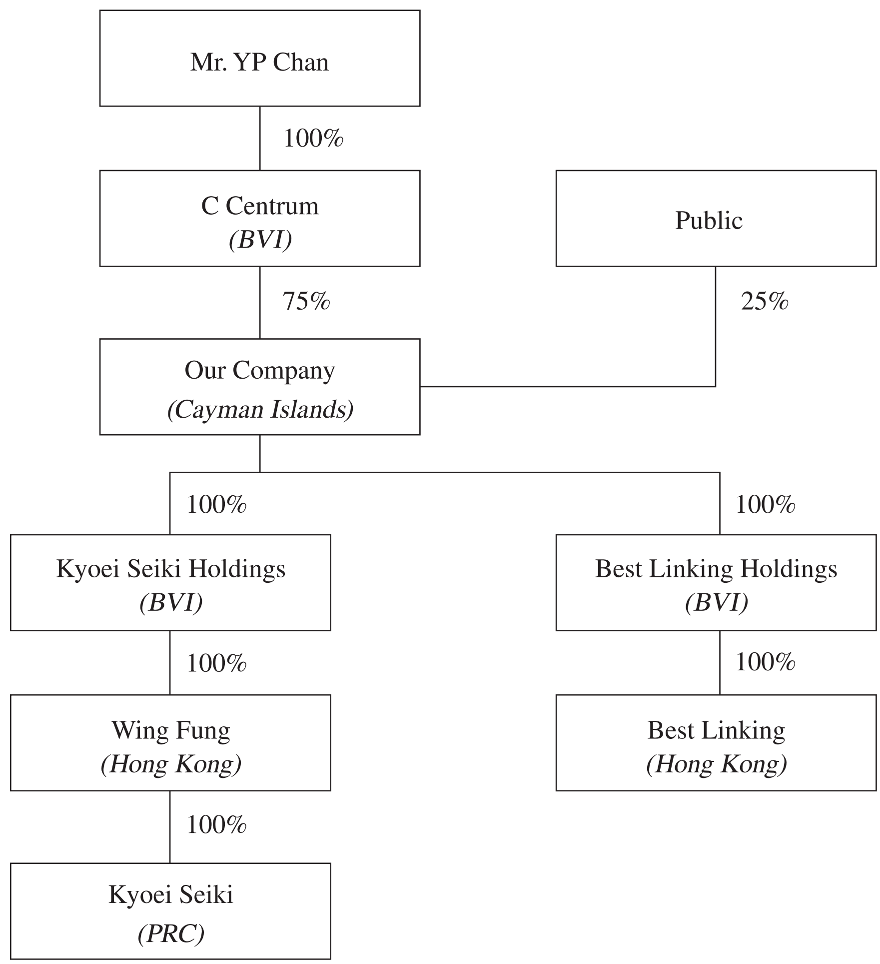
Kyoei Seiki was established in the PRC on 5 September 2007 as a limited liability company with a registered capital of HK$8,000,000 paid up by Wing Fung separately on 17 October 2007 and 19 October 2007.

On 22 November 2010, the registered capital increased from HK$8,000,000 to HK$20,000,000 and was paid up by Wing Fung separately on 5 January 2011 and 2 March 2011.

Kyoei Seiki has been principally engaged in the manufacturing of slewing rings and mechanical parts and components in the PRC.

GROUP STRUCTURE

There has not been and will be no change in the corporate structure of our Group from the GEM Listing to the Transfer of Listing. The following diagram shows the shareholding and corporate structure of our Group as at the Latest Practicable Date and immediately after the completion of the Transfer of Listing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):



The shareholding of C Centrum, a Controlling Shareholder, has remained the same since the date of Listing on GEM. For the latest shareholding distribution of our Company, please refer to the section headed "Share Capital — Shareholder Distribution" in this listing document.

TRANSFER OF LISTING FROM GEM TO MAIN BOARD

Transfer of Listing

An application was made by our Company to the Stock Exchange for the listing of, and permission to deal in, the 400,000,000 Shares in issue and Shares which may be issued pursuant to the exercise of share options that may be but have not yet been granted under the Share Option Scheme and any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted, on the Main Board by way of the Transfer of Listing.

Reasons for the Transfer of Listing

Our Directors are of the view that the GEM Listing has facilitated our Group in raising public awareness and profile as well as our recognition from existing and new customers. With the continuing development and business growth of our Group after the GEM Listing, appreciating the listing on the Main Board is often perceived to enjoy a premium status by investors, our Directors consider that the Transfer of Listing, if approved, will be beneficial to the future growth, financing flexibility and business development of our Group. Our Directors are of the view that the Transfer of Listing will, without limitation:

- further promote our corporate profile and recognition among public investors and increase the attractiveness of our Shares to the public investors and thus broaden our investor base and enhance the trading liquidity of our Shares;

- increase our bargaining power in negotiations with suppliers and other business associates, which will have more confidence in our Group's financial strength and credibility; and

- strengthen our position in the industry and enhance our competitive strengths in recruiting and retaining key management staff and experienced personnel.

Given the above, our Directors are of the view that the Transfer of Listing will be beneficial to our Group's continued growth and will help create long-term value to our Shareholders as a whole.

Pre-conditions for the Transfer of Listing

The Transfer of Listing is conditional upon, among others:

(a) our Company's fulfilment of all the applicable requirements for listing on the Main Board as stipulated in the Listing Rules;

(b) the Listing Committee granting approval for the listing of, and permission to deal in on the Main Board (i) all Shares in issue; and (ii) new Shares which may fall to be issued pursuant to the exercise of share options that may be but have not yet been granted under the Share Option Scheme and any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted; and

(c) all other relevant approvals or consents required in connection with the implementation of the Transfer of Listing having been obtained, and the fulfilment of all conditions which may be attached to such approvals or consents, if any.

As at the date of this listing document, we have not adopted any share option scheme other than the Share Option Scheme.

Confirmations from our Company and our Controlling Shareholders in relation to the Transfer of Listing

As at the date of this listing document, our Directors have no plan to change the nature of the business of our Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by our Company. As at the Latest Practicable Date, each of our Controlling Shareholders confirmed that he/it has no plan to dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in which he/it is disclosed in this listing document to be the beneficial owner. Our Company confirms that it has no plan to raise funds within six months from the date of the Transfer of Listing.

OVERVIEW

We are an established premium slewing ring manufacturer in the PRC serving our customers in the PRC, Hong Kong and overseas. We are also a provider of other mechanical parts and components and machineries which are used mainly in construction and mining sites. With over 15 years of experience in manufacturing and providing slewing rings and slewing rings related products and services, as per the Industry Report, our Group ranked fourth among the slewing ring manufacturers in the PRC in terms of sales revenue to overseas markets, accounting for approximately 1.7% of the market share in the PRC in 2022.

A slewing ring is a necessary transmission part for machineries and equipments, which can ensure the relative rotational motion between objects, as well as bearing the axial force, radial force and tilting moment simultaneously. Generally, it is a rotational rolling-element bearing that typically supports a heavy but slow-turning or slow-oscillating load. It has a wide application in many areas such as construction machineries and equipments, robotics, wind turbines, amusement park rides, military equipments and machineries etc. For further details of its application and structure, please refer to the paragraphs headed "Our Products — Overview of slewing rings" in this section.

We position ourselves as a premium manufacturer of slewing rings targeting both local market as well as overseas markets including Singapore, the Philippines, Malaysia, Japan and other Asian countries/locations. Since the commencement of our business in 2007, we have accumulated in-depth industry experience and know-how for the production of slewing rings catering to different industries for both local and overseas markets. We are able to produce a broad spectrum of slewing rings of approximately 120 models, with inner diameter ranging from 125mm to 3.6m, for various applications. Our Directors believe that in addition to our long-established industry experience and knowledge, our ability to produce slewing rings adopting both applicable national JB or JB/T standards and JIS, our stringent quality assurance control, our cost-effective production capability as well as our ability to produce multi-models simultaneously are the major factors that make us stand out from our competitors. For instance, the slewing rings we produce are of premium standard under JIS, which are in line with the standards required by certain customers which are leading Japanese manufacturers or their affiliates and we are able to offer a long warranty period of up to 3,000 hours of operation or two years (whichever occurs first) for slewing rings manufactured under our OEM basis, which, according to the Industry Report, is significantly higher than the usual warranty period of 2,000 hours of operation or one year (whichever occurs first) available in the market. For further details of our quality assurance and our production capability, please refer to the paragraphs headed "Quality Assurance" and "Our Production Facility" in this section.

With our increased production capability following our GEM Listing, since 2020, we have commenced manufacturing of mechanical parts and components for our customers. These mechanical parts and components are manufactured under ODM basis complementing our self-produced slewing rings.

Leveraging on our long-established presence in the slewing ring manufacturing industry, we developed and established a network of suppliers in the PRC and Japan along the supply chain for heavy duty machinery and equipment. We are in a position to offer a comprehensive line of products to our customers by sourcing machineries and a wide range of related mechanical parts and components to satisfy their needs. Such machineries include excavators, pile drivers and trucks as well as mechanical parts and components which includes undercarriage parts, long reach arms, buckets and telescopic boom, etc.

During the Track Record Period, our revenue increased by approximately 90.3% from HK$69.5 million in FY2020 to HK$132.3 million in FY2021 and maintained at a steady level of HK$127.7 million in FY2022. For 6M2023, our revenue was HK$77.4 million, representing an increase of approximately 12.6% as compared to HK$68.8 million recorded for 6M2022. Our profit for the year/period attributable to owners of our Company was approximately HK$13.6 million, HK$35.1 million, HK$34.9 million and HK$14.8 million (after taking into account a one-off expense of approximately HK$3.9 million and approximately HK$6.8 million in relation to the Transfer of Listing in FY2022 and 6M2023, respectively) during the Track Record Period, respectively. While sales of most products recorded a notable growth, the significant growth in revenue in FY2021 was mainly attributed to our increase in sales of slewing rings under ODM basis and our expansion in the sales of machineries and related mechanical parts and components. We have continued to expand our customer base and have developed a clientele from various countries/locations such as Singapore, Malaysia, the Philippines, Thailand, Taiwan, Japan, Northern Ireland and New Zealand. Our customers include wholesalers, traders, construction companies and manufacturers. In particular, we manufacture and supply slewing rings for a number of leading Japanese manufacturers or their affiliates, such as (i) Sumitomo Construction Machinery, a leading heavy duty machinery manufacturer in Japan and a subsidiary of Sumitomo Heavy Industries, Ltd., a listed company on the Tokyo Stock Exchange which is engaged in the manufacture of various machineries; (ii) Yutani Industrial Co., Ltd. ("**Yutani**"), a leading construction machinery parts supplier in Japan; and (iii) KATO SCE (Xiamen) Construction Machinery Co. Ltd. (formerly known as Ishikawajima SCE (Xiamen) Construction Machinery Co., Ltd) ("**KATO**"), whose shareholder is a leading heavy industry company in Japan.

The revenue generated from our operations by geographical location of our customers during each of the year/period of the Track Record Period were as follows:

	FY2020 *HK$'000*	As % of total sales	FY2021 *HK$'000*	As % of total sales	FY2022 *HK$'000*	As % of total sales	6M2022 *HK$'000* (Unaudited)	As % of total sales	6M2023 *HK$'000*	As % of total sales
Location										
Singapore	24,120	34.7	45,858	34.7	51,216	40.1	27,961	40.7	28,098	36.3
Hong Kong	18,134	26.1	40,961	31.0	35,799	28.0	25,369	36.9	19,396	25.0
Malaysia	8,555	12.3	10,412	7.9	18,676	14.6	5,819	8.5	11,038	14.3
The Philippines	1,215	1.7	20,007	15.1	12,806	10.0	4,824	7.0	11,177	14.4
Japan	3,421	4.9	7,171	5.4	3,030	2.4	2,940	4.3	3,075	4.0
Vietnam	498	0.7	1,379	1.0	2,482	1.9	492	0.7	653	0.8
The PRC	1,391	2.0	1,436	1.1	1,064	0.8	278	0.4	2,172	2.8
New Zealand	58	0.1	1,439	1.1	983	0.8	—	—	6	0.0
Taiwan	823	1.2	1,494	1.1	912	0.7	575	0.8	1,434	1.9
Northern Ireland	10,109	14.5	1,215	0.9	—	—	—	—	—	—
Thailand	1,009	1.5	—	—	—	—	—	—	—	—
Others *(Note)*	166	0.3	878	0.7	762	0.7	511	0.7	388	0.5
	69,499	100.0	132,250	100.0	127,730	100.0	68,769	100.0	77,437	100

Note: Others include Canada, Iceland and Korea.

COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are attributable to the following competitive strengths:

We adhere to high standards of production conforming to JIS and are able to customise and produce slewing rings adopting applicable JB or JB/T standards

We pride ourselves in our ability to manufacture slewing rings that conform to premium standard under JIS, which, according to the Industry Report, has higher product requirements and level of precision than JB and JB/T standards and is, in our Directors' opinion, more stringent than JB or JB/T in some aspects, in particular on the requirements on the accuracy of gears on the slewing rings. The JIS sets out standards on gear with regards to product specification including but not limited to accuracy, shapes, profiles, dimensions, backlashes and measuring methods. For instance, the JIS 1702 standard specifies accuracy for the involute spur gears and helical gears in certain diameter which we could adhere to. JIS is not just relevant to customers situated in Japan, but it is also applicable for other overseas customers which use excavators produced in Japan or produced by Japanese manufactures in countries outside Japan. As of 2022, according to the Industry Report, Sumitomo Construction Machinery is one of the top ten excavator manufacturers in Japan, and there are approximately 20 industry players capable of producing JIS-compliant products in the PRC, of which the majority are Japanese-based companies setting up manufacturing sites in the PRC. Our Group is one of the few slewing rings manufacturers in the PRC that can produce slewing rings under the premium JIS.

Leveraging on our long business relationships with certain heavy duty machinery brands in Japan, we have gathered substantial first-hand knowledge and are able to keep abreast of the up-to-date information on the requirements under JIS in producing high-quality slewing rings. To offer our customers top quality slewing rings, we strive to produce products which are JIS-compliant. In fact, the slewing rings manufactured by us are capable of reaching a standard above that required under JIS in certain specifications. For instance, in terms of chemical compound of the raw materials for our slewing rings such as model S48C steel, under JIS, the acceptable range of phosphorus and sulphur are equal to or lower than 0.03% and 0.035% by weight, while ours are equal to or lower than 0.02% and 0.015% by weight, respectively. For another example, in terms of the precision of axial clearance for the ball race of our slewing rings, the acceptable range under JIS level 7 standard is between 0.10mm to 0.21mm, while our production range is between 0.10mm to 0.20mm. Based on our internal records, the revenue derived from the sales of slewing rings that conform with JIS in each year/period amounted to approximately HK$18.9 million, HK$23.9 million, HK$40.6 million and HK$24.7 million, which accounted for approximately 63.2%, 65.5%, 69.8% and 75.9% of our total revenue of slewing rings we produced during the Track Record Period, respectively.

Our OEM customers, which are leading Japanese manufacturers or their affiliates, would send their technicians to our factory regularly to inspect and make recommendations on our production process to ensure that we are capable of producing JIS-compliant slewing rings. Further, our general manager and sales personnel attend meetings with them to learn about their latest production requirements and to keep abreast of the market trend and development. Through these exchanges, we are able to gain better insights into the latest market requirements and technology, which would enable us to respond to changes in market conditions and customer preference promptly.

Our Directors consider that JIS is not only relevant and important to our OEM customers (which were Japanese manufacturers or their affiliates during the Track Record Period), which would require our slewing rings to conform to JIS, but also to our ODM customers (which include overseas wholesalers, traders and construction contractors), which apply our slewing rings on machineries and equipments they use. Based on our internal record, for FY2022 and 6M2023, approximately 70.3% and 75.5%, respectively of the number of our slewing rings manufactured and sold were designed for excavators made by Japanese manufacturers, which to our Directors' knowledge, require equipments and parts to be JIS-compliant. The rest of the slewing rings concerned predominantly the sales of slewing rings that conform to (i) JIS together with other standards such as JB and JB/T, or (ii) JB or JB/T alone.

Our Directors consider that our capabilities and flexibility in manufacturing slewing rings in different standards enable a medium-size player like our Group to compete with the major slewing rings manufacturers of similar size and are in an advantage to wholesalers and traders.

We have an international customer base

Since the inception of our Group in 2007, we have developed business relationships with international customers from Singapore, the Philippines, Malaysia, Japan and other Asian countries/ locations which are (i) wholesalers, (ii) traders, (iii) construction companies, and (iv) manufacturers. We have maintained business relationships with our five largest customers during the Track Record Period for over six years on average. We believe that our in-depth market knowledge and stringent quality control measures adopted are crucial factors for their repeated orders for slewing rings from us.

Aside from the Japanese domestic market, our Directors are aware that these JIS-compliant excavators are also exported by the Japanese excavator manufacturers to other countries. These Japanese excavators manufactured outside Japan also require the slewing rings be JIS-compliant as well. Consequently, the JIS-compliant slewing rings manufactured by us are both for the Japanese domestic market as well as markets outside Japan. Further, the products we sell to our top five customers (which are either ODM or OBM customers located outside Japan) in each year/period of the Track Record Period generally include the standards such as JB, JB/T or JIS we apply in our production.

Our Directors believe that our international customer base distinguishes us from other slewing rings manufacturers and mechanical parts and components wholesaler and traders as (i) our slewing rings which conform to JIS has higher demand in the overseas markets than in the PRC; (ii) the profit margins of products sold to the overseas markets are generally higher than those sold within the PRC due to the quality of products required; and (iii) a diverse customer base generates a stable revenue to our Group.

We have a strong focus on stringent quality assurance

We place a great emphasis on the quality of our products. Our Directors believe that quality assurance is crucial to our business. We strive to maintain consistency in quality and precision in the manufacture of our products and have therefore implemented a quality management system throughout our operation. We were first awarded ISO 9001:2008 for quality management system for the production of slewing rings and the related services in 2009 and such awards have been renewed regularly to give assurance to our customers of the quality of products we manufacture. We believe that this reflects the consistency of quality and precision in the manufacture of slewing rings. Our quality assurance measures cover our entire production process, starting from raw materials procurement, in particular forged rings, to production steps, and further to the finished products inspection, which applies to returned products as well (if any). We are in a position to offer a warranty period of up to 3,000 hours of operation for slewing rings manufactured under OEM basis which is significantly higher than others available in the market according to the Industry Report, hence enable our Group to better compete with other manufacturers and provide confidence to our customers to purchase from us. For further details of our Group's quality assurance, please refer to the paragraphs headed "Quality Assurance" in this section. During the Track Record Period, our Group did not receive any material complaint from customers and product return. We believe that this was attributable to our effective quality control.

We produce slewing rings for leading Japanese manufacturers or their affiliates on an OEM basis, such as Sumitomo Construction Machinery, Yutani and KATO. To become their approved supplier, our Group was required to satisfy the applicable JIS production procedures and we believe we have sufficient quality assurance measures in place to ensure that we can manufacture quality products consistently. Our products need to meet their production specifications and requirements at all times and we are required to provide them with periodic reports on our production process and to be regularly assessed in order to be maintained in their list of approved manufacturer or supplier. Our technicians received regular trainings from these OEM customers to ensure that we are kept abreast of their latest production requirement. In 2009, we engaged a Japanese consultant to review and provide guidance on our production process with a view to strengthen our quality assurance process, and to expand into the Japanese market. We believe through manufacturing products for these leading Japanese manufacturers or their affiliates and engaging a Japanese consultant to advise and guide us through, we can upgrade and improve our production process, to cope with the new developments of JIS from time to time. This will also assist us in improving our production process, helping us to streamline our production process, with the aim to work out an automated process with regard to production.

We continue to improve our production and quality assurance to adhere to a high standard of quality and precision. In 2023, we purchased a CNC coordinate measuring machine to inspect the accuracy of the cutting of the gears of our slewing rings with automated detection and product orientation which reduce reliance on manual power and increase the accuracy in quality control. We also engage independent professional technicians to conduct product testing and quality assurance to ensure our standards are well maintained and there is quality assurance for the products we manufacture.

We have an experienced and capable management team and technicians

We have an experienced and capable management team led by our chairman, chief executive officer and executive Director, Mr. YP Chan, who has been instrumental in spearheading the growth of our Group. He has been with us for over 15 years. Mr. YP Chan has over 15 years of experience in the manufacture of slewing rings. Our executive Director, Mr. LP Chan has over 18 years in procurement and extensive experience in construction and heavy duty machineries business. Over the years, Mr. YP Chan and Mr. LP Chan developed stable business relationships with major customers.

Our management team has in-depth knowledge and experience in the industry and are supported by our experienced technicians to ensure we have a smooth manufacturing process. Our technicians have over 10 years of experience, with one of them having worked with us since our establishment in 2007. Our management team works closely with our technicians and provides overall supervision and guidance on our production process, in particular when new machineries are introduced. Our technicians, who have vast experience in the field of engineering, oversee our quality assurance department, which is crucial for maintaining high standard, thus there is quality assurance to our products and is instrumental to the success of our Group. We believe their extensive knowledge and experience will enable us to respond promptly to various challenges from the changing market conditions or technological trends. Details of the qualification and experience of our Directors and senior management are set out in the section headed "Directors and Senior Management" in this listing document.

We possess the ability to offer comprehensive and new products with value-added services

We keep abreast of the market trend and seize opportunities in offering new products. In addition to the production and customisation of slewing rings, we are capable of and have expanded our production facilities to manufacture of mechanical parts and components for our customers.

Over the years, we have established close relationships with our customers. We maintain regular contacts with our customers to obtain feedback on products manufactured by us (in particular our slewing rings) and our services. To assist our customers in cases of major enquiries, we send our technicians to them to conduct onsite inspections, and to provide timely assistance and advise on the application, replacement and maintenance using our slewing rings. Our capabilities in producing slewing rings on OEM basis also strengthens our communications with downstream machineries manufacturers to understand their needs and future developments as well as requirements of slewing rings and their specifications so that we can improve the manufacturing process in a hope that any change can be catered by us promptly and seamlessly.

Further, as an add-on to the services we provide to our customers, we also leverage on the in-depth market knowledge of Mr. YP Chan, Mr. LP Chan and our technicians to source other slewing rings and other mechanical parts and components as well as machineries for them. For instance, our experience in the production of slewing rings and mechanical parts and components (which comprise consumable parts of excavators and machineries with undercarriage) has given us in-depth knowledge. It has also enabled us to provide insightful pre-sale consultation to our customers for the type of machineries and excavators they need, as well as to give advice on the technical specifications of slewing rings and mechanical parts and components to cater to their needs. We believe that the technical expertise we have in the slewing rings and mechanical parts and components industry could differentiate ourselves from other traders and wholesalers as the unique technical support we offer would enable the products to match the requirements of our customers in terms of product quality and degree of precision.

In addition, as a reliable supplier of heavy duty machineries, we provide quality control on the machineries before the shipment and after-sales services to customers enabling them to easily identify and procure replacement parts from us. For machineries, we generally offer 120 days credit terms which, according to the Industry Report, is above the average of 80 days and is on the high end of credit period granted, which gives us a further competitive edge over our competitors. Our competitiveness is further enhanced with our collaboration with Sumitomo Construction Machinery Sales Co., Ltd. ("**Sumitomo Construction Machinery Sales**") for the sales of its branded machineries. Therefore, with our expanding production capabilities in offering related mechanical parts and components together with our sourcing network, our Directors believe that such comprehensive offering has significantly increased our competitiveness and gives our Company a competitive edge over our competitors including manufacturers, wholesalers and traders, and hopefully can procure another stream of income for us.

We can produce multi-specification products simultaneously

Our production facilities have been expanded since our GEM Listing. Whilst we have the capacity to manufacture six principal types of slewing rings, we can modify our slewing rings to fit different types of machineries which require different technical drawings, size and specifications. We have a variety of advanced machines and equipments for different stages of production so that we can produce different specifications of the same type of slewing rings or different types of slewing rings simultaneously. This enables us to shorten our production timeline. Please refer to the paragraphs headed "Our Production Facility" of this section for further details on our production facilities.

BUSINESS STRATEGIES, IMPLEMENTATION AND USE OF PROCEEDS

We pride ourselves as a premium manufacturer of slewing rings and other mechanical parts and components and a provider for slewing rings, machineries and associated mechanical parts and components. Since the GEM Listing, we have been actively implementing our business plans and strategies to leverage on our competitive advantages to expand the scale of our operation, strengthen our market position and increase our profit margin. In particular, we aim to increase our competitiveness in the slewing rings manufacturing industry by (i) increasing our efficiency and productivity; (ii) raising the quality of our products; and (iii) reducing our costs of production and reliance on manpower to embrace Industry 4.0 with a more interconnected, efficient and flexible business operations.

We pursue the strategies of (i) acquiring and replacing machineries and equipments with an aim to enhance and expand our production capacity at our production facilities in Dongguan, the PRC; (ii) enlarging our market share and strengthening our marketing efforts; (iii) increasing our level of automation; (iv) establishing our ERP system; (v) expanding our finance department; and (vi) enhancing staff training to achieve our goals.

As at 30 June 2023, we had utilised approximately HK$27.0 million of the net proceeds from the GEM Listing in implementing the strategies which have supported our business growth with increasing revenue and profit after the GEM Listing. Despite the impact of COVID-19 during the Track Record Period, our revenue increased from approximately HK$69.5 million in FY2020 to HK$132.3 million in FY2021 and reached approximately HK$127.7 million in FY2022 and our net profit margin had been maintained at a level of over 25% for FY2021 and FY2022. Our revenue for 6M2023 was HK$77.4 million, representing an increase of approximately 12.6% as compared to HK$68.8 million recorded for 6M2022. Our Directors consider that our strategies have successfully facilitated our Group to achieve our goals and we shall continue to pursue the strategies to expand our market position and in maintaining and strengthening our premium status.

Use of Proceeds

The final offer price for the GEM Listing was HK$0.55 per Share and the net proceeds from the GEM Listing after the deduction of underwriting fees and commission and all related expenses was approximately HK$28.4 million.

The table below sets forth the details of our use of net proceeds from the GEM Listing (as adjusted by us on 9 September 2020) up to 30 June 2023 (being the latest practicable date to determine our Group's actual use of net proceeds):

		Adjusted and intended use of net proceeds from the GEM Listing		Actual use of net proceeds up to 30 June 2023		Amount of net proceeds remaining as at 30 June 2023		Expected timeline of full utilisation of the net proceeds
		(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*	
1.	To acquire and replace machineries and equipments with an aim to enhance and expand our production capacity at our production facilities in Dongguan, the PRC	17,210	60.6	17,210	60.6	—	—	N/A
2.	To enlarge our market share and strengthen our marketing efforts	1,246	4.4	1,246	4.4	—	—	N/A
3.	To increase our level of automation	2,158	7.6	2,158	7.6	—	—	N/A
4.	To establish our ERP system	1,704	6.0	837	2.9	867	3.1	Q4 of 2023
5.	To expand our finance department	1,420	5.0	1,060	3.7	360	1.3	Q4 of 2023
6.	To enhance staff training	227	0.8	16	0.1	211	0.7	Q4 of 2023
7.	To maintain sound working capital for operation	4,435	15.6	4,435	15.6	—	—	N/A
	Total	28,400	100	26,962	94.9	1,438	5.1	

As at 30 June 2023, the unutilised net proceeds from the GEM Listing amounted to approximately HK$1.4 million which is expected to be fully utilised by 31 December 2023.

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

With the increasing demand for our slewing rings, our Directors consider that it is pivotal for us to enhance our production capacity by acquiring and replacing machineries and equipments. The aim is twofold. Firstly, we pride ourselves as a manufacturer of premium slewing rings. To remain competitive, we need to upgrade our aged machineries and equipments with more updated and efficient models. Secondly, in order to capture a larger market share, we need to increase our production capacity and equip ourselves with machineries and equipments which are capable of multi-specification productions, production of larger size slewing rings and reducing product deficiency.

During the Track Record Period, we acquired two new quenching machines which are heat treatment units. They are more technologically advanced in producing slewing rings, to ensure our products are up to our required standards and are capable of quenching slewing rings of up to 3.6m in (inner) diameter. We also completed two orders for slewing rings with 2.4m in (inner) diameter, which we could only manufacture after acquiring our new machines after the GEM Listing. Furthermore, since the new quenching machines are equipped with sensors, less manual work is involved. We can achieve more uniform contour hardening and can produce products with better mechanical properties. With the installation of these new equipments, we were able to extend our production of slewing rings from the maximum of 2.3m to 3.6m in (inner) diameter. The new quenching machines also enable us to manufacture mechanical parts and components (other than slewing rings) on an ODM basis by applying heat treatment on semi-finished mechanical parts and components.

As at 30 June 2023, we have utilised approximately HK$17.2 million of the net proceeds from the GEM Listing to acquire and replace machineries and equipments, which was in line with the plan on the use of net proceeds as disclosed in the GEM Prospectus. As at the Latest Practicable Date, the use of the net proceeds from the GEM Listing for this strategy had been fully utilised.

To enlarge our market share and strengthen our marketing efforts

According to the Industry Report, the revenue from the export of slewing rings from the PRC and the domestic sales revenue in the PRC is expected to grow by 6.6% CAGR and 6.2% CAGR from 2023 to 2027, respectively. We will continue to strengthen our marketing efforts, both in the PRC and overseas, in a bid to capture the expanding markets. Up to 30 June 2023, we had utilised approximately HK$1.2 million of the net proceeds from the GEM Listing to strengthen our marketing effort. As at the Latest Practicable Date, the use of the net proceeds from the GEM Listing for this strategy had been fully utilised.

As disclosed in the GEM Prospectus, we aimed to participate in major local and international trade exhibitions such as Conexpo-Con/Agg in U.S., Bauma Conexpo in South Africa and Bauma China in the PRC, which are the well-known trade fairs in the construction industry in the U.S., South Africa and the PRC to showcase our product portfolio and production capability to overseas buyers in a bid to enlarge our market share. However, due to COVID-19 and lock-down measures around the globe, these exhibitions had been cancelled, resulting in the suspension of such activities during the Track Record Period. To make up for the loss of such opportunities, and in order to strengthen our marketing efforts and after-sales support, we recruited several sales representatives in Hong Kong and the PRC after the GEM Listing. As at the Latest Practicable Date, we had six sales representatives. We also engaged a consultant to design and optimise the contents of our website and to advise regularly on our promotion strategies to increase the visibility and ranking of our website when internet searches are performed through internet search engine by potential customers.

Our Directors consider that our participation in trade exhibitions is still important as it will enable our Group to showcase our products to potential customers from all over the world, and we will utilise our internal resources to fund our participation in these trade exhibitions. With the recent opening up of markets internationally and the relaxation of travel and other restrictions, we intend to once again participate in major local and international trade exhibitions as mentioned above.

To increase our level of automation

To achieve the Industry 4.0 accreditations, we aim to integrate smart automation solutions and real time data exchange into our production process and become a smart factory in the long run. To this end, it is necessary for us to increase the level of computerisation, automation and data exchange of our Group in our production process. We installed robotic arms to increase our level of automation and production in gear chamfering. We acquired an automatic packaging machine for our products and a CNC coordinate measuring machine to inspect the accuracy of the cutting of the gears of our slewing rings with automated detection and product orientation which reduce reliance on manual power and increase the accuracy in quality control.

As at the Latest Practicable Date, the use of the net proceeds from the GEM Listing as planned for this strategy had been fully utilised.

To establish our ERP system

Since our GEM Listing, we have been upgrading our in-house accounting and inventory monitory system to cope with the enhancement and expansion of our production capacity. In 2021, we acquired a license to use an ERP system which had enabled us to more efficiently monitor and manage (i) our production process through collecting and providing information on raw materials, inventory at different production stages and expected production schedule; and (ii) our financial information through automation of sales orders and payment tracking and automation of payroll processing. With the use of this new ERP system, our management team is able to collect real-time data of our production process and enhance our inventory control and risk management.

As at 30 June 2023, we had utilised approximately HK$0.8 million of the net proceeds from the GEM Listing for this strategy and the balance of approximately HK$0.9 million is expected to be utilised in 2023.

To expand our finance department

We recruited two additional finance staff with extensive accounting and finance experience and knowledge to strengthen our finance department to accommodate the increase in our business scale and production capacities.

As at 30 June 2023, we had utilised approximately HK$1.1 million of the net proceeds from the GEM Listing for this strategy and the balance of approximately HK$0.4 million is expected to be utilised in 2023.

To enhance staff training

We believe that our Group's success depends on our ability to hire and cultivate dedicated and motivated key management, to retain and nurture workers with appropriate experience and expertise. To enhance the standard and professionalism of our key management and staff, we offer continuous training programs for them including providing full subsidy for our key management and selected employees and workers to attend tailored training programs or courses in different areas from top and middle-level business management to practical courses relating to quality assurance. During the Track Record Period, three of our trained employees were awarded ISO quality management system certificates.

Due to COVID-19, some of the scheduled trainings as outlined in the GEM Prospectus had been delayed or put on hold, but we expect to recommence such trainings in 2023. As at 30 June 2023, we had utilised approximately HK$16,000 of the net proceeds from the GEM Listing for this strategy and the balance of approximately HK$0.2 million is expected to be utilised in 2023.

REASONS FOR THE TRANSFER OF LISTING

Despite the impact of COVID-19, since the GEM Listing, our Group has achieved business growth and expanded our source of income. Our Directors considered that the GEM Listing had facilitated our Group to gain public awareness and recognition from our existing as well as new customers. As it is the combined view of our Directors that the Main Board enjoys a premium status and recognition by investors and customers and as our Group has already achieved the necessary threshold, the Transfer of Listing, if approved and proceeded, will further promote our Group's corporate profile and position in the industry. It will also raise our recognition among public investors and thus broaden our Group's investor base and enhance the trading liquidity of the Shares.

As at the date of this listing document, the Board has no plan to change the nature of the business of our Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by our Company.

BUSINESS MODEL

Our principal business is in the manufacturing of premium slewing rings, and to a lesser extent, mechanical parts and components. Since 2020, we have expanded our business on the sales of machineries and related parts and components not manufactured by us as an ancillary service to our slewing rings and production business. The business rationales for our business expansions are:

- Our customers which order slewing rings produced by us include wholesalers, traders and construction companies. Wholesalers and traders used to source wide ranges of products (including machineries and related parts and components) from various suppliers for re-sale to end customers. For customers which are construction companies, they operate heavy duty machineries during their course of business and thus have a demand on various kinds of heavy duty machineries and a necessity on related parts and components to carry out maintenance for their machineries. For instance, we had been supplying slewing rings to a nominated supplier for the supply and use of slewing rings in theme parks and resorts in Hong Kong and both slewing rings and heavy duty machineries to construction contractors working on the Hong Kong International Airport Three Runway System Project. We see business opportunities arising as there is a huge demand from our customers on products other than the slewing rings we produce.

- Leveraging on our long-established business presence in the industry, we have developed a wide network of suppliers along the supply chain. We are in a position to reach out to different suppliers for machineries and related parts and components to cater to the needs of our customers, such as Sumitomo Construction Machinery Sales and Kaneharu Co., Ltd ("**Kaneharu**").

- We position ourselves as a provider for a comprehensive line of products for machineries and related parts and components as our customers (most of which are located overseas) can spend less effort to locate the wide range of machineries and related parts and components they require.

- Our financial position was strengthened as a result of the GEM Listing. Moreover, since the GEM Listing, we have gained recognition in the market which enabled us to obtain financing for our business operations including obtaining new banking facilities from two principal banks as compared to nil before the GEM Listing. As at the Latest Practicable Date, the banking facilities we have amounted to HK$31 million. We are therefore financially resourceful to support our business expansions to sell a wide range of products which complements our slewing rings business.

Slewing rings

Manufacturing of slewing rings

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. The products we sold are usually used to replace worn out slewing rings of existing machineries under usage, or for assembly of new machineries. Leveraging on our in-depth knowledge and know-how accumulated over the years, as well as our market knowledge, we are able to produce a diverse range of slewing rings for our customers. 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. This is attributable to our in-depth knowledge in the industry and our established database after years of operation in the industry.

We work out the design as well as all technical specifications from start to finish for our ODM customers, based on their preliminary inputs. Our Directors consider that 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 an ODM basis. Based on our internal record, for FY2022 and 6M2023, approximately 69.2% and 74.7%, respectively of the number of our slewing rings manufactured and sold on an ODM basis were designed for excavators made by Japanese manufacturers, such as Sumitomo Construction Machinery and KATO, which to our Directors' knowledge, do require the equipments and parts ordered to be JIS-compliant. The slewing rings sold to our ODM customers commonly adopt a quenching standard of JIS or the applicable standards under JB, JB/T or JIS. The products manufactured under the ODM basis will be sold under the brand name of our ODM customers.

We also manufacture slewing rings for overseas customers on an 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 during the Track Record Period are Japanese manufacturers or their affiliates, which require us to produce slewing rings in conformity to the JIS.

In addition, we derive our revenue from the sales of our proprietary branded products under OBM basis. We began producing our own branded products under the brand name of "KYOEI" in January of 2011. We then developed "NISSHO SEIKO" and "JSG" in October and December, 2012, respectively, targeting customers in Malaysia and Thailand. During the Track Record Period, we sold our OBM products under our own brand name 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.

Sourcing of slewing rings

We also source slewing rings for our customers. These slewing rings are mainly models which we do not manufacture currently as (i) they maybe of lower quality and their production would require different raw materials which we do not have; or (ii) they are of small quantity and it is 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.

We position ourselves as a premium slewing rings manufacturer and the majority of the slewing rings so produced were complied with the JIS standard. We therefore require the raw materials used for our production to contain certain chemical elements such that the specifications for our final products can be reached. For occasions where our customers do not require slewing rings with such high standards, we source them from our list of suppliers instead of manufacture on our own, as we do not normally prepare raw materials for productions of slewing rings of these kinds.

We may also come across situations where the slewing rings so ordered are of old models. In the event that we do not have the relevant drawings in our database, we have to develop these products by our technicians for production. We may determine to source them from our list of suppliers instead in case the order volumes are low as we consider it not commercially justifiable to spend resources on small volume productions.

During FY2022 and 6M2023, we manufactured slewing rings with a size (being the inner diameter of slewing rings) ranged from 0.2m to 2.4m. For occasions where our customer requires slewing rings with either smaller or larger size than that we manufacture, we may source them from our list of suppliers instead. During the Track Record Period, we acquired three new turning machines and two new quenching machines and are capable of quenching slewing rings of up to 3.6m in diameter.

Mechanical parts and components

Manufacturing of 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 an ODM basis where our customers do 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 our 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.

Sourcing of mechanical parts and components

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 our customers to enjoy a more comprehensive line of products from us which would further strengthen our business relationships with our customers and in turn lead them to place recurring purchase orders with us. The mechanical parts and components we sourced during the Track Record Period were broad in range and numerous in varieties such as telescopic boom, clamshell, bolts, oil seal kits, etc. We sold over 10 kinds of mechanical parts and components during the Track Record Period. Similar to the slewing rings, these mechanical parts and components are consumable parts which require routine replacement over a period of usage.

Sourcing of machineries

Excavators

As a supplier of slewing rings under OEM basis to Sumitomo Construction Machinery 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, Sumitomo Construction Machinery Sales. We have also developed a long term business relationship with Kaneharu, an established used heavy equipment wholesaler in 1988, for over five years. In catering to the needs of our customers, upon receiving their requests, we source both brand new or used Japanese brand excavators for them for construction and/or mining purposes.

Other machineries

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 proprietary trading in nature.

The following table sets forth a breakdown of our revenue by product category during each of the year/period of the Track Record Period:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Slewing rings										
— ODM	25,972	37.4	34,473	26.1	56,759	44.4	26,966	39.2	30,618	39.5
— OEM	421	0.6	525	0.4	362	0.3	250	0.4	140	0.2
— OBM	3,534	5.1	1,477	1.1	996	0.8	454	0.7	1,742	2.2
— Sourcing	5,033	7.2	22,481	17.0	17,227	13.5	10,844	15.8	9,021	11.6
Sub-total	34,960	50.3	58,956	44.6	75,344	59.0	38,514	56.0	41,521	53.6
Mechanical parts and components										
— ODM	5,581	8.0	8,311	6.2	8,950	7.0	5,325	7.7	3,980	5.1
— Sourcing	11,738	16.9	25,856	19.6	16,116	12.6	10,852	15.8	11,371	14.7
Sub-total	17,319	24.9	34,167	25.8	25,066	19.6	16,177	23.5	15,351	19.8
Sourcing of machineries										
— Excavators	17,220	24.8	27,167	20.5	16,493	12.9	8,809	12.8	9,799	12.7
— Others *(Note)*	—	—	11,960	9.1	10,827	8.5	5,269	7.7	10,766	13.9
Sub-total	17,220	24.8	39,127	29.6	27,320	21.4	14,078	20.5	20,565	26.6
Total	69,499	100.0	132,250	100.0	127,730	100.0	68,769	100.0	77,437	100.0

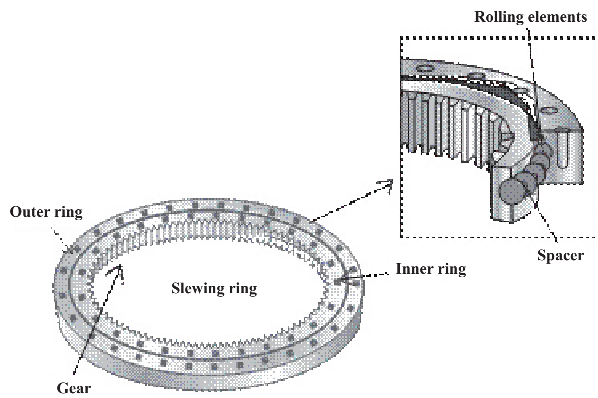
Note: Others mainly include pile drivers, trucks, and wheel loaders.

OUR PRODUCTS

We carry three major products: (i) slewing rings; (ii) mechanical parts and components; and (iii) machineries.

Overview of slewing rings

The diagram below shows the main structural components of a slewing ring:



Outer and inner rings and raceway

A typical slewing ring contains an outer ring and inner ring made of steel. Some slewing rings do not bear gear. For the ones which bear gear, the gear may locate at either the outer ring or the inner ring, and be connected to a slewing drive for providing rotational torque to the slewing ring. Each ring contains a raceway which is hardened to a specified depth by induction heating to encase the rolling elements. We offer different raceway configurations for our customers' selection, such as four-point contact and crossed roller. Our outer and inner rings are steel made of 50Mn, 42CrMo and S48C.

Rolling elements

Steel balls or rollers are usually used as rolling elements (GCr15) to provide uniform load distribution between the outer and inner rings and minimise rotational resistance. The dimension of the rolling elements is based on the customer's request.

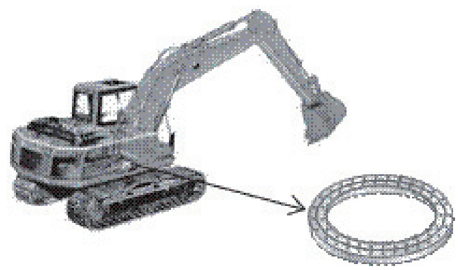
Spacers

Spacers are typically made of plastic and are used to separate the rolling elements. They are placed between the rolling elements to help minimise friction, jamming and skidding during rotation when the slewing ring is in operation.

Gear

Our slewing ring can be manufactured with internal gear, external gear or without gear. The surface hardness level of our gear is typically HRC 50–57. The gear of the slewing ring is typically induction-hardened for wear resistance. Induction hardened gear can substantially improve durability by preventing surface wear and fatigue.

The following graph shows the use of a slewing ring in an excavator, which is one of the applications of our products:



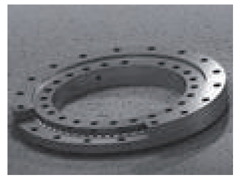
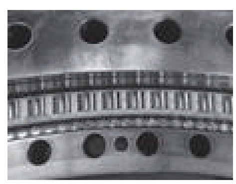
Slewing Ring

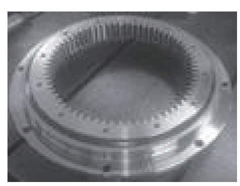
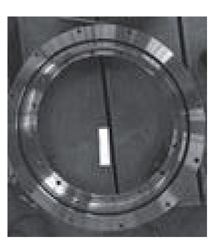
Slewing rings have a broad range of applications. For further details of these applications, please refer to the paragraphs headed "Our slewing rings portfolio" in this section.

Our slewing rings portfolio

The following are principal types of slewing rings that our Group produced during the Track Record Period and each type can be produced at various sizes with the inner diameter up to 3.6m:

	Name of products	Sample picture	Brief description	Designed application *(Note 1)*
1.	Single-row four-point contact ball slewing ring (HS series, Q series and 01 series)		This type of slewing ring consists of two seat-rings. The structure is compact and the product is light. The rolling elements (in the form of steel balls) meet the arched raceway at four points can withstand radial, axial forces and tilting moments simultaneously.	It is suitable for construction machinery such as the turntables of the conveyor systems, welding machines, small to medium- sized cranes and excavators.

	Name of products	Sample picture	Brief description	Designed application *(Note 1)*
2.	Single-row crossed roller slewing ring (11 series, HJ series and J series)		This type of slewing ring consists of two seat-rings. The structure is compact and the product is light. It is manufactured with high precision and small assembly clearance. The rolling elements come in the form of rollers. It can withstand relatively larger radial force compared to other types of products.	It is suitable for medium to heavy duty application, such as transportation and construction machineries.
3.	Triple-row roller slewing ring (13 Series)		The triple-row cylindrical roller slewing ring has three seat-rings. The rolling elements come in the form of rollers. It is designed to carry heavy loads where little space is available. Its shaft and radial dimensions are larger than the other types of slewing rings and it has the strongest structure.	It is suitable for heavy duty machines such as heavy duty cranes, tunnel boring machines, mining machineries, ship cranes and container cranes.

	Name of products	Sample picture	Brief description	Designed application *(Note 1)*
4.	Double-row ball slewing ring (02 series)		This type of slewing ring has three seat-rings and two rows of rolling elements (in the form of steel balls). According to the load-bearing condition, two rows of steel balls with different diameters are arranged. This arrangement enables the product to withstand large axial forces and tilting moments. The axial and radial dimensions of the double-row ball slewing ring are relatively large, and the structure is strong.	It is particularly suitable for medium-duty machines such as medium-size tower cranes and truck cranes.
5.	Slim series slewing ring (薄型迴轉支承)		This type of slewing ring has an increased cross section and bore diameter as compared to the standard slewing rings. Its slim features help to save weight, reduce friction, create space, provide excellent running accuracy and increase design flexibility.	It has a broad range of applications including radars, tube and pipe cutting machines, satellite and communications equipments, textile machineries, aerospace and defense, index and rotary tables packaging equipments, machine tools etc.
6.	Light series slewing ring (輕型迴轉支承)		This type of slewing ring has the same structure as the others but it is lighter and helps to save weight.	It is commonly used in filling machineries, food machineries, environmental protection machineries and other fields.

Note:

1. These are the designed and intended application a according to the best knowledge of our Directors. Our customers may use it for other applications.

We produced the above principal types of slewing rings on ODM, OEM or OBM basis depending on the orders placed by our customers. We also sourced other types of slewing rings or models which we do not produce for our customers. The following table sets out the average and the range of selling price of our slewing rings by mode of operation during the Track Record Period:

	Average selling price (per unit) *(unaudited)*					Range of selling price (per unit) *(unaudited)*				
	FY2020	**FY2021**	**FY2022**	**6M2022**	**6M2023**	**FY2020**	**FY2021**	**FY2022**	**6M2022**	**6M2023**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
ODM	11,795	14,515	14,886	14,230	13,272	2,498–162,734	2,223–549,863	973–320,000	981–168,762	823–152,289
OEM *(Note 1)*	3,238	3,323	3,232	3,378	3,333	2,735–33,094	3,201–4,441	1,125–6,204	1,181–6,518	2,888–6,382
OBM	10,975	9,654	11,718	11,353	20,988	4,235–54,299	3,580–34,318	4,215–31,573	4,248–31,822	5,794–195,000
Sourcing *(Note 2)*	15,777	19,314	6,135	7,463	2,928	4,317–76,406	561–33,500	10–124,604	13–77,612	6–125,537

Notes:

1. The average selling price of our slewing rings manufactured under the OEM basis was lower than the others mainly due to the smaller size of the slewing rings sold under this mode of operation, and the fact that we need not design the relevant products for our customers.

2. The average selling price of slewing rings we sourced during FY2022 and 6M2023 was lower, mainly because we received considerable amount of orders from customers on small-size rings which their unit prices were low.

The table below sets forth the breakdown of revenue, quantities and average selling price of slewing rings manufactured by us for our customers for each year/period of the Track Record Period:

	For the year ended 31 December								
	2020			**2021**			**2022**		
	Revenue	**Quantities sold**	**Average selling price** *(per unit) (unaudited)*	**Revenue**	**Quantities sold**	**Average selling price** *(per unit) (unaudited)*	**Revenue**	**Quantities sold**	**Average selling price** *(per unit) (unaudited)*
	HK$'000	*(units)*	*HK$*	*HK$'000*	*(units)*	*HK$*	*HK$'000*	*(units)*	*HK$*
Slewing rings *(Note 1)*									
Small-size	7,797	1,182	6,596	10,720	1,456	7,363	12,545	1,663	7,543
Medium-size	19,514	1,427	13,675	21,134	1,168	18,094	37,936	2,265	16,749
Large-size	2,616	45	58,140	4,622	62	74,542	7,636	82	93,127
Total	29,927	2,654		36,475	2,686		58,117	4,010	

	For the six months ended 30 June					
	2022			2023		
	Revenue *HK$'000* *(Unaudited)*	**Quantities sold** *(units)*	**Average selling price** *(per unit)* *(unaudited)* *HK$*	**Revenue** *HK$'000*	**Quantities sold** *(units)*	**Average selling price** *(per unit)* *(unaudited)* *HK$*
Slewing rings *(Note 1)*						
Small-size	6,372	871	7,315	7,359	1,117	6,589
Medium-size	18,555	1,102	16,837	21,259	1,267	16,779
Large-size	2,743	36	76,206	3,882	48	80,874
Total	27,670	2,009		32,500	2,432	

Note 1: Small, medium and large sizes represent the inner diameter of slewing rings of less than approximately 0.9 meter, approximately 1.0 meter to 1.3 meter and more than approximately 1.4 meter, respectively.

The table below sets forth the breakdown of revenue, quantities and average selling price of slewing rings sourced by us for our customers for each year/period of the Track Record Period:

	For the year ended 31 December								
	2020			2021			2022		
	Revenue *HK$'000*	**Quantities sold** *(units)*	**Average selling price** *(per unit)* *(unaudited)* *HK$*	**Revenue** *HK$'000*	**Quantities sold** *(units)*	**Average selling price** *(per unit)* *(unaudited)* *HK$*	**Revenue** *HK$'000*	**Quantities sold** *(units)*	**Average selling price** *(per unit)* *(unaudited)* *HK$*
Slewing rings *(Note 1)*									
Small-size	762	118	6,460	2,869	441	6,505	460	1,586	290 *(Note 2)*
Medium-size	2,201	152	14,480	8,612	452	19,054	3,250	580	5,603
Large-size	2,069	49	42,230	11,000	271	40,592	13,517	642	21,055
Total	5,032	319		22,481	1,164		17,227	2,808	

	For the six months ended 30 June					
	2022			2023		
	Revenue *HK$'000 (Unaudited)*	**Quantities sold** *(units)*	**Average selling price** *(per unit) (unaudited) HK$*	**Revenue** *HK$'000*	**Quantities sold** *(units)*	**Average selling price** *(per unit) (unaudited) HK$*
Slewing rings *(Note 1)*						
Small-size	203	679	299	116	2,395	48 *(Note 3)*
Medium-size	1,944	357	5,445	1,913	318	6,016
Large-size	8,697	417	20,857	6,992	368	19,001
Total	10,844	1,453		9,021	3,081	

Note 1: Small, medium and large sizes represent the inner diameter of slewing rings of less than approximately 0.9 meter, approximately 1.0 meter to 1.3 meter and more than approximately 1.4 meter, respectively.

Note 2: The average selling price was exceptionally low due to the sales of 1,508 units of slewing rings of very small size. Excluding those 1,508 units of slewing rings, the average selling price for small-size slewing rings would then be HK$3,516 for the remaining 78 units.

Note 3: The average selling price was exceptionally low due to the sales of 1,500 units of slewing rings of very small size. Excluding those 1,500 units of slewing rings, the average selling price for small-size slewing rings would then be HK$113 for the remaining 895 units.

The table below sets forth the revenue contribution and the gross profit margins of each size of the Group's slewing rings for each year/period of the Track Record Period:

	For the year ended 31 December					
	2020		2021		2022	
	Revenue	**Gross profit margin** *(approximate)*	**Revenue**	**Gross profit margin** *(approximate)*	**Revenue**	**Gross profit margin** *(approximate)*
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*(%)*
Slewing rings						
Small-size	8,559	55.7	13,589	49.5	13,005	58.9
Medium-size	21,715	44.5	29,746	48.3	41,185	51.9
Large-size	4,686	47.6	15,622	46.7	21,154	51.9

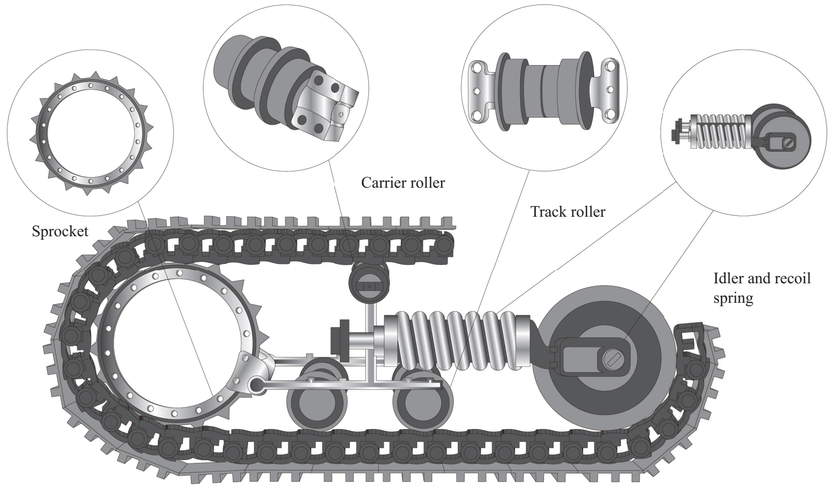
	For the six months ended 30 June			
	2022		2023	
	Revenue	**Gross profit margin** *(approximate)*	**Revenue**	**Gross profit margin** *(approximate)*
	HK$'000 *(Unaudited)*	*(%)*	*HK$'000*	*(%)*
Slewing rings				
Small-size	6,575	54.5	7,475	62.5
Medium-size	20,499	50.7	23,172	55.9
Large-size	11,441	50.0	10,874	51.8

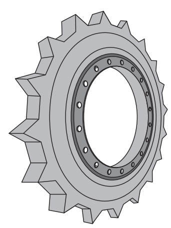
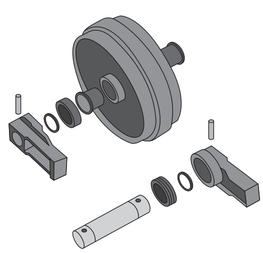
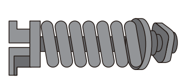
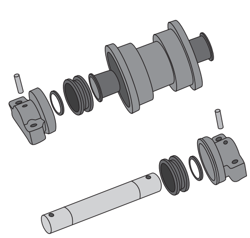
As a slewing ring is an essential part for many machineries and equipments which require a rotational motion and is widely used in heavy duty machineries, it generally has a relatively long product life cycle of more than 20 years. While there could be different specifications for each type of slewing rings to be produced, for example, the diameter, location of drilling holes, each type of slewing ring could last for a long time for different applications. In general, the sale prices of our slewing rings are in proportion to their size.

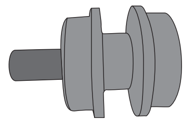
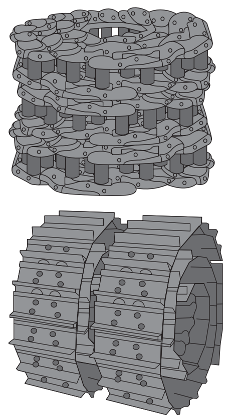
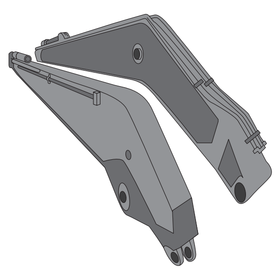
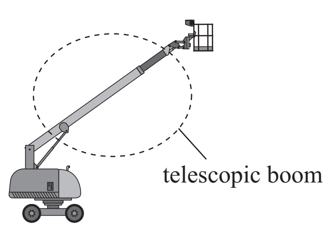
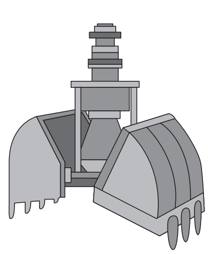
Overview of mechanical parts and components

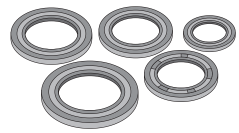
Since the GEM Listing, leveraging on our high quality turning and heat treatment process, we expanded our capabilities and products portfolio to include manufacturing of mechanical parts and components that are mainly related to the type of heavy duty machineries on which our slewing rings will be installed or machineries with undercarriage track shoes due to the rising demand from our customers as we are perceived to be a comprehensive premium products provider and our ability in advising and improving the design and specifications. We adapted our production lines to be capable of conducting manufacturing for some of these mechanical parts and components on an ODM basis as part of our value-added services. These mechanical parts and components include undercarriage parts such as sprocket (驅動輪), idler (引導輪), track roller (支重輪), carrier roller (托帶輪), track chains and track shoes (履帶) for tracked vehicles such as excavators, pile drivers and bulldozers. In addition, we source mechanical parts and components which we do not manufacture such as telescopic boom, clamshell, etc to cater to the needs of our customers.

The following diagram shows the major mechanical parts and components used in heavy duty machineries which we manufactured and/or sourced during the Track Record Period:



	Name of product	Sample picture	Brief description and application
1.	Sprocket (驅動輪)		A sprocket is a profiled wheel with teeth that connects the motor and the track chain for the transmission of rotary motion, driving the track chain and hence the machinery movement. Sprockets are commonly used in tracked vehicles.
2.	Idler (引導輪)		An idler is a metallic wheel which transmits the rotary force and gives some sort of suspension system to ease the ride and guide the track shoes to move in a desired direction. It increases controllability and decreases the wear and tear. It also carries some of the weight of the vehicle.
3.	Recoil spring/track adjuster (漲緊裝置)		A recoil spring is produced from a circular shaped wire so that tension can be adjusted to keep the track chain with the correct tension. It is assembled with the idler.
4.	Track roller (支重輪)		A track roller is an enforced metal wheel that is mounted to the bottom of the track frame to support and guide the track shoes as well as to connect and guide the track chain between the sprocket and the front idler. The primary function of the bottom rollers is to bear the weight of the machines.

	Name of product	Sample picture	Brief description and application
5.	Carrier roller (托帶輪/拖鏈輪)		A carrier roller is similar to a track roller in that it is mounted to the top of the track frame to support and guide the track chain and track shoes and to adjust the elasticity of the track shoes.
6.	Track chain and track shoes (鏈條及履帶)		A track chain is to connect the forward movement that is produced by the pedals to the wheels with driving characteristics in order to cause continuous motion. A track shoe is connected with the track chain to support the machine and have a grip on the ground. The track shoes are formed by connecting a number of gear teeth so that the track shoes have claws to provide a grip to the ground.
7.	Long reach arm of excavator (挖掘机加長臂)		The extension long reach arm of an excavator provides greater versatility and increases reaching distance for the use such as excavation, demolition, deeper dredging, digging, barge unloading, tank cleaning etc.
8.	Bucket (鏟斗)		A bucket is attached to the excavator arm for digging and loading.
9.	Telescopic boom		The special boom section that extends telescopically of a telescopic boom lift.
10.	Clamshell		A type of bucket with two hinged jaws for digging and carrying.

Name of product	Sample picture	Brief description and application
11. Oil Seals		A sealing device to prevent entry of dust and foreign objects between connections.

During the Track Record Period, we had production on products 1 to 8 above. Products 9 to 11 were sold through sourcing. The manufacturing of mechanical parts and components requires our input in multiple production processes, in particular the heat treatment which aims to harden the strength and increases the durability and wear resistance of these mechanical parts and components as well as our precise drilling, turning and chamfering to ensure they can be assembled or installed onto the machineries. Any significant discrepancy could cause malfunctioning or lead to such parts and components not being able to be installed properly onto the machineries.

Similar to slewing rings, these mechanical parts and components generally have a very long life cycle of more than 20 years on average as they are common, essential and consumable parts of an undercarriage or heavy duty machineries such as excavators. During the Track Record Period, we recorded a significant increase in the sales of mechanical parts and components we manufactured of which we sold 2,816, 68,305, 109,767 and 3,843 units of mechanical parts and components in FY2020, FY2021, FY2022 and 6M2023, respectively. We also sourced and sold 4,096, 7,372, 9,291 and 14,514 units of mechanical parts and components during the corresponding year/period respectively.

The following table sets out the range of the selling price of our mechanical parts and components in each year/period of the Track Record Period:

	Range of selling price (per set)				
			(unaudited)		
	FY2020	**FY2021**	**FY2022**	**6M2022**	**6M2023**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
ODM	10.4–393,000	0.6–96,000	1.7–80,500	1.7–37,533	3.8–61,736
Sourcing	9.1–580,000	1.0–603,000	5.7–568,000	5.7–568,000	2.0–598,445

We recorded a wide price range for mechanical parts and components we sold as the product categories were broad in range and numerous in varieties which were as small as a bolt or as large as a long reach arm of an excavator.

Overview of machineries

Leveraging on our long-established business relationship with a leading Japanese heavy duty machineries manufacturer, we are able to source excavators of this Japanese brand for our customers to broaden our product line and generate additional income stream to our Group. As our customers comprise of wholesalers, traders and construction contractors which have demands on various kinds of machineries, we further extend our heavy duty machineries offering on other types of machineries such as pile drivers, wheel loaders and trucks. Our sourcing of machineries is driven by the demand of our customers and is not proprietary trading in nature.

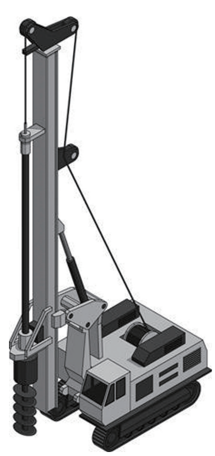
With our accumulated experiences and knowledge in the industry, we advise our customers based on their needs and make recommendations on heavy duty machineries suitable for their use. For used machineries, we carry out multiple monitoring and inspections on the machineries before delivery. Although we do not provide any obligatory after-sales maintenance or warranty to the machineries we sourced, our customers would receive the condition reports before placing the orders, and we can carry out repair and replacement work on the machineries before delivery if requested by our customers. In terms of maintenance, we offer our customers slewing rings and the related mechanical parts and components which we could source or produce under the ODM basis.

The following are the major types of machineries that our Group sold during the Track Record Period:

Types

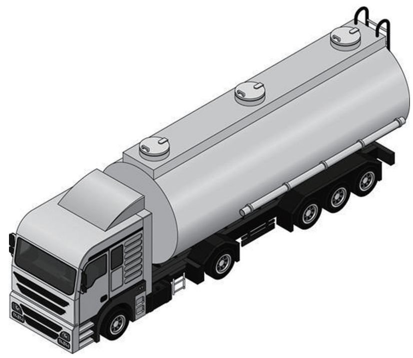
Excavator

Pile Driver

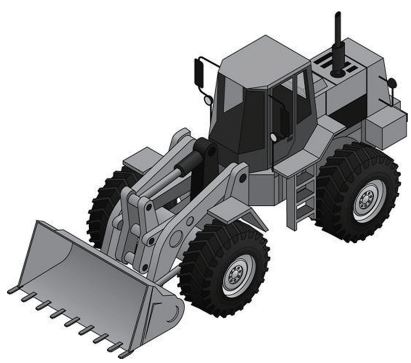


Types

Truck



Wheel loader



During each of the year/period of the Track Record Period, we sold 10, 71, 50 and 32 machineries, respectively.

The following table sets out the average and the range of the selling price of the machineries during each of the year/period of the Track Record Period:

	Average selling price (per unit) *(unaudited) and units sold*				
	FY2020	**FY2021**	**FY2022**	**6M2022**	**6M2023**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Excavators	1,721,973	936,792	458,133	440,447	445,425
	(10 units)	(29 units)	(36 units)	(20 units)	(22 units)
Others	—	284,754	773,399	439,100	1,076,590
	—	(42 units)	(14 units)	(12 units)	(10 units)

	Range of selling price (per unit) (unaudited)				
	FY2020	**FY2021**	**FY2022**	**6M2022**	**6M2023**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Excavators	372,000– 2,286,999	196,388– 4,380,908	92,000– 950,000	398,000– 950,000	255,000– 1,567,448
Others	—	3,296– 550,000	28,165– 5,000,000	28,165– 3,600,000	37,680– 4,950,000

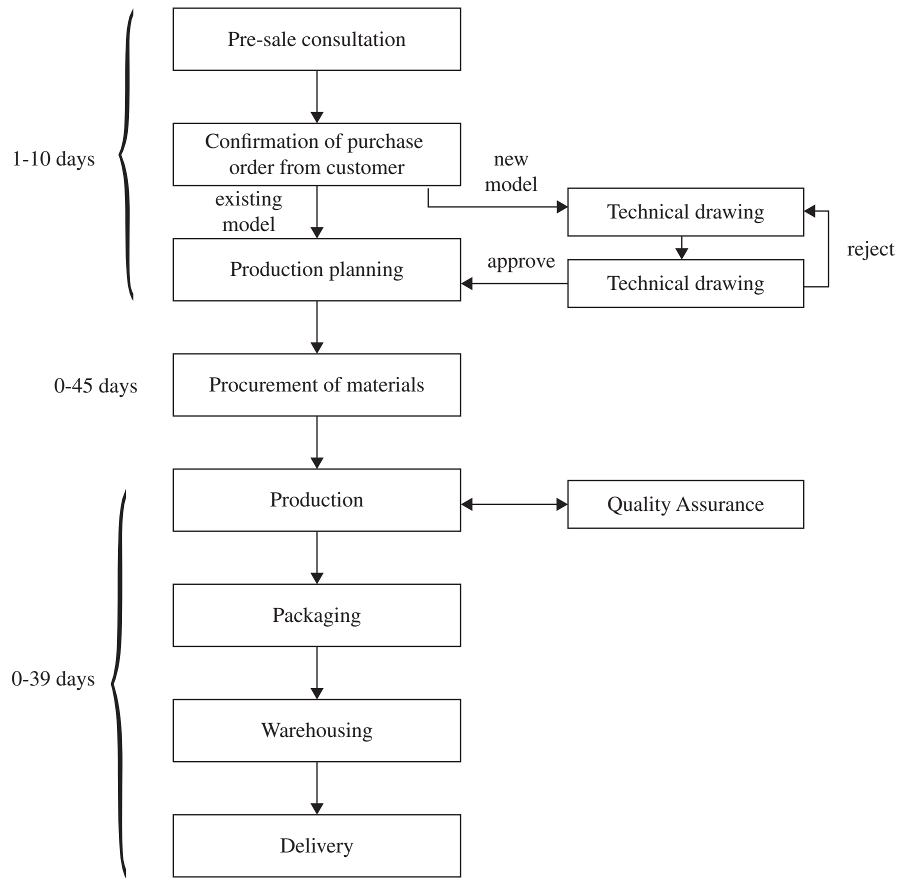
The prices of excavators and other machineries depend on the type and specifications of the machineries. The prices also vary across brand new and used machineries and for used machineries, their length of usage etc.

The following table sets out the revenue, gross profit and gross profit margin for the sales of new and used machineries during each of the year/period of the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June		
	2020			2021			2022			2023		
	Revenue	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*
New												
Excavators	9,978	1,528	15.3	4,381	381	8.7	5,380	416	7.7	4,533	403	8.9
Other machineries	—	—	—	10,357	2,778	26.8	918	158	17.3	1,378	172	12.5
Used												
Excavators	7,242	1,881	25.9	22,786	6,794	29.8	11,113	4,953	44.6	5,266	2,174	41.3
Other machineries	—	—	—	1,603	580	36.2	9,910	2,238	22.6	9,388	1,188	12.7
Sub-total	**17,220**	**3,409**	**19.8**	**39,127**	**10,533**	**26.9**	**27,320**	**7,765**	**28.4**	**20,565**	**3,937**	**19.1**

PRODUCTION OF SLEWING RINGS AND MECHANICAL PARTS AND COMPONENTS

The production process of our slewing rings and mechanical parts and components is illustrated by the flowchart below. The lead time between the placing of orders for slewing ring by our customers to product delivery is generally around 4 days (if we have the raw materials for the slewing rings ordered by those customers in stock) to 99 days, and the lead time between the placing of orders for mechanical parts and components to product delivery is generally around 4 days (if we have in stock the parts and components ordered by our customers) to 94 days.



Note: "0 day" denotes the scenario in which our Group has the relevant products in stock and hence does not need to procure the relevant materials, or undergo mass production or inspection.

Pre-sale consultation

All enquiries from our customers are directed to our sales department for follow-up and handling. Our sales personnel will liaise with our customers to gather information relating to the intended purchases. They will begin by making enquiries on the purpose(s) of the intended purchase, such as whether it is for replacement of an existing machine or for manufacturing of new machinery, type of machines used, its model number, dimensions etc. We will check if we have such slewing rings or mechanical parts and components in stock, and if we do not have such in stock, we will look for their availability, and our general manager will determine the sale price for new models.

Confirmation of purchase orders from customers

Upon customers' confirmation, the purchase orders from our customers are placed with the sales department. Our general manager will then consolidate all information and work out the timetable for production with each and every department as well as the production road map. Our finance department will input the details of the purchase orders into our in-house database system and issue invoices to our customers.

Technical drawings and customer approval

Our technical department will take the lead in devising the technical drawings if we do not have those particular technical drawings in our database. In preparing the technical drawings, our technicians will take a number of matters into consideration, such as the intended application, operating environment, desired dimension, torque, axial and radial load.

The completed technical drawings are then submitted to customers for review. If our customers have comments thereon, we will discuss with them and revise the technical drawings further to suit the needs of our customers. The process is repeated until our customers sign off the final drawing.

Production planning

Our production department and procurement department work closely during the production process to ensure the entire process is smooth and on schedule. It is responsible for reporting the progress to our customers. Our production department is also responsible for preparing production plans, including setting adjustments on production machineries, manpower allocation, raw materials delivery timeline, production timeline, warehousing, etc. for review by our general manager. To ensure we are able to meet the delivery schedule, our procurement department works closely with our sales department to conduct production rolling forecast for the upcoming three months.

The implementation of the production plans is reviewed regularly to ensure that our operations are on schedule. For instance, our machines for turning, heat treatment and drilling need to be properly scheduled for our productions to ensure there be no overlaps in the orders of production whilst the production cycle will not be hindered. In general, our sales department will evaluate our production capacities with our production department before accepting a purchase order. When we come across orders for new models of slewing rings or mechanical parts and components, our customers will usually engage us for a trial production at their own costs.

Procurement of materials

Our procurement department is responsible for the purchase of raw materials from suppliers upon receipt of the raw materials lists from our production department. The raw materials are inspected by our quality assurance department upon delivery. The raw materials are checked randomly and any substandard raw materials and supplies are returned to our suppliers. The raw materials will be kept in the storage area of our production facilities.

Production

Slewing rings

For illustrative purposes, the following chart sets forth the key steps in the production process of slewing rings:

		Approximate production time for one set of slewing ring (hour(s))
1.	Rough turning (粗車)	0.4-1.2
2.	Half-finish turning (construction of the raceway) (半精車 - 車滚道)	0.3-1.0
3.	Boring the loading hole (鏜堵塞孔)	0.3-1.0
4.	Raceway quenching (滚道淬火)	0.2-1.0
5.	Tempering (low temperature) (回火(低溫))	3.0
6.	Finish turning (精車)	0.3-1.0
7.	Gear cutting (製齒) *(Note)*	3.0-30.0
8.	Gear chamfering (倒齒角) *(Note)*	0.3-1.0
9.	Teeth surface quenching (齒面淬火) *(Note)*	0.2-3.0
10.	Magnetic particles inspection (磁粉探傷)	0.1-0.2
11.	Product calibration (產品校圓)	0.1
12.	Tempering (low temperature) (回火(低溫)) *(Note)*	3.0
13.	Finish turing (精車)	0.2-1.0
14.	Mounting hole drilling and chamfering (鑽安裝孔，倒角)	0.3-2.0
15.	Tapping (攻絲)	0.3-1.5
16.	Grinding raceway (磨滚道)	0.2-1.5
17.	Cleaning and assembly (清潔與裝配)	0.3-1.0

Notes: These steps are only applicable to outer or inner rings with gears.

1. *Rough turning (粗車)*

The forged ring is attached to a moving part and at the same time, a fixated cutting tool is used to remove the excessive materials and the rusty part of the forged ring. After this process, the forged ring is roughly cut into the designated size.

2. *Half-finish turning (construction of the raceway) (半精車 — 車滚道)*

Half-finish turning is one of the most important steps in the manufacturing process of slewing rings. It involves the construction of the raceway and half-finish turning of the raceway before raceway quenching. The purpose of half-finish turning is to ensure the shape and the size of the raceway are constructed at the outset in accordance with the specifications. Since the precision of a slewing ring is determined by several factors, which include the roundness of the raceway, the half-finish turning process will lay down a solid foundation for the turning of the raceway.

3. *Boring the loading hole (鏜堵塞孔)*

The loading hole is bored on the ungeared ring, which is typically the outer ring of our slewing rings. The loading hole allows the rolling elements to be loaded into the raceway during the assembly stage. When the assembly is completed, the loading hole will be closed with the loading plug and the loading plug will be fixed with a tapper pin.

4. *Raceway quenching (滚道淬火)*

The surface of the raceway is hardened by induction heating and then quenched. The mechanical properties of the surface of the raceway are altered by selectively heating the surface of the raceway by induction for a specific period of time, and then rapidly quenched by applying a cooling agent. This process can improve the hardness and strength of the quenched part, thereby increasing the bearing capacity of the raceway and enhancing the durability of the slewing ring.

5. *Tempering (low temperature) (回火(低溫))*

Tempering is a heat treatment technique that improves the properties of metallic materials. A relatively low heating temperature, usually at 150°C-250°C, is used for this step. After tempering, the structure of the steel tends to be stable, less brittle, and tougher and the plasticity of the steel ring is improved. This process can also prevent deformation and cracking of hardened parts of the steel ring.

6. *Finish turning (精車)*

The size and shape of the forged ring and raceway are turned and adjusted further. This is to cater for the change in size or shape brought by thermal expansion and contraction of the forged ring during the tempering stage.

7. *Gear cutting (製齒)*

We are able to produce slewing rings with or without gears. As such, steps no. 7 to 9 are only applicable to slewing rings with gears. We typically create gears on the internal side of the inner ring, or on the external side of the outer ring.

8. *Gear chamfering (倒齒角)*

We chamfer the sharp edges of the gear teeth by using mechanical arms and chisel.

9. *Teeth surface quenching (齒面淬火)*

It is a part of the heat treatment that was applied to the surface of the teeth on slewing rings to improve the performance of the teeth (such as hardness and strength) while maintaining the performance of the core ring (such as toughness). Similar to raceway quenching, the surface of the gear teeth is hardened by quenching and tempering. We typically increase the surface hardness level to HRC 50–57.

10. *Magnetic particle inspection (磁粉探傷)*

We inspect the magnetic particle on a full basis to check if the forgings have any inner defect.

11. *Product calibration (產品校圓)*

We make some final adjustments to the slewing rings to ensure the shape and size of the slewing rings are precisely made. This helps to lay down a better-quality assurance in the final product.

12. *Tempering (low temperature) (回火低溫)*

Step 5 of the production process listed above is repeated to improve the mechanical properties of the slewing rings.

13. *Finish turning (精車)*

The steel ring and raceway are further turned to ensure that they are of the desired size and shape.

14. *Mounting hole drilling and chamfering (鑽安裝孔與倒角)*

The mounting holes on the slewing rings are drilled by robotic arms so that they can be fixed onto the surface of machinery. The position of the hole drilling on the slewing rings must be precise as it will directly affect the installation of the rings onto other parts of the component. We will chamfer the sharp edges of the gear. We will then inspect the items including hole diameter, chord length and central diameter.

15. *Tapping (攻絲)*

The mounting holes are tapped to accept bolts so that the installation of the slewing ring onto a surface can be done more quickly and accurately.

16. *Grinding raceway (磨滾道)*

Grinding the raceway is one of the most important steps in the slewing ring production process. We carefully select the appropriate grinding wheel to complete the grinding and we strictly control the line speed to avoid raceway burns. Fine grinding and roll milling are carried out further to ensure that the raceway is smooth for the rolling elements to function properly with minimum friction.

17. Cleaning and assembly (清潔與裝配)

Our workers carry out overall cleaning of the product. They will then load the rolling elements and spacers into the raceway, and install the loading plug, tapper pin and seals according to the product specifications.

Mechanical parts and components

For illustrative purpose, the manufacturing steps of mechanical parts and components vary across different parts and components, and generally, include the following key steps:

- Heat treatment (comprising quenching (淬火) and tempering (回火)) (steps 4, 5 and 12)
- Rough turning (粗車) (step 1)
- Finish turning (精車) (steps 6 and 13)
- Mounting hole drilling and chamfering (鑽安裝孔, 倒角) (step 14)
- Grinding (打磨)
- Painting (噴漆)
- Cleaning and assembly (清潔與裝配) (step 17)

Please refer to paragraphs headed "Quality Assurance" in this section on the relevant quality assurance measurements accompanying the production process for further details.

Packaging

We affix labels imprinted with serial numbers onto the finished products. We will then pack the finished products with packaging materials using our automatic packaging machine. We typically pack our products with plastic film and kraft paper. We will keep the finished products in a dry and cool place to avoid them becoming rusty or oxidised.

Warehousing

Our production is scheduled according to the purchase orders we received and a rolling forecast for the upcoming three-month periods. As such, we do not normally keep an excessive inventory of finished products. Our finished products are only temporarily stored in our production facilities prior to the delivery to our customers. Our warehouse is guarded by floormen on shifts, and is overseen by the surveillance system and security team of our Group. During the Track Record Period, we have not encountered any issue with obsolete inventories.

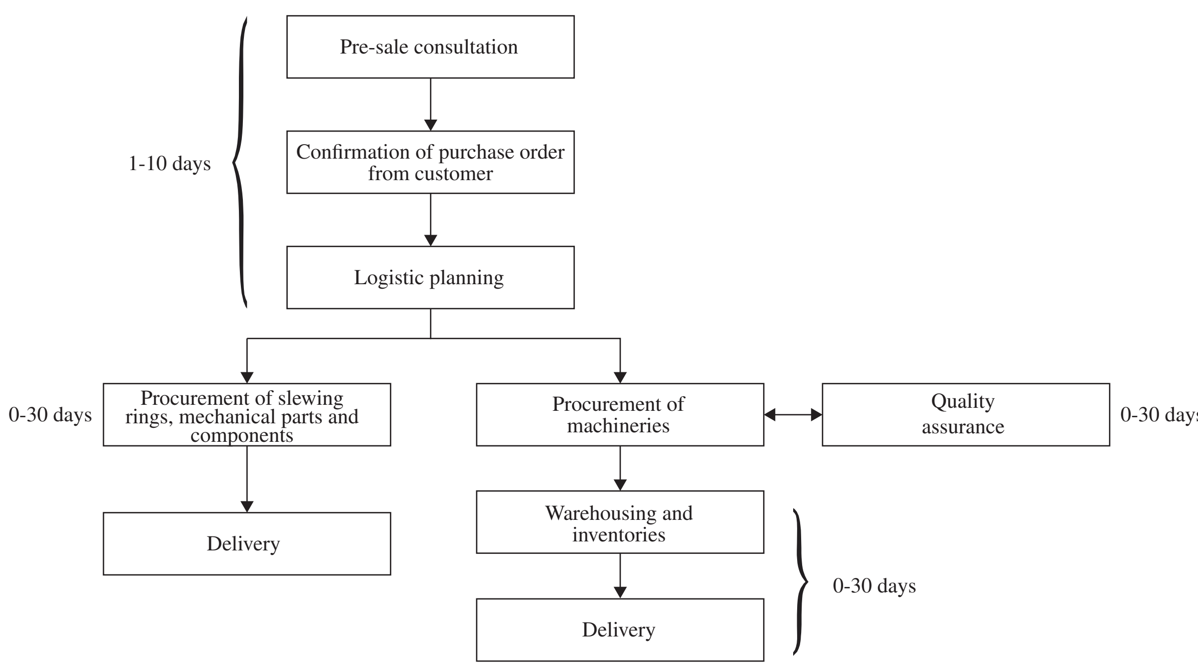
Delivery

During the Track Record Period, our Group engaged independent logistic service providers for the delivery of our products to the destinations specified by our customers. We select our logistic service providers primarily based on the quality and punctuality of their services and pricing. We normally deliver our products on FOB or Ex Works terms. In general, our customers bear the delivery costs.

Our Directors confirm that we have not suffered any material loss or paid any material compensation as a result of delays in the delivery of products during the Track Record Period.

SOURCING OF MACHINERIES, SLEWING RINGS AND MECHANICAL PARTS AND COMPONENTS

The procurement process for machineries, slewing rings and mechanical parts and components not produced by us is illustrated by the flowcharts below. The lead time between the placing of orders for machinery by our customer to delivery is generally around 30 to 50 days; and the lead time between the placing of orders for slewing rings, mechanical parts and components by customers to product delivery is generally around 30 days.



Pre-sale consultation

All enquiries from our customers are directed to our sales department for follow-up and handling. Our sales personnel will liaise with our customers to gather information relating to the intended purchases. They will begin by making enquiries on the purpose(s) of the intended purchase, such as whether it is for replacement of an existing machine or for a new machinery. They will then obtain further information regarding the desired type, model number, estimated length of use and whether a brand new or used machinery is required. We will review the technical specifications of the products and make suggestions to customers on the types and models available and suitable for their needs, make recommendations on modifications if required and the sale price for customers' consideration.

Confirmation of purchase orders from customers

Upon customers' confirmation, the purchase orders from our customers are placed with the sales department. Our general manager will then consolidate all information and work out the timetable for each department as well as the delivery road map. Our finance department will input details into our in-house database system and issue invoices to customers.

Logistic planning

Our logistics department will monitor the logistic process to ensure the orders are processed on schedule. Our sales department is also responsible for reporting the progress to our customers. Our procurement department is responsible for preparing transportation plans and setting out the delivery timeline. While we do not produce these products, planning is still required in arranging for the shipment and delivery, carrying out inspections, and/or repair work (in case of heavy duty machineries).

Procurement

Our procurement department is responsible for the purchase of slewing rings, mechanical parts and components and machineries from suppliers once the purchase orders are confirmed. As part of our quality assurance service, every heavy duty machinery will be inspected before shipment to our designated warehouse. If the heavy duty machinery is to be delivered to Hong Kong, further inspection, repair and replacement work will also be carried out if necessary.

Warehousing

Our procurement is based on the purchase orders we received and we do not generally keep inventory on products we source. For machineries, they are either temporarily stored in our designated warehouse prior to delivery to our customers or shipped directly from the suppliers to our customers. For slewing rings and mechanical parts and components, they will be shipped directly from the suppliers to our customers.

Delivery

We engaged independent logistic service providers for the delivery of the products to destinations as specified by customers. We select our logistic service providers primarily based on the quality and punctuality of their services and pricing. We normally deliver our products on FOB terms. In general, our customers bear the delivery costs.

SUPPLIES AND PROCUREMENT

We do not enter into long-term supply agreement with our suppliers and we order raw materials and supplies on a case-by-case basis in accordance with our production schedule. We have not experienced material fluctuation in the price of our raw materials during the Track Record Period and we do not anticipate any difficulty in sourcing raw materials required for our production. Further, we believe that in the event of any material increase in the market price of the raw materials, we are able to shift the price increment (or at least a part thereof) to our customers by increasing the sale price of our slewing rings and mechanical parts and components. To the best knowledge of our Directors, all our suppliers are Independent Third Parties.

Slewing rings

The principal raw materials that we use for the manufacture of slewing rings include forged rings and steel balls. Forged rings account for a substantive part of the costs for raw materials. We generally purchase forged rings from our suppliers in bulk. For FY2020, FY2021, FY2022 and 6M2023, the total purchase of forged rings accounted for approximately 91.5%, 91.0%, 93.4% and 92.5% of the total purchase of raw materials for slewing rings production and the average purchase price were approximately HK$7,178.7 per ton, HK$7,593.8 per ton, HK$7,156.6 per ton and HK$7,668 per ton, respectively. We believe that our relatively stable purchase price for forged rings during the Track Record Period was attributable to the fact that we purchased in bulk from these suppliers. Our suppliers are mainly located in the PRC. The following table sets out the breakdown of raw materials acquired by us for the periods indicated:

	FY2020		**FY2021**		**FY2022**		**6M2023**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Forged Rings	6,939	91.5	9,058	91.0	12,569	93.4	7,520	92.5
Steel Balls	410	5.4	651	6.5	598	4.4	409	5
Others	236	3.1	243	2.5	289	2.2	200	2.5
Total	7,585	100.0	9,952	100.0	13,456	100.0	8,130	100.0

For slewing rings not produced by us, we locate the supplies through our industry network of suppliers. During the Track Record Period, we sourced slewing rings from five suppliers.

Mechanical parts and components

The principal raw materials that we use for the manufacturing of mechanical parts and components are their semi-finished forms, and their assemble parts such as pin, o-rings etc. Our suppliers are mainly located in the PRC. The following table sets out the breakdown of raw materials (which are mainly semi-finished items) acquired by us during each of the year/period of the Track Record Period:

	FY2020		**FY2021**		**FY2022**		**6M2023**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Long reach Arm and Bucket	1,019	41.2	1,562	24.7	1,513	37.0	286	20.3
Track chain and track shoes	82	3.3	2,343	37.1	799	19.5	57	4
Recoil Spring	939	38.0	1,491	23.6	481	11.8	599	42.6
Track Roller	28	1.1	364	5.8	372	9.1	—	—
Idler	—	—	88	1.4	97	2.4	—	—
Sprocket	5	0.2	18	0.3	39	1.0	5	0.4
Carrier Roller	14	0.6	15	0.2	15	0.4	0	0
Others *(Note)*	385	15.6	442	7.0	769	18.8	459	32.7
Total	2,472	100.0	6,323	100.0	4,085	100.0	1,405	100.0

Note: Others include assemble parts such as bolts, pins etc.

For mechanical parts and components we source, we locate the supplies through our industry network of suppliers. During the Track Record Period, we sourced mechanical parts and components from 29 suppliers.

Machineries

The machineries we sold during the Track Record Period were mainly heavy duty machineries such as excavators. Due to our longstanding ties with Sumitomo Construction Machinery and KATO, we are able to directly source excavators under their brands for our customers. We also receive requests from our customers on other machineries such as pile drivers and trucks. We source these machineries on an ad-hoc basis through our extensive network of suppliers so established due to our long presence in the industry. Our suppliers are mainly located in Japan, the PRC, Hong Kong and Singapore. During the Track Record Period, we sourced machineries from 15 suppliers.

We do not provide any warranty on used machineries we sourced, however, as set forth in the paragraph headed "Quality Assurance" of this section, we only source from reputable suppliers which had passed our internal selection criteria. For brand new machineries, we will endeavour to assist our customers in making warranty claims against the manufacturers directly as the warranty is provided by the machineries manufacturers. Although we usually source different mechanical parts and components through different groups of suppliers due to their price competitiveness and range of products offer, we have alternative suppliers for raw materials, mechanical parts and components and machineries to avoid over-reliance on any particular supplier. As such, the loss of any single supplier will not have a material impact on our operations.

SUPPLIERS

Selection of suppliers

We procure raw materials through our procurement department and substantially all of our raw materials are supplied by suppliers located in the PRC. We generally purchase raw materials after receiving orders from customers to minimise inventory risk. Please refer to the paragraphs headed "Inventory" in this section for further details.

Our Directors consider that it is crucial that we have a stable source of supply of quality raw materials at competitive prices. In this connection, we maintain a list of approved suppliers and service providers. Potential suppliers must pass our internal evaluation criteria before the first engagement. Our internal evaluation criteria encompass several areas, which include the quality of raw materials and services, the punctuality and the condition of the raw materials on delivery, as well as the background check on such suppliers. We would also demand our suppliers to comply with all relevant local and industrial quality assurance standards. We will also perform quality tests on the supplied items.

We review our list of approved suppliers regularly. Our procurement department will evaluate the performance of existing suppliers based on their track record, such as the quality of their supplies and the punctuality of delivery. We will consider to remove those which have repeatedly failed to meet our standards. Further, prior to making any purchase with our suppliers in bulk, we place small orders with them to test the quality of their supplies. All raw materials provided by our suppliers have to comply with our quality assurance requirements, details of which are set out in paragraph headed "Quality Assurance" of this section.

Salient terms of a typical purchase transaction

During the Track Record Period, our Group typically entered into individual purchase orders with our suppliers. The following is a summary of the salient terms in our typical purchase transactions:

- *Product type and specification:* the individual purchase order states the type, model, applicable standards, weight and quantity of the products being ordered. These supplies and raw materials are typically required to comply with certain technical specifications and requirements.

- *Price:* the unit price and the total purchase amount are set forth in the purchase orders, which are usually inclusive of tax.

- *Delivery:* our supplier is generally responsible for the delivery of the raw materials and our Group is generally responsible for the relevant costs. For our sourcing products, our supplier usually arranges the delivery to our designated locations.

- *Credit arrangement and payment:* we are generally granted a credit period of 0–90 days, and we usually pay by bank transfer.

- *Quality standard:* our supplier shall supply the products according to the specifications set out in our purchase orders from time to time.

- *Delivery standards and product quality:* we inspect the supplies based on the standards set forth in the individual purchase orders. For raw materials, if there is any product quality issue, we shall inform our supplier within 10 days from the date of receipt. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product quality issue with the raw materials supplied by our suppliers.

- *Termination (if applicable):* for raw materials, we are entitled to terminate the purchase orders if both parties did not fulfil their contractual obligation within 60 days after the stated delivery date.

Our top five suppliers in each year/period of the Track Record Period

During the Track Record Period, our purchases from our five largest suppliers in each year/period represented approximately 68.3%, 67.0%, 61.1% and 58.7% of our total purchase, respectively, and purchases from our single largest supplier for respective year/period accounted for approximately 23.4%, 22.2%, 16.4% and 16.4%, respectively, of our total purchase in the corresponding year/period.

The tables below set forth the information of our top five suppliers in each year/period of the Track Record Period:

For FY2020

Name of supplier	Location	Typical credit terms and payment method	Number of years of business relationship with our Group as at the Latest Practicable Date *(approximate)*	Example of products supplied	Purchase amount *(approximate)* *(HK$'000)*	Percentage to total purchase costs of our Group *(approximate) (%)*
Supplier A *(Note 1)*	South Korea	90 days; Bank transfer	3	Machineries	8,549	23.4
Supplier B *(Note 2)*	Hong Kong	90 days; Bank transfer	6	Slewing rings and mechanical parts and components	6,384	17.5
Supplier C *(Note 3)*	Hong Kong	90 days; Bank transfer	3	Machineries	3,900	10.7
Supplier D *(Note 4)*	The PRC	Cash on delivery; Bank transfer	4	Forged rings	3,659	10.0
Supplier E *(Note 5)*	The PRC	90 days; Bank transfer	12	Forged rings	2,429	6.7

For FY2021

Name of supplier	Location	Typical credit terms and payment method	Number of years of business relationship with our Group as at the Latest Practicable Date *(approximate)*	Example of products supplied	Purchase amount *(approximate)* *(HK$'000)*	Percentage to total purchase costs of our Group *(approximate) (%)*
Supplier B *(Note 2)*	Hong Kong	90 days; Bank transfer	6	Slewing rings and mechanical parts and components	15,923	22.2
Supplier F *(Note 6)*	Hong Kong	90 days; Bank transfer	2	Machineries	13,176	18.3
Supplier G *(Note 7)*	Hong Kong	Cash on delivery; Bank transfer	1	Machineries	7,129	9.9
Supplier H *(Note 8)*	The PRC	90 days; Bank transfer	2	Mechanical parts and components	6,995	9.7
Supplier D *(Note 4)*	The PRC	Cash on delivery; Bank transfer	4	Forged rings	4,957	6.9

For FY2022

Name of supplier	Location	Typical credit terms and payment method	Number of years of business relationship with our Group as at the Latest Practicable Date *(approximate)*	Example of products supplied	Purchase amount *(approximate)* *(HK$'000)*	Percentage to total purchase costs of our Group *(approximate) (%)*
Supplier B *(Note 2)*	Hong Kong	90 days; Bank transfer	6	Slewing rings and mechanical parts and components	9,651	16.4
Supplier D *(Note 4)*	The PRC	Cash on delivery; Bank transfer	4	Forged rings	7,052	12.0
Supplier H *(Note 8)*	The PRC	90 days; Bank transfer	2	Mechanical parts and components	6,833	11.6
Supplier I *(Note 9)*	Singapore	90 days; Bank transfer	1	Machineries	6,751	11.5
Sumitomo Construction Machinery Sales *(Note 10)*	Japan	Cash on delivery; Bank transfer	2	Machineries	5,645	9.6

For 6M2023

Name of supplier	Location	Typical credit terms and payment method	Number of years of business relationship with our Group as at the Latest Practicable Date *(approximate)*	Example of products supplied	Purchase amount *(approximate)* *(HK$'000)*	Percentage to total purchase costs of our Group *(approximate) (%)*
Supplier H	The PRC	90 days; Bank transfer	2	Mechanical parts and components	6,914	16.4
Supplier B	Hong Kong	90 days; Bank transfer	6	Slewing rings and mechanical parts and components	5,031	11.9
Supplier D	The PRC	Cash on delivery; Bank transfer	4	Forged rings	4,657	11.0
Supplier J	Hong Kong	120 days; Bank transfer	1	Machineries	4,200	10.0
Supplier I	Singapore	90 days; Bank transfer	1	Machineries	3,976	9.4

Notes:

(1) Supplier A is a private limited liability company incorporated in South Korea in 2009. Its business scope includes buying, selling and shipping of heavy construction equipments, car auto parts, scrap metals.

(2) Supplier B is a private limited liability company incorporated in Hong Kong in 2004 which principally engages in the trading of construction equipments and machineries.

(3) Supplier C is a private limited liability company incorporated in Hong Kong in 2015 which principally engages in construction.

(4) Supplier D is a private limited liability company established in the PRC in 2007 which principally engages in the production and sale of iron and steel products. Its shares are listed on the Anhui Equity Exchange of the PRC.

(5) Supplier E is a private limited liability company established in the PRC in 2002. Its business scope includes manufacturing, processing and sales of forged rings.

(6) Supplier F is a private limited liability company incorporated in Hong Kong in 2001 which principally engages in machinery hire, sale and purchase, motor trading and repairing. Supplier F and Customer C share a common major shareholder and Customer C has been our customer since 2018.

(7) Supplier G is a limited liability company incorporated in Hong Kong in 2012 which principally engages in trading of heavy duty machineries and components and automobile for customers in Hong Kong, the PRC and South East Asia involved in construction and property development. Supplier G was introduced to our Group by referral.

(8) Supplier H is a limited liability company established in the PRC in 2019 which principally engages in wholesale and trading of machineries, metal and parts and electronic products.

(9) Supplier I is a limited liability company incorporated in Singapore in 2006 which principally engages in the trading of mechanical parts and components and machineries. We acquainted with Supplier I through a former personnel of a customer which had been purchasing from us since 2010.

(10) Sumitomo Construction Machinery Sales is a limited liability company incorporated in Japan. It is a subsidiary of Sumitomo Heavy Industries, Ltd., a company which shares are listed on the Tokyo Stock Exchange, and is an affiliate of Sumitomo Construction Machinery, which has been our customer for over 10 years. Sumitomo Construction Machinery Sales is principally engaged in the sales of Sumitomo Construction Machinery's products within Japan and has been our supplier since 2021.

(11) Supplier J is a limited liability company incorporated in Hong Kong in 2022 which principally engages in transportation and engineering business.

To the best of our Directors' knowledge, all of our top five suppliers in each year/period of the Track Record Period are Independent Third Parties and none of our Directors, their close associates or any existing Shareholder, who or which, to the best of our Directors' knowledge, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of our top five suppliers in each year/period of the Track Record Period.

INVENTORY

Our inventory consists of raw materials, work in progress and finished goods. We are able to monitor the inventory level of our raw materials and each stage of the warehousing process through our in-house database and the new ERP system.

Raw materials

Our procurement department is responsible for the procurement of raw materials used in our manufacturing process. It monitors the inventory level of each type of raw materials regularly through our in-house database, ERP system and also by stocktaking. The level of raw materials will generally depend on our stock in hand, and the projected production plan which is based on the purchase orders we received. We will maintain a sufficient level of raw materials to meet our production needs while we aim to minimise our inventory level of raw materials and record our cost of inventories based on the weighted average method. The following table sets out the breakdown of raw materials as of the dates indicated:

	As at 31 December						As at 30 June	
	2020		2021		2022		2023	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Forged rings	4,736	70.3	5,245	63.3	5,848	66.3	6,694	73.4
Steel balls	541	8.0	477	5.8	335	3.8	511	5.6
Others *(Note)*	1,459	21.7	2,565	30.9	2,634	29.9	1,921	21.0
Total	6,736	100.0	8,287	100.0	8,817	100.0	9,126	100.0

Note: Others include bolts, pins, spacers, seals, low value materials etc.

Work in progress

All of our work in progress are tagged with individual identification cards, which record the completion of the various stage(s) of production. Our sales department, production department, logistics department and procurement department also work closely together to ascertain if the inventory level of a particular type of work in progress is sufficient to match our production plan, and we will revise our production plan if needed.

Finished goods

Our Group monitors the inventory level of our finished goods regularly through our in-house database and ERP system to ensure our inventory will be in line with our sales plan. We also review our inventory level by stocktaking regularly to ensure that the information recorded in our in-house database is accurate. Although we endeavour not to keep excessive inventory of finished goods, there were occasions where we had to accumulate finished goods before we make a shipment to customers for reasons such as consolidation of products and lowering the shipment costs which might raise the inventory level in our warehouse. Our production department and sales department communicate closely to ensure that the inventory can match the delivery schedule. Our Group also performs stocktaking and internal audit yearly to ensure that the inventory-in and inventory-out information is accurately recorded.

SALES AND MARKETING

Our marketing strategy is to maintain our market position by consistently providing quality products with strong quality assurance. As such, we have been focusing on the provision of quality products and services to maintain our reputation in the industry. Our sales department is primarily responsible for the marketing of our goods and we strive to expand our customer base both in the PRC and internationally on an on-going basis. We have established stable relationship with our major customers during the Track Record Period, and our sales personnel primarily market our products through our participation in international trade fairs and exhibitions as well as referral and word-of-mouth within the industry. We have also maintained our website and engaged a consultant to design its contents in order to attract attention of our potential customers. Our Directors consider that the image and the recognition of our Group and our brand had been raised after our GEM Listing which provided stronger confidence and comfort to our existing and potential customers.

Pricing policy

For the slewing rings and mechanical parts and components, we generally determine our pricing on a cost-plus basis taking into consideration factors such as production costs, price of raw materials, technical requirements, level of our value-added services and consultation required, timing for the production, market conditions, and our Group's expected profit margins. In general, we classify our slewing rings into small, medium and large sizes in terms of their diameters. The larger is the slewing ring, the higher will be the sale price generally. For mechanical parts and components, the more complex the machining work and value-added service were required, the higher would be the selling price in general. For machineries, likewise, we typically determine our pricing on a cost-plus basis taking into account primarily the sale price from suppliers, consultation and inspection work required, transportation cost, credit terms, market price and availability and our Group's expected profit margin. For further details about our products, please refer to the section headed "Financial Information — Principal Components of Consolidated Statements of Comprehensive Income — Revenue — Revenue by product category" in this listing document.

CUSTOMERS

Our customers are mainly wholesalers, traders, manufacturers (including leading Japanese machinery manufacturers or their affiliates) and construction contractors from various countries. During each of the year/period of the Track Record Period, we derived revenue from 34, 36, 36 and 38 customers, which comprised two, 10, four and nine new customers respectively, and the following table sets out the breakdown of our revenue by the types of customers in the respective year/period.

	FY2020		FY2021		FY2022		6M2022		6M2023	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Traders	36,203	52.1	89,031	67.3	74,355	58.2	41,718	60.7	49,386	63.8
Wholesalers	22,206	32.0	33,132	25.1	28,827	22.6	12,628	18.4	15,113	19.5
Construction contractors	9,998	14.4	8,087	6.1	21,704	17.0	13,671	19.9	12,145	15.7
Manufacturers	1,092	1.5	2,000	1.5	2,844	2.2	752	1.0	793	1.0
Total	69,499	100.0	132,250	100.0	127,730	100.0	68,769	100.0	77,437	100.0
New customers	2,944	4.2	36,098	27.3	21,686	17.0	10,748	15.6	8,600	11.1
Repeating customers	66,558	95.8	96,152	72.7	106,044	83.0	58,021	84.4	68,837	88.9
Total	69,499	100.0	132,250	100.0	127,730	100.0	68,769	100.0	77,437	100.0

Note: New customers mean customers which purchased products from our Group for the first time since our establishment.

Our wholesalers and traders customers are not regarded as distributors, franchisees or consignees of our Group for the following reasons:

(1) our customers which are wholesalers and traders conduct trading and distributorship in their own right and they are not distributors of our Company;

(2) we have not entered into any exclusivity agreements or arrangements with our customers. Our Directors understand that they also approach different suppliers for comparison on the price and quality of products, source their supplies from other suppliers and some may re-sell our products to their own customers with or without after-sales services;

(3) according to the Industry Report, it is industry practice for end-users of slewing rings, which are mainly manufacturers, construction contractors and companies providing after-sales services such as equipment repair for construction machineries and equipments, to purchase through wholesalers and traders, especially overseas users;

(4) we have not entered into any long-term sales contracts with any of our wholesalers and traders customers and all of our sales to such wholesalers and traders customers are conducted on the basis of individual purchase orders received. Our Directors confirm that such transactions are entered into on an arm's length basis on normal commercial terms. Furthermore, we have no control and are not involved in any decision-making or control over how our customers conduct their sales, how much stock they should keep and how they develop their credit or pricing policies;

(5) each transaction with our wholesalers and traders customers is independently negotiated and conducted on a non-consignment basis without the right to return the products to us, save that we do provide guarantee on our products against defective materials or workmanship and provide other general warranties to our major wholesalers and traders customers. We do not (i) have repurchase clause with our customers nor (ii) any guarantee on the minimum resale value of our products;

(6) we cannot impose any requirement or have control on the business operations of our wholesalers and traders customers. We have no control on their asking price or packaging for the on-sale of our products, minimum sales amount, sales targets, rebates, confidentiality, or non-competition undertaking. As such, our wholesalers and traders customers are not required to provide us with any information regarding their sales activities, inventory policies or balance, as well as the demand of our products from their customers; and

(7) we have no control on where our wholesalers and traders customers sell our products to.

Our competitiveness as a sourcing agent of our customers

Our major customers, which are either traders, wholesalers or construction contractors, are used to purchase different products including slewing rings, mechanical parts and components and machineries from us. As an intermediary for our customers for sourcing products not manufactured by us, there are challenges due to the rapid development of e-commerce whereby our customers can purchase the products directly from the manufacturers. However, we believe that we possess the following competitive advantages in overcoming these challenges:

- To the best of our Director' knowledge, our customers may purchase a wide range of mechanical parts (including slewing rings and other mechanical parts and components) for their routine repair and maintenance of heavy duty machineries. Instead of sourcing each product from different suppliers, it is of high operational efficiency for them to consolidate the products required and order from a single supplier (like our Group) which is capable to source such a wide range of different products. According to the Industry Report, our integration of products and services offering would ensure the consistency and quality of work of products we offer, thus customers can enjoy a more comprehensive products offering and it is more convenient for them to save the hassle to transact with different suppliers for procurement, thereby leveraging the synergies.

- Our customers are mainly located overseas and, to the best of our Director' knowledge, are looking for slewing rings, mechanical parts and components manufactured in the PRC as well as reliable machineries. With our long presence in the industry in the PRC as well as our acquaintance with Sumitomo Construction Machinery Sales for the sales of its branded machineries, we believe that we are more knowledgeable and experienced along the supply chain of heavy duty equipments industry than the others. We have therefore established a network of suppliers and are able to connect reliable suppliers for the sourcing of machineries and a wide range of related mechanical parts and components for our customers.

- It requires technical knowledge in sourcing of slewing rings, mechanical parts and components and machineries as each product has its own specifications in order to fit the purpose of the ultimate use. We have knowledgeable and experienced technicians and we are able to provide pre-sale consultation and advice on the technical specifications as our value-added services before orders are placed. We consider our contributions are valuable to our customers as this will greatly minimise the chance of ordering unsuitable products if our customers have to source the products on their own.

- As we could operate as a platform to customise and manufacture slewing rings and mechanical parts and components as well as to source other products for our customers, we could consolidate the shipment hence reduce the transportation costs for our customers. Moreover, with the established business relationships with our logistics service providers, we were able to arrange shipments of products to our customers with no record of material delay resulting in any penalty, even during FY2021 when the global logistics supply chain might have been tightened by incidents of port congestion, container shortage and transportation delay.

- According to the Industry Report, since there are many suppliers of mechanical parts and components, including wholesalers, traders and construction contractors, it is common that they will overlap and transact businesses with each other due to the business nature. Pre-owned machineries are also traded from one user to another. Contractors which bought mechanical parts and machineries could also be sellers of their machineries after they completed the projects. Overlapping of customers and suppliers is not uncommon in the industry and it is not unusual for suppliers of mechanical parts and components to also source products from their customers due to value-added services provided by the customers, such as market information and technical advice.

Based on the above factors and circumstances, together with (i) the diverse and long-established business relationships with our international customers; and (ii) our high-quality slewing rings manufacturing business, our Directors and the Sole Sponsor are of the view that we are competitive in the market and we are able to mitigate the risk of disintermediation through our competitive advantages in the market.

We recorded similar levels of gross profit margins for our self-manufactured products (except for our slewing rings manufactured under OEM basis) and sourced products. The following table sets forth our gross profit and gross profit margin by product category in each year/period of the Track Record Period:

	For the year ended 31 December					
	2020		2021		2022	
		Gross profit margin		**Gross profit margin**		**Gross profit margin**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Slewing rings						
ODM	13,145	50.6	17,892	51.9	32,131	56.6
OEM	51	12.1	53	10.2	79	22.0
OBM	1,557	44.1	591	40.0	471	47.3
Sourcing	1,906	37.9	9,854	43.8	7,327	42.5
Sub-total	**16,659**	**47.7**	**28,390**	**48.2**	**40,008**	**53.1**
Mechanical parts and components						
ODM	2,038	36.5	3,534	42.5	3,642	40.7
Sourcing	4,030	34.3	12,054	46.6	6,508	40.4
Sub-total	**6,068**	**35.0**	**15,588**	**45.6**	**10,150**	**40.5**

	For the year ended 31 December					
	2020		2021		2022	
		Gross profit margin		Gross profit margin		Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Sourcing of machineries						
Excavators	3,409	19.8	7,175	26.4	5,369	32.6
Others	–	–	3,358	28.1	2,396	22.1
Sub-total	**3,409**	**19.8**	**10,533**	**26.9**	**7,765**	**28.4**
Total	**26,137**	**37.6**	**54,510**	**41.2**	**57,924**	**45.3**

	For the six months ended 30 June			
	2022		2023	
		Gross profit margin		Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)			
Slewing rings				
ODM	14,689	54.5	18,545	60.6
OEM	59	23.6	45	32.1
OBM	214	47.1	872	50.1
Sourcing	4,733	43.6	3,799	42.1
Sub-total	**19,695**	**51.1**	**23,261**	**56.0**
Mechanical parts and components				
ODM	1,930	36.2	1,928	48.4
Sourcing	4,947	45.6	2,712	23.9
Sub-total	**6,877**	**42.5**	**4,640**	**30.2**
Sourcing of machineries				
Excavators	3,876	44.0	2,577	26.3
Others	1,419	26.9	1,360	12.6
Sub-total	**5,295**	**37.6**	**3,937**	**19.1**
Total	**31,867**	**46.3**	**31,838**	**41.1**

When determining the selling prices of slewing rings, mechanical parts and components, we adopted a cost-plus approach and have taken into account the market acceptable levels through quotations made to customers and our value added during the process for both self-manufactured products and sourced products. Given our adoption of similar pricing strategies on all the products sold, together with the value-added services provided to our customers whether for self-manufactured or sourced products, there were no material deviations in gross profit margins between our self-manufactured and sourced products. In particular, our sourcing business is not merely a typical straightforward purchase and resale to customers, and there were other added values provided by us in order to identify and source suitable products desirable for our customers including:

- We have a long-established presence in the industry and have developed a network of suppliers in the market and hence are able to reach out to the appropriate and reliable suppliers for a wide range of products for slewing rings, heavy duty machineries, and mechanical parts and components, whereas the majority of our customers are located overseas, which our Directors believe may not have sufficient knowledge in selecting appropriate suppliers in the PRC.

- Our Directors consider that our customers may not enjoy a price advantage in sourcing of products on their own as their individual orders tend to be relatively small in quantity. Meanwhile, as we have an established customer base, we would be able to enjoy economy of scale and negotiate for a more competitive price from our suppliers by gathering orders from various customers.

- Our customers are mainly wholesalers and traders which, in the opinion of our Directors, may not possess sufficient technical knowledge when sourcing products on their own. In contrast, we have an experienced management team and experienced technicians who can offer pre-sales consultation services to customers. Such pre-sales consultation may cover (i) design and drawings; and (ii) technical specifications of the products. Our Directors consider that our capability in providing pre-sales consultation services constitutes a core added value in conducting our sourcing business.

- Our Directors understand that our customers may experience product deficiency issues and have difficulties in dealing with the suppliers directly on after-sales arrangements, especially when those product issues could only be identified after the products are shipped and delivered overseas. On the contrary, based on the network of suppliers so established by us, we are able to locate appropriate and reliable suppliers in sourcing products and we monitor the progress of production by continuously communicating with and handling enquiries from our suppliers on the drawings and specifications of the products. We also handle and keep track of the shipments until the products are delivered and accepted by our customers. During the Track Record Period, we did not receive any complaints from customers in any material aspect or experience any product return, which suggested that our customers were satisfied with the Group's services and products as a whole.

Sales agreements

Generally, we confirm the quantity of products required, the product specifications, purchase price, payment method and terms of delivery in writing by entering into individual sales contracts or purchase orders with our customers after they have agreed on the major terms.

Salient terms of a typical sales transaction with customers

During the Track Record Period, our Group typically entered into individual sales contracts or purchase orders with our customers for the sales of products. The terms of the customer's orders are usually negotiated on an order-by-order basis. A typical customer's order contains the following salient terms:

- *Product type and specification:* the individual sales orders will state the type, model and quantity of the products required.

- *Delivery:* the locations, delivery date and manner of delivery are specified by our customers. We generally deliver our products to customers in Hong Kong on EXW terms, and to our overseas customers on FOB terms. The delivery methods can be by land, by sea or air.

- *Price:* The unit price and the total purchase amount are set forth in the customer's orders. We generally determine our pricing on a cost-plus basis, taking into account various factors. For further details please refer to the paragraph headed "Sales and Marketing — Pricing policy" in this section.

- *Credit arrangement and payment:* we generally grant a credit period of 0 day to 90 days. For machineries, we generally grant a credit period of up to 120 days. Customers usually settle via bank transfer or by cheque.

- *Warranty period:* in respect of our slewing rings manufactured under ODM and OBM basis, we normally provide a warranty period of 2,000 hours of operation or 18 months (whichever occurs first). For our slewing rings manufactured under OEM basis, we in general provide a warranty period of 1,500–3,000 hours of operation or two years (whichever occurs first). There is no warranty period for the mechanical parts and components unless the products have defects upon delivery or installation. For products we source, we do not provide any warranty in general, but if our customers discover any defect upon delivery or installation, we will endeavour to make warranty claims against our corresponding suppliers. Our Group has not encountered any material warranty claim on our products during the Track Record Period and up to the Latest Practicable Date.

Salient terms of a typical quality assurance agreement

Most of our OEM customers of our slewing rings, which are leading Japanese manufacturers or their affiliates, have a stringent requirement on our product quality. During the Track Record Period, these OEM customers entered into quality assurance agreements with us, which set forth the applicable or required standards of quality assurance in respect of the products to be sold by us, before they would place orders with us. The typical quality assurance agreement contained the following terms:

— *Required standards:* the required standards of quality management systems and inspection of products are set forth in the quality assurance agreement. Our OEM customers typically require us to conform to ISO 9001: 2008 or GB/T 19001–2000 idt ISO 9001:2000. Other specific requests, in particular those pertaining to the safety requirements, should be adhered to strictly. Upon request made by our OEM customers, we shall compile and provide the schedule of production and quality assurance and other related information for their approval.

— *Warranty period:* we in general provide a warranty period of 1,500–3,000 hours of operation or two years (whichever occurs first). In general, during the warranty period, if our products are found to be substandard, our Group will be liable to indemnify our OEM customers for their acquisition costs of the product, and in some instances the repair costs and other disbursements. Except for special circumstances, our Group will not be liable for the product if the warranty period has expired. Our Group has not encountered any material warranty claim on our products during the Track Record Period and up to the Latest Practicable Date.

— *Guidance:* if deemed necessary, such OEM customers will conduct site visits on our factory premises to inspect the quality of our products, and to provide guidance on our production process or to undergo factory audit.

— *Packaging and transportation of products:* the means of packaging and transportation are set forth in the individual purchase orders or otherwise agreed.

Our top five customers in each year/period of the Track Record Period

During the Track Record Period, our sales to our top five customers in each year/period accounted for approximately 63.9%, 58.6%, 55.1% and 57.4% of our revenue, respectively. In the corresponding year/period, sales to our largest customer were approximately HK$13.1 million, HK$23.6 million, HK$28.9 million and HK$18.1 million, which accounted for approximately 18.8%, 17.9%, 22.6% and 23.3% of our revenue, respectively. Our Directors consider that we do not place over-reliance on any single customer because we had a range of customers (comprising wholesalers, traders, manufacturers including leading Japanese manufacturers or their affiliates, and construction contractors) as well as an expanding product range including mechanical parts and components and machineries during the Track Record Period. Further, to the best knowledge of our Directors, part of our slewing rings were re-sold to other countries through some of our customers. As such, we believe that our products can be sold globally.

Having made reasonable enquiries, to the best knowledge, information and belief of our Directors, all of our top five customers in each year/period of the Track Record Period are Independent Third Parties, and none of our Directors, their close associates or any existing Shareholder, who or which, to the best knowledge of our Directors' knowledge, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of our top five customers in each year/period of the Track Record Period. Save as disclosed in the paragraphs headed ''Customers — Overlapping of our top five customers and top five suppliers in each year/period of the Track Record Period'' of this section below, none of our top five customers was our supplier in each year/period of the Track Record Period.

The tables below set forth certain information of our top five customers in each year/period of the Track Record Period:

For FY2020

Name of customer	Location	Type	Typical credit terms and payment method	Number of years of relationship with our Group as at the Latest Practicable Date *(approximate)*	Example of products purchased	Sales amount *(approximate)* *(HK$'000)*	Percentage to revenue of our Group *(approximate)* *(%)*
Customer A *(Note 1)*	Singapore	Trader	90 days; Bank transfer	12	Slewing rings; mechanical parts and components;	13,053	18.8
Customer B *(Note 2)*	Northern Ireland	Wholesaler	90 days and 120 days for machineries; Bank transfer	6	Slewing rings; machineries	10,109	14.5
Kangwoo Parts Pte. Ltd. *(Notes 3 and 5)*	Singapore	Trader	90 days; Bank transfer	6	Slewing rings; mechanical parts and components	8,043	11.6
Customer C *(Note 4)*	Hong Kong	Construction contractor	90 days and 120 days for machineries; Bank transfer	5	Slewing rings; mechanical parts and components; machineries	7,159	10.3
True Always Machinery Engineering Co. *(Note 5)*	Hong Kong	Trader	90 days; Cheque	6	Mechanical parts and components	6,067	8.7

For FY2021

Name of customer	Location	Type	Typical credit terms and payment method	Number of years of relationship with our Group as at the Latest Practicable Date *(approximate)*	Example of products purchased	Sales amount *(approximate)* *(HK$'000)*	Percentage to revenue of our Group *(approximate) (%)*
Customer A *(Note 1)*	Singapore	Trader	90 days; Bank transfer	12	Slewing rings; mechanical parts and components;	23,609	17.9
Customer D *(Note 6)*	The Philippines	Trader	90 days and 120 days for machineries; Cheque	2	Slewing rings; mechanical parts and components; machineries	17,684	13.4
Kangwoo Parts Pte. Ltd. *(Notes 3 and 5)*	Singapore	Trader	90 days and 120 days for machineries; Bank transfer	6	Slewing rings; mechanical parts and components; machineries	16,601	12.6
Titan Track Industries Sdn. Bhd. *(Note 7)*	Malaysia	Wholesaler	90 days; Bank transfer	11	Slewing rings; mechanical parts and components;	10,313	7.8
Customer E *(Note 8)*	Hong Kong	Wholesaler	120 days; Cheque	5	Machineries	9,099	6.9

FY2022

Name of customer	Location	Type	Typical credit terms and payment method	Number of years of relationship with our Group as at the Latest Practicable Date *(approximate)*	Example of products purchased	Sales amount *(approximate)* *(HK$'000)*	Percentage to revenue of our Group *(approximate)(%)*
Customer A *(Note 1)*	Singapore	Trader	90 days; Bank transfer	12	Slewing rings; mechanical parts and components;	28,856	22.6
Customer F *(Note 9)*	Hong Kong	Construction contractor	90 days and 120 days for machineries; Cheque	1	Mechanical parts and components; machineries	12,355	9.7
Kangwoo Parts Pte. Ltd. *(Notes 3 and 5)*	Singapore	Trader	90 days; Bank transfer	6	Slewing rings; mechanical parts and components	10,478	8.2
Customer G *(Note 10)*	Malaysia	Wholesaler	90 days; Bank transfer	4	Slewing rings; mechanical parts and components	9,362	7.3
Titan Track Industries Sdn. Bhd. *(Note 7)*	Malaysia	Wholesaler	90 days; Bank transfer	11	Slewing rings; mechanical parts and components	9,314	7.3

6M2023

Name of customer	Location	Type	Typical credit terms and payment method	Number of years of relationship with our Group as at the Latest Practicable Date *(approximate)*	Example of products purchased	Sales amount *(approximate)* *(HK$'000)*	Percentage to revenue of our Group *(approximate)(%)*
Customer A *(Note 1)*	Singapore	Trader	90 days; Bank transfer	12	Slewing rings; mechanical parts and components	18,059	23.3
Customer D *(Note 6)*	The Philippines	Trader	90 days and 120 days for machineries; Cheque	2	Mechanical parts and components; machineries	7,562	9.8
Customer F *(Note 9)*	Hong Kong	Construction contractor	90 days and 120 days for machineries; Cheque	1	Machineries	6,863	8.9
Customer G *(Note 10)*	Malaysia	Wholesaler	90 days; Bank transfer	4	Slewing rings; mechanical parts and components	6,085	7.9
Kangwoo Parts Pte. Ltd. *(Notes 3 and 5)*	Singapore	Trader	90 days; Bank transfer	6	Slewing rings; mechanical parts and components	5,879	7.6

Notes:

(1) Customer A is a sole proprietorship set up in Singapore in 1996 which principally engages in general wholesale trading. To the best knowledge of the Directors, its customers are located in but not limited to Singapore, the Netherlands, and Vietnam.

(2) Customer B is a private limited liability company incorporated in the United Kingdom in 1996 in response to the increasing demand for Japanese construction equipments. It principally engages in the sale and export of heavy machinery, duty machineries such as excavators, wheel loaders, crawler tractors, cranes etc..

(3) Kangwoo Parts Pte. Ltd. ("**Kangwoo**") is a private limited liability company incorporated in Singapore which principally engages in the trading of a variety of goods including industrial, construction and related machineries and equipment.

(4) Customer C is a private limited liability company incorporated in Hong Kong in 1993 which principally engages in construction and engineering works and is a registered subcontractor under the Construction Industry Council in Hong Kong for general civil works, site lifting operations and hoarding.

(5) True Always Machinery Engineering Co. ("**True Always**") is a sole proprietorship established in Hong Kong which principally engages in sales and trading of machinery and provision of engineering services. Kangwoo is wholly-owned by the same person who runs the sole proprietorship in Hong Kong. To the best knowledge of our Directors, Kangwoo, which carries its own brand, is a trader of slewing rings, among other businesses it carries on whilst True Always is established to cover the business in the PRC, Hong Kong and Macau.

(6) Customer D is a stock corporation incorporated in the Philippines in 2016 which principally engages in importation and trading of building and construction materials, steel products, construction equipment etc. for customers in the Philippines. Customer D was introduced to our Group by referral of another customer in the Philippines.

(7) Titan Track Industries Sdn. Bhd. is a private limited liability company incorporated in Malaysia which principally engages in the trading of spare parts for heavy machineries.

(8) Customer E is a private limited liability company incorporated in Hong Kong in 2004 which principally engages in the trading of construction equipments and machineries.

(9) Customer F is a private limited liability company incorporated in Hong Kong in 2015 which principally engages in the leasing and trading of construction equipments and machineries and is a registered subcontractor under the Construction Industry Council in Hong Kong for general civil works. Customer F was introduced to our Group by referral of Customer C.

(10) Customer G is a sole proprietorship established in Malaysia in 2018 which principally engages in the trading of hardware, building and construction materials. To the best knowledge of the Directors, its customers are mainly located in Malaysia and Singapore. The owner of Customer G (the "**Owner**") initially purchased from our Group in FY2018 through another sole proprietorship owned by him as well ("**Customer H**"). Customer H was set up in 2007 and principally engaged in the trading of textile, software, hardware and materials when it transacted with our Group. To the best knowledge of the Directors, as time went by, the Owner started trading different areas of products, he therefore decided to set up Customer G in 2018 to deal mainly with the trading of hardware, building and construction materials.

Overlapping of our top five customers and top five suppliers in each year/period of the Track Record Period

During the Track Record Period, an affiliate of Customer C and Customer E were also our top five suppliers (Supplier F and Supplier B) respectively; and Supplier I and Sumitomo Construction Machinery, an affiliate of Sumitomo Construction Machinery Sales, were also our customers. These overlaps arose due to the broad range in products nature we offer alongside the supply of machineries and the business nature of our customers and suppliers as wholesalers and traders.

According to the Industry Report, it is not uncommon that heavy duty machineries will be bought and sold by wholesalers, traders or construction contractors as there is a market for second-hand machineries. Pre-owned machineries are traded from one user to another (such as wholesalers and construction contractors). These customers which bought mechanical parts and components could also sell off their machineries. It is also common that suppliers of mechanical parts and components will overlap and transact business with each other due to the same business nature. As most of our overlapping customers and suppliers were in the business of wholesale and trading of mechanical parts and components (including slewing rings) as well as machineries, and as our Group had expanded our products offering to include mechanical parts and components and machineries during the Track Record Period, there were occasions where we sourced and sold different products to our customers and suppliers. Furthermore, having been a slewing rings supplier to Japanese machineries manufacturers, our acquaintance allows us to source machineries from them directly for our customers.

The table below lists the breakdown of the revenue generated from the sale of our products to and purchases made from paid to our overlapping customers and suppliers which were either our top five customers or top five suppliers in each year/period of the Track Record Period:

Customer/Supplier	FY2020		FY2021		FY2022		6M2023	
	Revenue generated and percentage of our total revenue	Amount purchased from us and percentage of our total purchase costs	Revenue generated and percentage of our total revenue during the year	Amount purchased from us and percentage of our total purchase costs	Revenue generated and percentage of our total revenue during the year	Amount purchased from us and percentage of our total purchase costs	Revenue generated and percentage of our total revenue during the period	Amount purchased from us and percentage of our total purchase costs
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Customer C/Supplier F								
We regularly sold slewing rings, mechanical parts and components and excavators to Customer C as it is a construction contractor. We purchased excavators of different models and telescopic crane from Supplier F for our customers in FY2021. Customer C and Supplier F share a common major shareholder.								
	7,159	—	7,957	13,176	4,349	—	—	—
	(10.3%)	—	(6.0%)	(18.3%)	(3.4%)	—	—	—
Customer E/Supplier B								
We mainly source slewing rings which we do not produce from Supplier B. As it is a wholesaler, it purchased excavators from us in FY2021.								
	—	6,384	9,099	15,923	—	9,651	—	5,031
	—	(17.8%)	(6.9%)	(22.2%)	—	(16.4%)	—	(11.9%)
Supplier I								
In FY2021, we sold mechanical parts and components and an excavator to Supplier I and we purchased wheel loaders and pile drivers from it. In FY2022 and 6M2023, we purchased machineries from Supplier I.								
	—	—	2,357	585	—	6,751	—	3,976
	—	—	(1.8%)	(0.8%)	—	(11.5%)	—	(9.4%)
Sumitomo Construction Machinery Sales								
We produced slewing rings on OEM basis for Sumitomo Construction Machinery, an affiliate of Sumitomo Construction Machinery Sales as it is a machineries manufacturer. We purchased excavators from Sumitomo Construction Machinery Sales for our customers in FY2021, FY2022 and 6M2023.								
	449	—	448	2,246	288	5,645	93	3,092
	(0.6%)	—	(0.3%)	(3.1%)	(0.2%)	(9.6%)	(0.1%)	(7.3%)

Our Directors confirmed that the purchases from and sales to the overlapping customers and suppliers above were not inter-conditional upon one another. The terms of transactions with such overlapping customers and suppliers are similar to those transactions with our other customers and suppliers, which our Directors considered to be on normal commercial terms.

QUALITY ASSURANCE

Slewing rings and mechanical parts and components

We pride ourselves in our ability to produce slewing rings adopting both applicable national JB or JB/T standards and JIS and it is crucial for us to have sufficient measures in place to ensure that our products conform to these standards at all times. Further, we manufacture slewing rings on an OEM basis for various leading manufacturers of heavy duty machines in Japan and it is necessary for us to be able to manufacture products with consistent quality and adhere to their production specifications and guidelines. We are also required to undergo their internal audit regularly. As such, we have developed a quality assurance system throughout our operation with continuous improvement from time to time. Our Group has achieved internationally recognised standards for manufacturing slewing rings since 2008 (first certificate issued in January 2009). In 2009, we engaged an external consultant to review our production process, including our quality assurance system. We further extended our quality assurance process to our manufacturing of mechanical parts and components as we expand our business. As at the Latest Practicable Date, we had 10 quality control personnel with two of them having over 15 years of experience in the manufacture of slewing ring.

Our quality assurance department is in charge of the quality assurance matters. The following is the typical quality assurance measures we adopt to ensure products produced are up to the required standard:

Supplier qualification

We only source raw materials from our list of approved suppliers, which have passed our internal evaluation criteria. We assess them based on a number of factors, including their market reputation as well as the quality and pricing of their products. For new suppliers, we will place small orders with them to test the quality of their supplies. It is only after the products supplied have passed our inspection by our quality assurance department will we purchase in bulk from such suppliers. We typically enter into technical standard agreements with our suppliers on forged rings to specify the technical requirements we require, for instance the chemical composition, hardness, mechanical performance and appearance of the forged rings. We also set forth the testing methodology, which includes the areas, the frequency, the position of the product, and the applicable standards (for example, GB/T and JIS standards), under which the forged rings will be tested. We also engage independent service providers to analyse the quality of their products periodically to ensure quality assurance. We review our list of approved suppliers regularly with respect to the quality of raw materials and delivery time, to ensure that we only source from quality and reliable suppliers. If a supplier repeatedly provides supplies that cannot pass our quality assurance standards, we will remove it from our list of approved suppliers.

Raw material inspection and testing

Our quality assurance team inspects the incoming materials to ensure they are in line with our purchase orders, such as the quantity, specifications, serial number, material, dimension and the physical condition. We will also check the test report for raw materials for slewing rings to make sure that the chemical composition conforms to our specifications set forth in our purchase orders. For forged rings, we also check the serial number marked or imprinted on them to ensure that the materials supplied are correct. We will take measurement of and conduct inspection on the forged rings and semi-finished mechanical parts and components to see if there are defects on their surface on a sampling basis. For the steel balls, our inspection team regularly inspects their sphericity and hardness on a random sampling basis. We return substandard raw materials to suppliers if they do not pass our inspection.

Production quality assurance

During our production, we attach an identification tag to the products after such products have passed the quality assurance check. Our quality assurance team conducts quality assurance tests at each stage of the production process as described in the paragraphs headed "Production of Slewing Rings and Mechanical Parts and Components — Production" of this section. We conduct inspection by deploying measurements tools and magnetic particles detection tools to detect any crack on all slewing rings. We also acquired a CNC coordinate measuring machine to inspect the accuracy of gear cutting. These measures will ensure that the products do meet the quality requirements (including the size, shape and dimension of the gear teeth, backlash, turned ring, raceway, elasticity etc.), and identify any defect in the production process.

Final inspection and sampling testing

Upon completion of the manufacture of slewing rings and mechanical parts and components, our quality assurance department will conduct final quality assurance test on the finished products, which includes measuring the assembly clearance, testing whether the outer and inner rings can rotate smoothly or the mechanical parts and components are assembled correctly and functioning. We conduct quality testing on all types of finished slewing rings and mechanical parts and components to ensure that they comply with our customers' specifications.

To ensure that the heat treatment is carried out properly and up to the standard required by our customers, we take random samples from the finished products of the slewing rings for testing and dissect them to perform various tests on their hardness, precision and accuracy and other quality requirements as well as whether the heat treatment is done properly for the entire work in progress. The average pass rate during the Track Record Period was approximately 99%.

JIS, JB or JB/T compliance checking process for slewing rings

(i) Customer specifications

We produce slewing rings in accordance with our customer's requirements.

The slewing rings produced by us are usually based upon JIS. Apart from JIS, our products can also fulfil other standards like JB or JB/T, or a mixture of them.

(ii) Customers' approval

The technical drawings, which will specify the applicable standards, will be approved by our customers before we commence the production process.

(iii) Checking by our quality assurance department

As set forth in the paragraphs headed "Quality Assurance — Final inspection and sampling testing" above in this section, our quality assurance department is responsible for the quality testing of all finished products upon completion of the manufacturing process. Our in-house inspection checklists are primarily based on JIS requirements. Depending on the model of the slewing rings, it can encompass measurement of the outer ring, the total height of product, the diameter, size and distribution of the mounting holes, the raceway contact angle, the raceway surface quenching hardness, number of gears, gear surface hardness, measurement of axial clearance, radial clearance, axial run-out, radial run-out, gear radial pulsation, starting torque, gear radial jump mark, etc. If our customer requests for modification to comply with other standards such as JB or JB/T, our checklists will be revised to reflect the modification. The checklist can also ensure that the products are in compliance with the required standards.

Delivery and acceptance of products by our customers

Our customers will inspect the slewing rings and mechanical parts and components upon receipt. They will accept our products after they have checked the products delivered by us contain no defect and are being delivered in the condition they required.

Customer complaint

In the case of any complaint on the product, we will test the products to identify any quality issue. We hold regular internal meetings to discuss our quality assurance procedures and improve them from time to time. In addition, our sales department is responsible for providing after-sales services including obtaining customers' feedback and handling customer complaints. They perform regular survey and discussion with the customers to ensure our products are satisfactory and carry out remedial work if there is any complaint on our products. During the Track Record Period, we did not receive any substantive complaint in relation to our products and services.

Sourcing of machineries

For our sourcing of machineries, the suppliers are also required to go through our supplier qualification process. We will arrange inspection and testing on the machineries provided by our suppliers before we make out offers to our customers. For machineries delivered to Hong Kong, we also arrange for further inspection and any repair and replacement work if necessary to ensure the machineries will be delivered in good and usable conditions according to the request of the customers.

Our customers may inspect the machineries upon receipt. They will usually accept our products being delivered in conditions as per the specifications set out in the inspection reports. We do not generally provide any warranty to machineries. For brand new machineries we sourced, we will endeavour to assist our customers in making warranty claims against the manufacturers directly as the warranty is provided by the machineries manufacturers.

OUR PRODUCTION FACILITY

Our Group's production facility is located in Changping Town of Dongguan City and is leased from an Independent Third Party. Our production facilities, office, dormitory and building surrounding land occupy a total gross floor area of approximately 7,463.9 sq.m. For FY2020, FY2021, FY2022 and 6M2023, the depreciation charged against the right-of-use of such production facility were approximately HK$488,000, HK$616,000, HK$595,000 and HK$289,000, respectively. As at the Latest Practicable Date, we did not possess any property interest. We used our leased properties for non-property activities as defined under Rule 5.01(2) of the Listing Rules. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this listing document is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to section 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

The following table sets forth the annual production capacity, actual production volume and the average utilisation rate of the key machineries and equipments used for turning (i.e. step no. 1, 2, 6, 13, 16 of the paragraphs headed "Production of Slewing Rings and Mechanical Parts and Components — Production" of this section), heat treatment (i.e. step no. 4, 5, 9 and 12 of the same section) and gear cutting (i.e. step no. 7 of the same section), which are considered key steps of our production process, for the years indicated.

Name of unit	FY2020			FY2021			FY2022		
	Annual production capacity[1,5] *(unit)*	Actual production volume *(unit)*	Average utilisation rate[2, 3, 4]	Annual production capacity[1] *(unit)*	Actual production volume *(unit)*	Average utilisation rate[2, 3, 4]	Annual production capacity[1] *(unit)*	Actual production volume *(unit)*	Average utilisation rate[2, 3, 4]
Turning unit	3,836	2,363	62%	4,943	3,002	61%	6,039	3,517	58%
Heat treatment unit	4,830	2,363	49%	6,224	3,002	48%	9,654	3,517	36%
Gear cutting unit	2,513	2,363	94%	3,238	3,002	93%	6,052	3,517	58%

Name of unit	6M2023		
	Six Months production capacity[1] *(unit)*	Actual production volume *(unit)*	Average utilisation rate[2, 3, 4]
Turning unit	2,524	1,645	65%
Heat treatment unit	4,034	1,645	41%
Gear cutting unit	2,529	1,645	65%

Notes:

1. The annual/6 months production capacity for each of the production units is calculated based on the assumption that these production units can be operated (i) 268 days annually in each of FY2020, FY2021 and FY2022 and 112 days in 6M2023, being the working days of each financial year and six months ended 30 June 2023; (ii) 16 hours per day in respect of the turning unit, heat treatment unit and gear cutting unit; (iii) at their optimum production speed; and (iv) without intermission of the turning and heat treatment units for the manufacture of mechanical parts and components. The newly acquired machines for turning, heat treatment and gear cutting only commenced operation in the 2nd half of 2022. These figures took into account the routine maintenance, replacement of raw materials and other factors which arise in the ordinary course of operation.

2. The average utilisation rate is worked out by dividing the actual production volume produced in each financial year/period by the corresponding annual/semi-annual production capacity for the same machineries and equipments. As the production capacity is worked in accordance with assumptions adopted under Note 1 above, the average utilisation rates of our machineries and equipments are subject to change if any one or more of the underlying assumptions is varied, due to reasons beyond our control.

3. Some of the slewing rings that we produce do not bear gears at all and we have excluded them for the purposes of ascertaining the annual production capacity of the gear cutting unit. As such, the actual production volume (which included slewing rings with or without gears) may exceed the annual production capacity.

4. As our manufacturing of mechanical parts and components can use the same turning and heat treatment units, the actual production volume varies depending on the allocation of usage of these equipments.

5. Due to COVID-19, our production facility had to be suspended temporarily and operated only 208 days in FY2020.

The average utilisation rate of turning unit, heat treatment unit and gear cutting unit decreased for FY2022 as compared to that for FY2021, mainly due to the increase in production of annual production capacity as a result of the commencement of operation of newly acquired machines for turning, heat treatment and gear cutting in the 2nd half of 2022.

IMPACT OF COVID-19

The slewing ring industry in general was adversely affected by the outbreak of COVID-19, due to, among other things, reduced international and inter-provincial flow of goods, unavailability of workers across the PRC due to travel restrictions, mandatory quarantine requirement and the temporary closure of factories in the first quarter of 2020 and more stringent import and export procedures in place due to the COVID-19 outbreak, namely pre-testing of COVID-19 and quarantine requirements for sea and air freight crew members, which increases the costs of delivery. It caused disruption to our production plant which resulted in lockdown and quarantine measures as well as suspension in our production plant in the PRC for approximately two months in the first quarter of 2020. It also caused disruption to the global transportation and logistics services. In particular, the sea freight rate for a 40-foot shipping container departing from the port at Shenzhen, the PRC to Los Angeles, the U.S. had increased sharply from approximately US$1,400 per container in September 2019 to approximately US$4,500 per container in December 2020, and further increased to its peak at approximately US$17,000 per container in August 2021. The sea freight rate for a 20-foot shipping container also increased from US$1,200 per container in September 2019 to approximately $3,700 per container in September 2020. The sea freight rate for a 40-foot shipping container and a 20-foot shipping container had fallen back to approximately US$2,300 per container and US$1,900 per container, respectively, in April 2023. Some of our overseas customers were also required to suspend operations due to imposition of government policies and pandemic mitigation measures. However, even with the corresponding suspension of operations of our production plant as well as our customers, we neither experienced any termination of contracts in relation to our sales nor paid any penalties due to delay or rescheduling. We were able to agree a revised delivery schedule with our customers for orders placed during the period of COVID-19 and the increase in the transportation costs was mostly borne by our customers. However, as our customers placed individual purchase orders on a case-by-case basis, we did not experience any reduction in sales orders during the Track Record Period. In November 2020 and March 2021, we experienced two instances of delay in the delivery of slewing rings for approximately one month due to limited means of transportation. Our Directors also confirm that we did not encounter any labour shortage as a result of the outbreak of COVID-19. For FY2021 and FY2022, the operation of our Group was not impacted by COVID-19 other than infection by staff members which did not cause any material impact. Please refer to the section headed "Risk Factors — The global occurrence and possible recurrence of COVID-19 may result in a significant delay in the delivery of our products, thus leading to a possible material and severe disruption on our business, financial condition and operations" in this listing document for details.

Machineries and equipments

Our production facility is equipped with a variety of machineries and equipments for different stages of production. All of our machineries and equipments are owned by our Group and were mainly purchased in the PRC. The table below sets forth our primary machineries and equipments acquired during the Track Record Period:

Our key machineries and equipments used	Number of machineries	Acquisition costs	Carry amount as at 31 December 2022 *(Note 1)* *(in RMB)*	Commencement of usage	Estimated remaining useful life *(Note 2)*	Key steps as indicated in the paragraphs headed "Production of Slewing Rings and Mechanical Parts and Components — Production" of this section
Turning unit						
• CNC precise boring machine (精密數控臥式鏜銑床)	1	RMB619,000 (equivalent to approximately HK$705,660)	RMB585,000 (equivalent to approximately HK$666,900)	2022	9 years	• No. 3 Boring the loading hole (鏜堵塞孔)
• CNC single column vertical machining center (數控單柱立式車銑加工中心)	1	RMB1,637,000 (equivalent to approximately HK$1,866,180)	RMB1,546,000 (equivalent to approximately HK$1,762,440)	2022	9 years	• No. 1 Rough turning (粗車) • No. 2 Half-finish turning (construction of the raceway) (半精車(車滾道)) • No. 6 Finish turning (精車) • No. 13 Finish turning (精車) • No. 14 Mounting hole drilling and chamfering (鑽安裝孔，倒角) • No. 15 Tapping (攻絲) • No. 16 Grinding raceway (磨滾道)
• CNC double column vertical machining center (數控雙柱立式車銑加工中心)	1	RMB3,805,000 (equivalent to approximately HK$4,337,700)	RMB3,805,000 (equivalent to approximately HK$4,337,700)	2023	10 years	• No. 1 Rough turning (粗車) • No. 2 Half-finish turning (construction of the raceway) (半精車(車滾道)) • No. 6 Finish turning (精車) • No. 13 Finish turning (精車) • No. 14 Mounting hole drilling and chamfering (鑽安裝孔，倒角) • No. 15 Tapping (攻絲) • No. 16 Grinding raceway (磨滾道)

Our key machineries and equipments used	Number of machineries	Acquisition costs	Carry amount as at 31 December 2022 *(Note 1)* *(in RMB)*	Commencement of usage	Estimated remaining useful life *(Note 2)*	Key steps as indicated in the paragraphs headed "Production of Slewing Rings and Mechanical Parts and Components — Production" of this section
Heat treatment unit						
• 2 meter CNC raceway quenching machine (2米滚道數控淬火機床)	1	RMB1,947,000 (equivalent to approximately HK$2,219,580)	RMB1,839,000 (equivalent to approximately HK$2,096,460)	2022	9 years	• No. 4 Raceway quenching (滚道淬火) • No. 9 Teeth surface quenching (齒面淬火)
• Trolley line tempering furnace (台車式回火爐)	1	RMB414,000 (equivalent to approximately HK$471,960)	RMB391,000 (equivalent to approximately HK$445,740)	2022	9 years	• No. 12 Tempering (low temperature) (回火(低溫))
Gear cutting unit						
• CNC milling machine (數控高速銑齒機)	1	RMB2,522,000 (equivalent to approximately HK$2,875,080)	RMB2,382,000 (equivalent to approximately HK$2,715,480)	2022	9 years	• No. 7 Gear cutting (製齒)
• CNC coordinate measuring machine (三座標測量機)	1	RMB885,000 (equivalent to approximately HK$1,008,900)	RMB885,000 (equivalent to approximately HK$1,008,900)	2023	10 years	• Tri-geometry coordination measuring and inspection
Others						
• Super sonic cleaning machine (超聲波機器)	1	RMB46,000 (equivalent to approximately HK$52,440)	RMB41,000 (equivalent to approximately HK$46,740)	2021	8 years	• No. 17 Cleaning and assembly (清潔與裝配)
• Track chain compressor (壓鏈機)	1	RMB118,000 (equivalent to approximately HK$134,520)	RMB111,000 (equivalent to approximately HK$126,540)	2022	9 years	• For compressing and assembling the track chain

Notes:

1. The carrying amount is translated into HK$ from RMB at historical exchange rate.

2. The estimated remaining useful life is calculated based on the estimated useful life of ten years deducted by the age of the machinery and using a straight-line method to calculate depreciation. For the avoidance of doubt, the estimated remaining useful life may not be the same as the basis of our depreciation expenses as stated in the Accountant's Report set out in Appendix I to this listing document.

Repair and maintenance

Our manufacturing process is capital-intensive and depends heavily on the normal operation of various large-scale production machineries and heavy duty equipments. Our maintenance team under the production department comprising four employees is responsible for the repair and maintenance of machineries and equipments. We implement regular repair and maintenance procedures for our key machineries and equipments to ensure high production efficiency on a monthly basis. We typically carry out routine inspections and maintenance such as replenishment of lubricant, replacement of worn-out parts and components (if needed) on our machineries and equipments on a daily basis, and conduct detailed checking on a monthly basis. For FY2020, FY2021, FY2022 and 6M2023, our overall costs incurred for repair and maintenance were approximately HK$0.3 million, HK$0.5 million, HK$0.5 million and HK$0.4 million, respectively. Our Directors confirm that during the Track Record Period, we did not experience any significant interruption to our production due to the breakdown of machineries and equipment.

RESEARCH AND DEVELOPMENT

Our research and development are led by two employees from the technical department with an average experience of over 10 years in the industry, in collaboration with our production and quality assurance departments. Our chairman, Mr. YP Chan, who has in-depth knowledge in the industry and spearheaded our Group's growth from a start-up to our current market position, continually contributed to the development of the slewing ring manufacturing process with his extensive knowledge in the industry. He was one of the key personnel in preparing the submission of JB standard compliant slewing rings for examination and approval (送審稿) to National Technical Committee for Standardisation on Rolling Bearing (全國滾動軸承標準化技術委員會). Under his leadership, our Group also contributed to the development of the industry by cooperating with a university in the PRC in 2012 to conduct research and development to develop a high precision production equipment for the manufacture of slewing rings. With the technological advancement and automation under Industry 4.0, our research and development department will continue to explore the use of new equipments and skill set to enhance and expand our products portfolio and to streamline our production process. Under the leadership of Mr. YP Chan together with the effort of our technical department which sets the standard of our quality and technical requirements, as at the Latest Practicable Date, we had 29 patents obtained under our own research and development in the PRC.

Based on the collaborative effort of our sales, quality assurance and technical departments over the years and following the benchmark requirement of the High and New Technology Enterprise, Kyoei Seiki was accredited as a High and New Technology Enterprise by Guangdong Provincial Science and Technology Department (廣東省科學技術廳), Guangdong Provincial Finance Bureau (廣東省財政廳), Guangdong Provincial Office of State Administration of Taxation (廣東省國家税務局) and Guangdong Provincial Local Taxation Bureau (廣東省地方税務局) in 2017, with such status renewed in 2020. We were granted a reduction of the unified enterprise income tax rate from 25% to a preferential income tax rate of 15% under the PRC Enterprise Income Tax Law* (中華人民共和國企業所得税法). We were listed in the 2023 Guangdong Province Advanced Manufacturing Development Special Fund Project Storage Plan* (2023年廣東省先進製造業發展專項資金項目入庫計劃) in August 2022.

SEASONALITY

Our Directors consider that there is no material seasonal pattern of the manufacture and sales of our products, in particular slewing rings.

COMPETITION

According to the Industry Report, the market of the manufacturing and sales of slewing rings in China is fairly fragmented, with the top three manufacturers together accounted for approximately 46.0% of the market in 2022. Our Group is a medium-size player with an integrated production line in the market. In 2022, our Group accounted for approximately 0.6% of the total market in terms of sales revenue. The market of overseas sales of slewing rings is also fragmented. Our Group ranked fourth, accounting for approximately 1.7% of the market in 2022 in terms of sales revenue to the overseas market. In addition to the competition in the PRC, our Group also faces potential competition from non-PRC players in the overseas markets, especially in the developed regions such as Japan and Europe, where local manufacturers have relatively strong experience to the local markets. Further, Japanese construction equipment manufacturers may set up their production plants outside Japan to save production and transportation costs and establish foothold in overseas market, while the raw material requirement is still JIS-compliant. However, our Group has the capacity to produce a wide variety of high quality products at a competitive price which helps to attract and retain customers.

The major entry barriers of the PRC's slewing ring market include (i) the steady production meeting stringent quality requirement; (ii) the possession of industry know-how, equipment and technology; (iii) strong capital strength; and (iv) the ability to establish and retain good relationships with its customers.

Supported by the country's strategy in revitalising the manufacturing industry and urbanisation process in the PRC, it is expected that there will be a growing demand for slewing rings of approximately a CAGR of 6.3% during 2023 to 2027 in the PRC. While a slewing ring is mainly applied in the manufacturing of construction equipments, its application is broad, including medical machines, packaging facilities, transporters, water treatment processes and mining equipments etc. In 2021, the China Bearing Industry Association published the National Bearing Industry 14th Five Year Development Plan which outlined that continuous research and development shall be devoted to the application of advanced slewing rings onto high-end industries such as aerospace equipments, marine engineering equipments, energy saving and new energy vehicles. Meanwhile, global markets have been recovering from COVID-19 and the rise in the adoption of renewable energy and expansion in the infrastructure section is driving the market expansion for slewing rings globally with growth in the revenue on the sales of slewing rings at a CAGR of 13.0% between 2017 to 2022 and an expected CAGR of 6.6% between 2023 to 2027.

In terms of the global market size for construction and industrial machineries and other parts (which mainly refers to excavators and undercarriage parts), it is expected to grow at a CAGR of 5.9% from 2023 to 2027 which will be attributable to the continued increase in population, urbanisation and the corresponding needs for infrastructure and buildings as well as the growth of mining, both surface and underground. In the Southeast Asia, the overall construction demand is forecasted to rise, with an increase in demand for healthcare facilities, civil engineering work, and government projects. The market size is expected to grow at a CAGR of 8.2% from 2023 to 2027, of which 7.9% will be attributed by new machineries and 8.8% from pre-owned machineries. The renewal and replacement cycle of construction machinery such as excavator, bulldozer and grader are generally 8–10 years. In Japan, excavators had the highest production volume amongst construction equipments in between 2017 and 2021, representing a CAGR of 3.8%. Undercarriage parts like sprocket, idler, track roller need to go through many processing steps such as casting, precision machining, heat treatment and surface finishing, before it can be assembled. These processes take time to perform. A provider with a comprehensive line of products for the provision of construction and industrial machineries and other parts takes complexity out of the procurement process, which reduce lead time and improves quality, so that time and resources can be spent on market growth.

Our Directors believe that with our enhanced production capacity and advanced machineries, stringent quality assurance control, in-depth industry understanding as well as our long term relationship with our customers, we are competitive and can gain a part of the growing demand. In order to compete effectively against the overseas manufacturers in the overseas market, our Directors will ensure that our Group's products are competitively priced to attract customers from overseas.

PROPERTY INTERESTS

Leased properties

As at the Latest Practicable Date, we entered into three tenancy agreements with Independent Third Parties, for leasing the following properties (the "**Leased Properties**"):

Address	Yearly rent	Tenure	Area	Usage
Tutang Village, Changping Town, Dongguan City, Guangdong Province, the PRC (中國東莞市常平鎮土塘村)	RMB540,000	1 July 2020 to 30 June 2026 (with an option to renew to 31 October 2042)	7,463.86 sq.m. (3,600 sq.m. plant, the rest is open area and buildings)	Production plant
Unit 1226B, Star House, No. 3 Salisbury Road, Kowloon, Hong Kong	HK$108,000	10 October 2022 to 8 October 2023	330 sq.ft.	Office
Unit No. 1119, 11th Floor, The Metropolis Tower, No. 10 Metropolis Drive, Kowloon, Hong Kong	HK$258,000	10 July 2023 to 31 July 2025	850 sq.ft.	Office

Title defect of our DG Leased Property

As at the Latest Practicable Date, we leased a property with a total gross floor area of approximately 7,463.86 sq.m. located in Tutang Village, Changping Town, Dongguan City, Guangdong province, the PRC (the "**DG Leased Property**"), which was primarily used as our production facility and staff dormitory, from an Independent Third Party. On 1 July 2020, we as tenant and the Independent Third Party as landlord entered a new lease agreement for the leasing of the DG Leased Property as our production facility and staff dormitory in the PRC for a term of six years commencing from 1 July 2020 at the annual rent of RMB540,000. The rent for the DG Leased Property was agreed between Kyoei Seiki and the landlord based upon the rent payable for similar properties in proximity, the tenure of the lease and the property market condition of such locations. We were not aware of the title defect as set out below at the start of the lease in 2007.

The landlord of the DG Leased Property did not possess a valid property ownership certificate to lease. As such, the lease of the DG Leased Property with the landlord could be deemed invalid by the court. Please refer to the section headed "Regulatory Overview — Laws and Regulations relating to our Lease Agreement" in this listing document for details.

Further, as advised by the PRC Legal Adviser, according to the Laws on Rural and Urban Planning of the People's Republic of China《中華人民共和國城鄉規劃法》, since the landlord of the DG Leased Property has not been issued with the construction planning permit (建設工程規劃許可證) for the production factory and utilities in the DG Leased Property, the landlord could be ordered by the relevant PRC authorities to dismantle the production factory and utilities in the DG Leased Property within a prescribed time limit.

According to the Dongguan Historical Property and Public Resources Unauthorised Construction Rectification Policy of the People's Republic of China*《中華人民共和國東莞市歷史遺留產業類和公共配套類違法建築補辦不動產權手續實施方案》(the "**Rectification Policy**"), for property which was constructed prior to 12 December 2019 but without obtaining the property ownership certificate and is situated within the city enhancement and development plan, the owner or occupant of such property could apply to rectify the defect to obtain the property ownership certificate.

As advised by the PRC Legal Adviser, it is extremely remote that the abovementioned issue will have any effect to the DG Leased Property, for the following reasons:

— the landlord already paid tax to the local Dongguan authority on the rental received for the DG Leased Property. The acceptance of tax payment has demonstrated that the local tax authority accepted the lease agreement was valid;

— based on the interview with the Integrated Management Bureau of Dongguan City (東莞市城市綜合管理局常平分局) (the "**Dongguan City Integrated Management Bureau**") conducted by our PRC Legal Adviser, it was confirmed that (i) relevant authority has not taken any action against the DG Leased Property or Kyoei Seiki; (ii) the party in default was the landlord who may be subject to a fine; and (iii) there is currently no instructions to deal with the voluminous historical illegal construction;

— based on the interview with the Planning Management Bureau of Changping Town, Dongguan City (東莞市常平鎮規劃管理所) (the "**Changping Planning Bureau**") conducted by our PRC Legal Adviser, it was confirmed that (i) the usage of the DG Leased Property was in accordance with the land usage planning; (ii) the Changping Planning Bureau has not received any notifications that the DG Leased Property is currently included in any demolition plan for public infrastructure projects or other projects in the coming years; (iii) there had been no record of punishment on the DG Leased Property since the establishment of Kyoei Seiki; and (iv) the owner or occupant of the DG Leased Property will not be penalised if the DG Leased Property is used in the current condition;

— based on the interview with the Housing Planning and Construction Bureau of Changping Town, Dongguan City (東莞市常平鎮住房和城鄉建設局) (the "**Housing Planning and Construction Bureau**") conducted by our PRC Legal Adviser, it was confirmed that (i) it is common for historical illegal construction in Dongguan City due to historical economy development reasons; (ii) they had not and currently do not intend to impose any penalty against Kyoei Seiki; and (iii) Kyoei Seiki can continue to use the DG Leased Property even if Kyoei Seiki does not apply for the permit under the Rectification Policy or during such application process, and our operations would not be affected;

— application for rectification pursuant to the Rectification Policy has been applied to and an acknowledgment was issued on 21 March 2023; and

— as confirmed by our Directors, from the date we leased the DG Leased Property and up to the Latest Practicable Date, we and the landlord of the DG Leased Property, had not received, and the relevant government authorities had not issued, any notice, letter or order, about the title defect of our DG Leased Property.

As a tenant, we are not liable for the title defects and breach of the applicable laws and regulations. In addition, we will not be subject to any administrative punishment or penalties in this regard.

Accordingly, our PRC Legal Adviser is of the view that the title defect of the DG Leased Property as described above will very unlikely affect the operation of our production facility.

On the basis of the forgoing, we intend to continue to lease the DG Leased Property in accordance with the terms of the lease agreement.

As stipulated in the lease agreement and advised by the PRC Legal Adviser, if anything happens which renders the performance of the lease agreement impossible during the tenure, the lessor will compensate us for actual losses which should include the costs for relocation, as well as any increase in rental payable by us throughout the original term of the lease for the DG Leased Property and will refund the remaining rent to us.

In addition, pursuant to the Deed of Indemnity, our Controlling Shareholders have to indemnify us for, amongst others, the potential liabilities, all reasonable costs, claims, actions, losses, damages expenses in relation to the title defect of the DG Leased Property. Therefore, together with the compensation from the lessor pursuant to the lease agreement, our Directors consider that there is no material adverse impact on the financial performance of the Group.

Contingency plan

The DG Leased Property is our sole production facility and is crucial to our business operation. In the unlikely event that we are required to relocate our production facilities and dormitory, our management will, *inter alia*, take the following factors into account when we implement our contingent relocation plan, including (i) size of the relocation land, which should preferably be bigger than our existing factory premises and dormitory to accommodate our expansion plan; (ii) location, which preferably should be in close proximity to our existing factory premises; (iii) rent, which should be comparable to the market rent of other premises of similar size, location and usage; (iv) relocation time needed, of which priority will be given to sites which are immediately available and incur less commute time between the DG Leased Property and the relocation land; (v) requisite certificates, of which our management will ensure that such site shall possess all requisite certificates and licenses to support our business operation; and (vi) construction costs or dismantling costs. Our management will also take other factors into account, such as whether there is any existing vacant factory premises and dormitory that we can use immediately as opposed to those with no facilities or with facilities not suitable for our business needs. We will also consider if we need to incur any substantial construction cost.

Based on our enquiries made with the local estate agents, our Directors consider that there is an abundant supply of vacant sites in the Guangdong Province that is readily available for our contingency plan. It is also anticipated that we can, as shown below, carry out our relocation plan in a gradual manner so that we do not need to put our production process to a standstill to a material extent and on such basis, it is estimated that there will not be a material loss in our revenue. Save for the relocation costs stated below, we do not expect any material loss in profit due to relocation alone.

Based on our management's estimation, in the unlikely event we have to relocate, it will take less than three months to relocate our entire factory and dormitory to another suitable site in Dongguan City. We intend to use less than two months in the construction and strengthening of the foundation for the production facilities in the new site, and we need to use about one month in moving our production line from the DG Leased Property to the new site. To avoid interruption in our production process, we shall carry out the moving of the machineries in phases. Our Directors estimate that it will take around three to six days to disassemble and transport our production machineries and equipment to the new site, and about two to four days to install, test and calibrate one set of machineries and equipment. If we need to relocate, we will strive to minimise any material disruption to our production process. To this end, we will group machineries and equipment of similar function and transport them in one phase, and prior to the relocation of such group of machineries and equipment, we will increase the production level of such group of machineries and equipment to ensure there will be sufficient products produced for the next group of machineries and equipment to work on while this group of machineries and equipment are being moved over and put out-of-use.

Further, based on the advice of our PRC Legal Adviser, in the unlikely event that the landlord of the DG Leased Property is ordered to dismantle our production facilities and utilities, a statutory six-month period will be given from the commencement of administrative proceedings against the government's decision to dismantle the relevant facilities. As such, our Directors believe that we have sufficient time in planning and carrying out the relocation if such situation arises. It is further anticipated that the costs of such relocation plan will mainly include the rental payment of about three months of the DG Leased Property for completing the relocation, the estimated difference in yearly rental payment between the existing lease of the DG Leased Property and that of the new location, the transportation costs of the raw materials, work in progress, finished goods, other related materials and equipment and machineries, relocation insurance premium, and meal and travel subsidy for employees. Based on the information currently available, our Directors estimate that the total relocation cost will be approximately RMB4.8 million, which would be compensated to us by the lessor according to the terms of the lease agreement, if materialised.

INTELLECTUAL PROPERTY

Trademarks

Details of the trademarks registered and applied by us, and those registrations and applications as at the Latest Practicable Date are set out in the paragraphs headed "Statutory and General Information — Further Information about the Business of our Group — 7. Intellectual property rights of our Group" in Appendix IV to this listing document.

Patents

As at the Latest Practicable Date, our Group had registered 29 patents, which are related to our business. Details of the patents registered which are material to our business as at the Latest Practicable Date are set out in the paragraphs "Statutory and General Information — Further Information about the Business of our Group — 7. Intellectual property rights of our Group" in Appendix IV to this listing document.

As at the Latest Practicable Date, all our patents were not involved in any litigation relating to allegations of infringement of intellectual property rights and the violation of other parties' rights.

AWARDS AND RECOGNITIONS

The table below sets forth some of our major awards and recognitions.

Awards/Recognition	Issuing Party	Year(s) of Receipt
Quality Management System Certificate CNAS/IAF GB/T 19001–2000 idt ISO 9001: 2000 (質量管理體系認證證書)	Beijing Xingguo Global Certification Co., Ltd. (北京興國環球認證有限公司)	2009
Quality Management System Certificate CNAS/IAF GB/T 19001–2008 idt ISO 9001:2008	Beijing Xingguo Global Certification Co., Ltd. (北京興國環球認證有限公司)	2009, 2011
Certificate for Measurement Assurance System (Level 3) (計量保證體系確認合格證書)	Bureau of Quality Supervision of Dongguan City (東莞市質量技術監督局)	2012, 2015, 2018, 2021
Certificate SGS/UKAS ISO 9001:2008	SGS United Kingdom Ltd.	2014
Heat Treatment Certification* (熱處理認定證)	Sumitomo Construction Machinery (住友建機株式会社)	2014, 2018

Awards/Recognition	Issuing Party	Year(s) of Receipt
Certificate of High and New Technology Enterprise (高新技術企業證書)	Guangdong Provincial Science and Technology Department (廣東省科學技術廳), Guangdong Provincial Finance Bureau (廣東省財政廳), Guangdong Provincial Office of State Administration of Taxation (廣東省國家稅務局) and Guangdong Provincial Local Taxation Bureau (廣東省地方稅務局)	2017, 2020
Certificate SGS/UKAS ISO 9001: 2015	SGS United Kingdom Ltd.	2017, 2020
Listing on GEM	The Stock Exchange	2019
Price performance award (成本協力獎)	Sumitomo Construction Machinery	2019
Caring Company	The Hong Kong Council of Social Service	2023

INSURANCE

We maintain general business risks insurance and accidental insurance, which is part of the employee benefit insurance plan, to cover employer's liabilities associated with workplace injuries to all our employees. We also maintain a directors' and officers' liability insurance for our Directors and officers.

For each of FY2020, FY2021, FY2022 and 6M2023, the total insurance costs, excluding social insurance for our employees in the PRC, paid by our Group amounted to approximately HK$57,000, HK$68,000, HK$79,000 and HK$11,000, respectively. These policies cover the sum to pay as compensation for personal injuries in accident or disease sustained in the course of employment of our workers. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not encounter any material claim not covered by insurance policies taken out by us.

We make contributions to social insurance for our employees in the PRC comprising insurance for retirement, unemployment, sickness, maternity, medical and injury, as required by the PRC social insurance regulations. We also maintain employee compensation insurance and mandatory provident fund scheme in respect of our operations in Hong Kong.

In considering the prevailing industry practice and our current operations, our Directors are of the view that our present insurance policies are adequate to cover the risks associated with the operation of our business and are in line with the industry norm. For risk factors relating to our insurance policies, please refer to the section headed "Risk Factors — Risks relating to our Business and our Industry — Our insurance coverage may be insufficient to cover all losses or potential claims against us or Directors from our employees, customers or their end-consumers which would affect our business, financial condition and results of operations" in this listing document.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 96 full-time employees in the PRC and Hong Kong. The following table sets out the breakdown of our employees categorised by region and function as at the Latest Practicable Date:

Function	The PRC	Hong Kong	Total
Finance	6	2	8
Administrative	5	1	6
Production	42	0	42
Quality assurance	10	0	10
Technical and repair	7	0	7
Human resource	6	1	7
Sales	4	1	5
Procurement	3	1	4
Logistics	6	1	7
Total	89	7	96

The operation of our Group is overseen by our general manager and chief operating officer with various departments and teams set up to run and operate the business of our Group. Our general manager approves the raw material delivery timetable, production road map, warehousing and logistics timeline and coordinates between different departments to ensure that our production is on schedule. By adopting the above management system, our Directors and senior management of our Group are able to (i) oversee our Group's business through coordinating different departments; and (ii) facilitate our Group's production and decision-making process. Our Directors believe that our management system sets out a clear chain of commands and delegates responsibilities to different departments and teams, which require our Group's Directors and senior management to monitor and oversee the business operation closely.

Our Group generally recruits employees from the open market and through job advertisements on job websites. During the Track Record Period, our Group has not paid any fees to any recruitment agency for recruitment/employment services.

Our human resources department provides our new workers with training and orientation on the first day they report duty. They are also briefed on our employment policies and procedures, our in-house guidelines regarding operation of the machineries and the related safety guidelines. Our workers need to attend in-house trainings to keep them abreast of the updated technological knowledge, skills, updated workflow of production process and workplace safety from time to time. The compensation package of our employees includes salary and required benefits under the PRC laws. On 6 September 2023, Kyoei Seiki established a labour union in the PRC which represents our employees' interests and deals with our management in resolving labour related issues. Our Directors believe that we have maintained a good relationship with our employees and during the Track Record Period, we did not experience any difficulty in recruiting suitable staff for our operations nor did we experience any material labour dispute with our employees.

In accordance with the relevant national and local labour and social welfare laws and regulations in the PRC, our Group is required to contribute to social insurance and housing provident funds for our employees in the PRC. As confirmed by our Directors, save as disclosed below, as at the Latest Practicable Date, our Group has complied with the applicable laws and regulations in the PRC regarding social insurance and housing provident funds for our PRC employees.

Social insurance contribution

During the Track Record Period, Kyoei Seiki made social insurance contributions for all our employees in the PRC which reached the minimum regulatory requirements of the Dongguan Human Resources and Social Security Bureau (東莞市人力資源和社會保障局). Nevertheless, the contributions made by Kyoei Seiki fell short of the standard required under the Social Insurance Law of the PRC (中華人民共和國社會保險法) in the amount of approximately RMB36,000, RMB0.4 million, RMB0.5 million and RMB0.3 million for FY2020, FY2021, FY2022 and 6M2023, respectively.

According to the Social Insurance Law of the PRC, if an employer fails to fully contribute to the social insurance fund on time, the social insurance administration department may demand the employer to make full contributions or to pay the shortfall within a prescribed time period and impose a late fee of 0.05% of the total outstanding balance per day. If the employer still fails to do so within the prescribed time limit, the employer may be subject to a fine ranging between one to three times the amount of the total outstanding balance. However, it is not uncommon that the social insurance contributions fell short of the standard under the Social Insurance Law of the PRC. Our Directors confirm that, in an unlikely event that if we receive notice of order from the relevant government authority, Kyoei Seiki will immediately settle the outstanding contribution together with such additional late payment fee so that the maximum liability against Kyoei Seiki in its non-compliance with the Social Insurance Law of the PRC during the Track Record Period will comprise (i) such additional late payment fee in the maximum amount of approximately RMB0.2 million; and (ii) the shortfall in social insurance under the PRC laws.

We obtained letters of confirmation (the "**Social Insurance Confirmation**") from Dongguan Social Credibility System Coordination Office* (東莞市社會信用體系建設統籌協調小組辦公室), which stipulated that from 1 January 2020 to 11 July 2023, Kyoei Seiki had no record of administrative penalty imposed. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not receive any notification of penalty or rectification requirement.

We have confirmation letters from all relevant employees whereby they agreed to renounce their right to any potential claim against our Group in respect of the social insurance contributions and to maintain the payment of the social insurance contributions at the current level.

In connection with the foregoing situation, our PRC Legal Adviser held the view that (i) the relevant governmental authorities aforesaid were competent authorities to issue the Social Insurance Confirmation; (ii) unless there is any significant changes to the current laws and policy or any complaint by the relevant employees, (a) the likelihood that we will be fined or will be required by the relevant social insurance fund authority to make up the social insurance contributions is remote; and (b) we can continue to pay the social insurance contributions at the current level.

Housing provident fund

During the Track Record Period, Kyoei Seiki had registered with the relevant housing provident fund authorities and made housing provident fund contributions for all our employees in the PRC which reached the minimum regulatory requirements of the Dongguan Housing Provident Fund Management Centre* (東莞市住房公積金管理中心). Nevertheless, the contributions made by Kyoei Seiki fell short of the requirement under the Administrative Regulations on Housing Provident Fund* of the PRC (住房公積金管理條例) in the amount of approximately RMB0.1 million, RMB0.3 million, RMB0.4 million and RMB0.2 million for FY2020, FY2021, FY2022 and 6M2023, respectively.

Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management centre could order the employer to make the payment and deposit within a prescribed time limit. If the employer still does not do so within the prescribed time limit, an application may be made to a people's court for compulsory enforcement. According to our PRC Legal Adviser, the maximum liability against Kyoei Seiki will be the shortfall in housing provident contributions under the PRC laws.

As at the Latest Practicable Date, Kyoei Seiki had already obtained written confirmation (the "**Housing Provident Fund Confirmation Letters**") from the Dongguan Social Credibility System Coordination Office* (東莞市社會信用體系建設統籌協調小組辦公室), which stipulated that Kyoei Seiki had no record of material violations of the housing provident fund regulations from 1 January 2020 to 11 July 2023.

We received confirmation letters from all our relevant employees whereby they agreed to renounce their right to any potential claim against our Group in respect of the housing provident fund contributions and to maintain the payment of the housing provident contributions at the current level.

In connection with the foregoing situation, our PRC Legal Adviser held the view that (i) Dongguan Social Credibility System Coordination Office was the competent authority to issue the Housing Provident Fund Confirmation Letters; (ii) unless there will be any change in the current laws and policy or there is any complaint made by any employee, (a) the likelihood that we will be fined or will be required by the relevant housing provident fund authority to make up the housing provident fund contributions is remote; and (b) we can continue in making the housing provident fund contributions at the current level.

In Hong Kong, our Group participates in the mandatory provident fund scheme established under the Mandatory Provident Fund Schemes Ordinance. As confirmed by our Directors, as at the Latest Practicable Date, our Group is in compliance with applicable Hong Kong laws and regulations in relation to the mandatory provident fund scheme and has not received any notice from any relevant authority in Hong Kong concerning its failure to make contribution to the mandatory provident fund.

For each of FY2020, FY2021, FY2022 and 6M2023, our total employee benefits were approximately HK$8.0 million, HK$10.6 million, HK$12.1 million and HK$6.7 million, which accounted for approximately 15.2%, 11.8%, 13.7% and 11.0% of our total expenditure, respectively.

ENVIRONMENTAL PROTECTION

We are subject to various PRC national and local environmental laws and regulations related to our operations. For further details on such laws and regulations, please refer to the section headed "Regulatory Overview — Laws and Regulations relating to Environmental Protection and Fire Prevention" in this listing document.

We believe that it is important and essential to protect the environment and we take an active role in ensuring sustainable and environmentally friendly production and operations by employing various measures. For this reason, we have in place our environmental, social and governance ("**ESG**") related policies which sets forth the policies and procedures in identifying, evaluating and determining the significance of environmental aspects and impacts by and on our Company and ensuring compliance with all relevant national and local environmental laws and regulations.

ESG governance

Our Board understands that effective ESG governance plays a definitive role in driving our Group's pathway towards sustainable development. Our Directors also consider that establishing and implementing sound ESG policies will increase the investment value of our Company and provide long-term return for our stakeholders, including but not limited to our Shareholders and investors, employees, customers, and suppliers. Hence, to ensure proper implementation of ESG governance, our Board is responsible for formulating and setting goals and targets, approving strategic direction and policies, as well as monitoring performance and collecting ESG-related information. Our Board is also committed to maintaining a healthy and safe workplace environment for our employees which in turn contributes to the sustainable development of our Group.

Our Board has assigned each department of our Group to implement ESG policies in its respective operations and activities. The departments are responsible for exploring and developing key performance indicators ("**KPIs**"), where appropriate and necessary, in accordance with our Group's ESG policies and goals. Through their normal and routine channels, all departments report directly to Mr. YP Chan, who has the overall responsibility to ensure that our Board's approved ESG-related strategies, policies and internal control mechanism are implemented. Our Board will regularly review the ESG policies in place and examine all environmental and social issues for preparing disclosure in compliance with the requirements of the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") in Appendix 27 to the Listing Rules as appropriate. In addition, we intend to identify material ESG areas, discuss with our key stakeholders on material ESG areas identified and discuss within our Board to ensure all material ESG areas which are important to our business development are reported and comply with the recommendation of the ESG Reporting Guide.

In order to ensure the effectiveness of ESG governance, our Group maintains regular communication with internal and external stakeholders to gauge their views and opinions regarding our Group's operations and performance. As and when appropriate, enterprise risk assessment will be conducted at least once per year to cover current and potential risks in our business, including but not limited to the risks arising from ESG and climate-related matters. Our Group will comprehensively review the existing ESG management system and engage qualified independent third parties to evaluate the risks if appropriate to strengthen our ESG performance and ensure effective ESG governance.

Materiality assessment related to ESG matters

Our Group endeavours to minimise adverse impact on the environment and society resulting from our business activities. Our Board has conducted a materiality assessment to determine the most material ESG issues to our business operation. In order to identify, assess and manage material ESG issues in our business operation, our Group has adopted various strategies including but not limited to conducting reviews and collecting data to rank the importance of different ESG issues based on engagement with stakeholders, analysing the results of peer benchmarking exercise and assessment to develop a prioritised list of material ESG issues, and confirming the material KPIs with the advice from qualified independent third parties.

Based on our materiality assessment, we have identified the following key ESG issues that are closely related to our daily business operations, including amongst others (i) environmental issues such as energy consumption and carbon emission; (ii) social issues such as employee engagement, occupational health and safety, training and development and supply chain management; and (iii) governance issues such as corporate governance, anti-corruption measures, quality assurance procedures and consumer data protection.

We will conduct materiality assessment regularly to identify the major ESG issues relating to our Group from time to time.

During the Track Record Period, our Group was not notified or prosecuted for breaching environmental legislation in relation to emissions and waste discharge or other environmental issues that could have an adverse impact on the local environment. Some key indicators of our ESG policies are listed below.

Our Group has taken into account the quantitative information that reflects our Group's management on risks relating to indirect and direct emissions, greenhouse gas emissions, wastewater, solid waste, hazardous and non-hazardous waste, as well as electricity and water consumption.

Carbon emissions

In order to reduce carbon emission, we have set long-term targets applicable to our respective operations, such as encouraging the use of natural ventilation instead of air-conditioning whenever conditions allow, installing control meters and investing in the latest energy-efficient production equipment and processes, replacing traditional incandescent bulbs with LED lights in all of our offices, encouraging employees to use teleconferencing to reduce travel and to use public transport whenever possible, etc.

Indirect emissions

Indirect emission, mainly carbon dioxide ("**CO_2**") through the use of electricity for our production, remains to be the main source of greenhouse gas emissions.

Our Group is not required to pay any electricity consumption fee for the Hong Kong office.

In 2020, a lockdown period was imposed by the PRC Government to curb the widespread pandemic of the COVID-19. Our Group implemented split team arrangement, of which part of the employees in our Dongguan factory worked from home and part of the employees worked in the office, so as to reduce physical interactions amongst employees, thus reducing the risk of spreading COVID-19. In 2021, as the pandemic of COVID-19 winded down, a higher level of operating activity was recorded in our Dongguan factory.

The table below recorded the resultant indirect air pollutant emissions of our Dongguan factory during each of the year/period of the Track Record Period:

Items of emissions	Unit	FY2020	FY2021	FY2022	6M2023
CO_2 indirect emission at our Dongguan factory	Tonnes	476.70	441.66	388.28	324.35

During the Track Record Period, the indirect CO_2 emission in our Dongguan factory decreased slightly due to the update of emission factor of electricity despite the increase in operations in FY2021 and the increase in electricity consumption in FY2022.

To reduce indirect CO_2 emissions, our Group formulated a set of climate change guidelines that will continue to monitor and improve our energy saving practices including strictly controlling the electricity consumption of our production facility and investing in new production equipment and processes.

We target to lower the indirect CO_2 emission per employee per year by 1–2% through the reduction of electricity consumption per employee.

Direct emissions

Our Group directly produces non-hazardous greenhouse gases of CO_2 and hazardous sulphur oxides, nitrogen oxides, and particulate matters from the uses of fossil fuels including diesel fuel, lubricating oil, and liquefied petroleum gas for forklift cars, machine tool cooling and welding.

The table below recorded the resultant direct air pollutant emissions of our Dongguan factory during each of the year/period of the Track Record Period:

Items of emissions	Unit	FY2020	FY2021	FY2022	6M2023
Nitrogen oxide	Kilograms	24.11	31.97	26.62	13.43
Sulphur oxides	Kilograms	0.04	0.05	0.04	0.02
Particulate matter	Kilograms	2.39	3.16	2.63	1.33
CO_2 direct emission	Kilograms	26,391.76	35,199.97	29,077.48	22,778.20

The increase of non-hazardous greenhouse gases in FY2021 was due to the increase in operating activity and consumption of fossil fuel, while the decrease of non-hazardous greenhouse gases in FY2022 was due to the decrease in fossil fuel and gas consumption.

Our Group sub-contracted all logistical needs to external transport operators and has increased the utilisation of electric driven production equipment. We have been reviewing and planning a gradual reduction of fossil fuels with the objective of reducing hazardous gas emissions by substituting with electricity or other forms of sustainable energy.

We target to reduce direct emissions especially those hazardous nitrogen oxide, sulphur oxides, particulate matter and CO_2 direct emission by 1–2% for the coming year.

Greenhouse gas emissions

Greenhouse gases include CO_2 and its non-hazardous equivalents including nitrous oxide and methane (collectively with CO_2, "**CO_2e**").

Greenhouse gas emissions comprise scope 1 direct emissions, which is direct emissions from the fuel combustion in vehicles, machine tool cooling and welding, and scope 2 energy indirect emissions, which is emissions resulting from the use of purchased electricity.

The breakdown of greenhouse gas emissions during each of the year/period of the Track Record Period is listed as follows:

Greenhouse Gas Emission	**Unit**	**FY2020**	**FY2021**	**FY2022**	**6M2023**
Scope 1 (CO_2e)	Tonnes	26.42	35.23	29.11	22.80
Scope 2 (CO_2e)	Tonnes	476.70	441.66	388.28	324.35
Total (CO_2e)	**Tonnes**	**503.12**	**476.89**	**417.39**	**347.15**

Our Company is dedicated to reduce greenhouse gas emissions by gradually transitioning from fossil fuels to sustainable energy sources. To achieve this goal, our Group has purchased electric forklifts starting from 2021 to minimise the use of the diesel forklift. As the diesel forklift is planned to be decommissioned in 2024, it is expected to reduce the consumption of fossil fuels by 10% by 2024.

We target to reduce the greenhouse gas emission by 1–2% in the coming year through the transition from fossil fuels to sustainable energy sources and by monitoring our employees' energy-saving practices.

Wastewater

Our Group does not have the consumption data for the Hong Kong office since the water consumption fees of the Hong Kong office were included in the office management fees.

Our Group also does not hold any polluted water discharge data concerning our Dongguan factory. The main source of our Group's wastewater was cooling water used in our production process, which would be reused with minimal wastage in the closed circulating water recycling system. All excess wastewater was required to be handled by a third-party licensed wastewater treatment and disposal specialist under the PRC laws and regulations. Meanwhile, water used for general living purposes in employees' dormitories, canteens and offices would be discharged through the public sewage system. In May 2020, we obtained the sewage disposal permit to dispose wastewater into the city drainage system from the Dongguan Environmental Protection Bureau.

Solid waste

Our Group has developed a natural and pollution-free philosophy in its business where possible and has adopted the 3-R principle, which is to reduce, reuse and recycle. All employees are reminded to adopt the 3-R principle in their handling and use of resources. Consideration is given to recycle and reuse in the various processes and stages of production. Procedures are in place for properly sorting out and storing the unused materials for resale or reuse. As part of our Group's further efforts to reduce waste, we have also taken steps such as encouraging our employees to reuse office supplies, replacing paper-based processes with electronic formats for storing and sharing information and documents, adopting a company-wide cloud-based working environment, which includes an ERP system, and improving our production process to minimise the generation of metal scrap.

The amount of hazardous wastes generated from our manufacturing operations was insignificant.

Non-hazardous wastes generated from the production processes were mainly scrap metal and packaging materials. An insignificant amount of non-hazardous materials was also generated from non-production areas, such as supporting offices, dormitories, and canteens.

The table below recorded the non-hazardous waste during each of the year/period of the Track Record Period in our Dongguan factory:

Non-hazardous wastes	**Unit**	**FY2020**	**FY2021**	**FY2022**	**6M2023**
Scrap metal	Tonnes	N/A	N/A	150.40	98.70
Paper	Tonnes	0.04	0.00	0.11	0.04
Packaging material	Tonnes	0.13	0.07	3.59	0.99

For FY2021, the decrease of the non-hazardous waste was due to the effort to encourage employees to use paper efficiently, resulting in very low paper wastes during the period. Our Group has also re-evaluated our packaging needs for our products to eliminate unnecessary packaging, resulting in a very low packaging material consumption during the period. Meanwhile, for FY2022, the significant increase of non-hazardous waste was due to the increase in product shipments, leading to an increase in the usage of packaging material.

During our production process, we use a lot of steel metal and generate metal scraps. The use of steel is in direct proportion to our business turnover. The generation of metal scrap can be reduced through new and improved production processes. Meanwhile, we do not waste any scrap metal as it is stored in a designated place at the factory and will be sold to approved scrap metal recyclers. We have commissioned a third-party solid waste disposal operator to dispose of the solid waste.

Our office paper use is considered as immaterial. In order to save paper consumption, we have implemented or are in the process of implementing various measures in our offices, such as avoiding unnecessary printing, and adopting a company-wide cloud based working environment to reduce the need for printed documentation.

The amount of packaging material used is largely related to our sales volume, and thus we are unable to target any serious reduction in packaging materials.

Electricity consumption

Electricity is the only source of energy for our offices and dormitories operations and is supplied by the local electricity grid.

Our Group does not have the consumption data for our Hong Kong office since the electricity consumption fees of our Hong Kong office were included in the office management fees.

The table below recorded the resultant electricity consumption in our Dongguan factory during each of the year/period of the Track Record Period:

	Unit	FY2020	FY2021	FY2022	6M2023
Electricity consumption	kilowatt hour	685,007.00	837,906.00	940,140.00	569,040.00

The increased usage of electricity for FY2021 and FY2022 was due to an increase in operations and the newly-added machinery and equipment, respectively.

Our Group recognises that investing in energy efficiency initiatives not only helps us minimise our environmental impacts, but also reduces costs. Our production facilities and dormitories are powered by a consistent and sufficient supply of electricity, which is supplied by the local electricity grid. Our Group installed energy-saving LED lights and control meters, and invested in the latest energy efficient production equipment and processes. Our Group also promulgated rules and encouraged staff to use resources in an efficient and environmentally-friendly manner.

While the transition to electric forklifts may cause an increase in electricity consumption, our Company will continue to implement various measures to reduce electricity consumption, including monitoring employees' electricity-saving practices to maintain the same level as FY2022 in the coming year.

Water consumption

Our Group does not have the water consumption data for the Hong Kong office since the water consumption fees of the Hong Kong office were included in the office management fees.

The main consumption of water of our Dongguan factory comes from the production process in cooling hot metal. Water is also used in the employees' dormitories for their personal use. Our factory, offices and dormitories use fresh water supplied from the cities' central water supply network. We do not have any problem on sourcing of our water and there has not been any incident of water shortage during the Track Record Period. We utilise internal water recycling systems where possible and monitor water usage patterns constantly via the use of smart meters and our own inspection teams which have been assigned to ensure that there is no unwarranted uses and waste.

The table below recorded the water consumption in our Dongguan factory during each of the year/period of the Track Record Period:

	Unit	FY2020	FY2021	FY2022	6M2023
Water consumption	Cubic meter	4,880.00	11,150.00	12,850.00	7,870.00

The increase in water consumption for FY2021 and FY2022 was attributable to construction works which were carried out during those periods.

We target to continue to mobilise our staff and workers to reduce water consumption with a target to reduce water consumption by 1–2% in the coming year. As part of our ESG policies, we have introduced a closed circulating water recycling system that allows us to reuse most of the cooling water with minimal wastage; constantly monitored water usage patterns through the use of smart meters and inspection teams assigned to ensure there is no unwarranted use or waste of water; conducted regular leakage tests on water pipes; and installed water-saving devices across our office premises in our Dongguan factory to enhance water efficiency.

During each of the year/period of the Track Record Period, we incurred approximately HK$26,000, HK$18,000, HK$15,000 and nil, respectively in relation to our environmental protection and compliance. We expect the costs of compliance as set out in our ESG policies will be consistent and proportionate to our scale of operations.

In September 2018, we received confirmation from the Dongguan Environmental Protection Bureau that our noise, solid waste pollution prevention and control facilities satisfied the basic requirement on environmental protection. As at the Latest Practicable Date, Kyoei Seiki had already obtained written confirmation letters from the Dongguan Social Credibility System Coordination Office* (東莞市社會信用體系建設統籌協調小組辦公室), which stipulated that Kyoei Seiki had no record of violations of the environmental protection regulations from 1 January 2020 to 11 July 2023.

As at the Latest Practicable Date, we have not recorded any material non-compliance in respect of any applicable laws and regulations on environmental protection. Our Group continues to uphold our established environmental protection and management system. During the Track Record Period, we also did not record any material non-compliance issue with the applicable PRC laws and regulations in relation to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous wastes that resulted in prosecution, conviction or penalty being brought, made or imposed against us.

SOCIAL AND WORK SAFETY

We strive to create a workplace which makes our employees feel valued and inspired to do their best and at all times regard our employees as valuable assets for our sustained development and growth. We are committed to providing our employees with equal opportunity on recruitment, promotion, compensation and benefits.

During the Track Record Period, we did not have any incident of non-compliance with relevant laws and regulations that have a significant impact on our Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

We believe that the safety of our employees is imperative to our Group's success and we strive to provide an accident-free workplace so as to minimise potential hazards and threats posed to them. In this connection, we have established measures to promote work safety and to ensure compliance with the applicable PRC laws and regulations.

Our production facilities are installed with numerous large-scale production machineries and equipments, and there are potential hazards associated with our operation. We have identified these potential hazards and placed safety signs and slogans in the accident-prone area. We have also devised written manuals and guidelines to provide our workers with step-by-step guidance on how to operate the machineries and equipments safely. We carry out annual inspection and testing of our production machineries and equipments to ensure compliance of the application regulations. Our operational safety officer attended training courses and oversaw the workplace safety of our production facilities.

In addition, we provide training and orientation for our employees on the first day they report duty, which includes the safety operation of production machineries and equipments. All of our employees are given an employee manual which stipulates our corporate cultural development, working procedures, safety precautions, promotions and termination conditions. We also strive to promote the importance of and to raise the awareness of work safety among our employees and ensure all our employees are familiar with the applicable laws and policies by providing regular trainings. We also provide regular in-house training to our employees.

We have also established a series of safety guidelines, rules and procedures for different aspects of our production activities, including chemicals handling and storage, fire safety, electrical safety, work-related injuries and emergency and evacuation procedures. We have installed appropriate fire safety equipments and have engaged external professionals to check and confirm the safety features of our machineries and equipments are mentioned in good order and operating.

During the Track Record Period and up to the Latest Practicable Date, our Group had taken out insurance to cover liabilities in respect of the workers on site under the Social Insurance Law of the PRC. As such, our Directors consider that these accidents did not and are not expected to have any material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Insurance" in this section.

We have established a policy in recording and handling workplace accidents and recovery follow-up. There were three cases, one case, two cases and nil case of light work-related injuries, which had been reported to and covered by social insurance during each of the year/period of the Track Record Period, respectively. We provide regular safety training to all staff in the production line as well as training for specific positions during the Track Record Period. In addition, all technicians are required to wear personal safety tools such as protective shoes, hamlet, goggles when they operate machineries. Our Directors confirm that we did not encounter material accident or claim concerning work safety or any claim disputes on compensation or work-related injury investigation by the government officials during the Track Record Period and up to the Latest Practicable Date.

Furthermore, as a remedial measure, we have revised our policy in recording and handling workplace accidents and recovery follow-up, and will implement further preventive measures, including but not limited to providing regular monthly safety training to all staff concerning operational safety steps and issues, and strengthening environmental protection measures during production process concerning noise and wastewater control. We have also reminded our staff in the trainings that it is mandatory to follow the relevant safety guidelines, rules and procedures, and policies at the workplace, such as wearing goggles when handling debris during chamfering, and wearing protective gear when handling prototype and when using saw during chamfering.

The table below sets out the details of aforementioned work-related injuries in each year/period of the Track Record Period:

	Description of injuries	Medical expenses *(approximate)*
For FY2020	— one case of injuring the left calf by a piece of iron	RMB550
	— one case of crushing the tip of the middle finger of right hand by a prototype resulting in fracture	RMB890
	— one case of injuring the left eye by a debris during chamfering	RMB3,260
For FY2021	— one case of injuring the right knee by a saw during chamfering	RMB780
For FY2022	— one case of spraining the joint of the right leg	RMB450
	— one case of injuring the upper right arm by a chamfering machine	RMB3,930
For 6M2023	— no work-related injury was recorded	Nil

During the Track Record Period, we have not experienced any material or prolonged stoppages of production due to equipment failure, nor have we experienced any major accidents during the production process.

INTERNAL CONTROL AND RISK MANAGEMENT

We believe an effective internal control and risk management could streamline our operations efficiently as well as to safeguard shareholders' investments and assets of our Group. We have been awarded ISO accredited quality management system certificates since 2009. Whilst our independent non-executive Directors are generally responsible for overseeing our internal control and corporate governance, our Board had established a corporate governance committee on 31 March 2022 to take full account of our Group's policies and practices on corporate governance, legal and regulatory compliance and professional development of our management team. We also implement stringent anti-corruption and whistle blowing policy in upholding high standards of business integrity, honesty and transparency in all our business dealings.

We are exposed to various risks as part of our business operations. We have different risk management policies and procedures in managing and evaluating these risks, including products development, raw materials procurement, production and quality control, financial management and credit, legal and compliance and business continuity etc. During the Track Record Period and up to the Latest Practicable Date, we did not engage in any hedging activities. Please refer to the section headed "Risk Factors — Risks Relating to our Business and our Industry" in this listing document for details on the risk in our operations.

We have engaged an independent business consulting and internal audit firm (the "**Internal Control Consultant**") to perform a review over selected areas (the "**Internal Control Review**") on the measures and recommendations for the implementation of internal control since the GEM Listing. Based on the results of the Internal Control Review, our Directors are of the view that applicable internal control procedure and policies have been put in place by our Group and do not have any significant deficiencies or material non-compliance had been identified as at the Latest Practicable Date.

LICENSES AND PERMITS

As advised by our PRC Legal Adviser, we have obtained all material requisite licenses, permits and approvals for operating our business in the PRC during the Track Record Period and up to the Latest Practicable Date. For our operations in Hong Kong, we do not require any particular license or permit other than the business registration certificate. To ensure that we would be able to timely obtain all necessary licenses for our operations, we have assigned personnel to keep track of the expiry dates of all relevant licenses and apply for renewal in a timely manner. Our Directors confirmed that they were not aware of any difficulty in the renewal of the abovementioned licenses when they expire.

The table below sets forth material licenses and permits we possess in relation to our operations in the PRC since the commencement of the Track Record Period and up to the Latest Practicable Date:

	Licenses/Permits	**Date of grant or registration**	**Date of expiry**
1.	Registration with the Customs of the PRC	11 December 2007	Continuous
2.	City sewage network disposal of polluted water permit* (城鎮污水排入排水管網許可證)	26 May 2020	25 May 2025
3.	General disposal of sewage permit	13 January 2023	12 January 2028

NON-COMPLIANCE & LITIGATION

Our Directors confirmed that, save for the under-contributions to the social insurance and housing provident fund, we have complied with all applicable laws and regulations in relation to our business in all material respects during the Track Record Period and up to the Latest Practicable Date. Please refer to the paragraphs headed "Employees — Social insurance contribution" and "— Housing provident fund" of this section for further details.

During the Track Record Period and up to the Latest Practicable Date, our Group was not involved in any actual, pending or threatened claim, litigation, administrative action or arbitration which could have a material adverse effect on our business, financial position or result of operations.

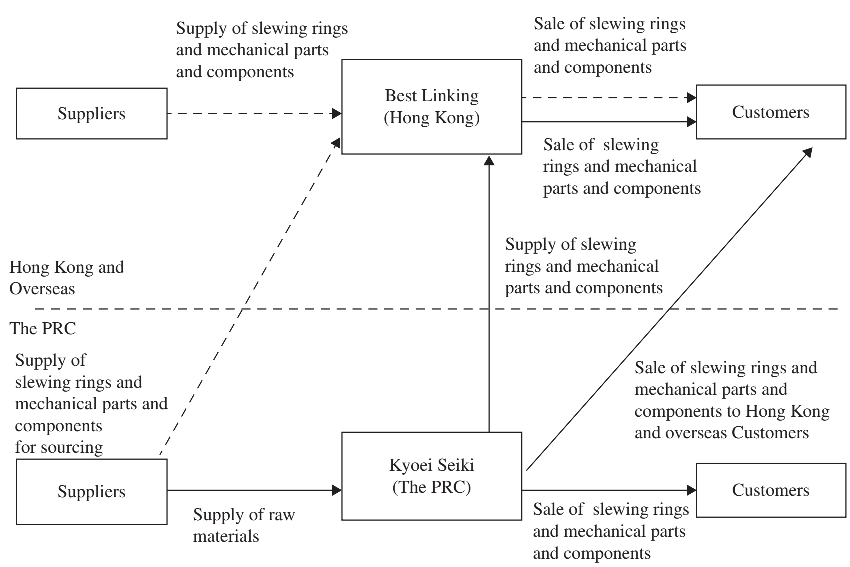
REGULATORY COMPLIANCE

We are headquartered in Hong Kong and the PRC and all of our operations are in Hong Kong and the PRC. All of our employees are located in Hong Kong and the PRC.

Our Directors confirm that Hong Kong and the PRC are the applicable jurisdictions in relation to our operation. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any incident of non-compliance which, in the opinion of our Directors, is likely to materially and adversely affect our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, we have complied with all applicable laws and regulations in Hong Kong and the PRC in all material respects.

TRANSFER PRICING ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, the major operations of our Group were in Hong Kong and the PRC while we entered transactions with our customers from all over the world. Our suppliers were mainly located in the PRC. The following diagram illustrates the business and logistics flow of our raw materials and finished goods within our Group during the Track Record Period and up to the Latest Practicable Date:



Note: Our sourcing of machineries business was not subject to transfer pricing arrangement as it was managed solely under Best Linking during the Track Record Period.

Our production was carried out by Kyoei Seiki in our factory located in Dongguan City, the PRC. Kyoei Seiki mainly purchased the raw materials from suppliers in the PRC. The raw materials were delivered to our factory for processing. Our slewing rings and mechanical parts and components were then sold to customers located in the PRC, Hong Kong or overseas directly from Kyoei Seiki, and were delivered by independent logistics service providers to the destinations specified by customers, usually on FOB terms or Ex Works terms. Kyoei Seiki also supplied slewing rings and mechanical parts and components to Best Linking for onward sale to customers in Hong Kong and overseas. Meanwhile, as a provider for a comprehensive line of products, Best Linking also procured slewing rings and mechanical other parts and components that we do not produce from suppliers in Hong Kong and the PRC to cater the needs of our customers. There are customers which prefer to conduct business with Best Linking as Best Linking is a company incorporated under the laws of Hong Kong and the terms of sales is governed by the law of Hong Kong. There is also no foreign exchange control in Hong Kong. For sales from Kyoei Seiki, Kyoei Seiki issued the invoices direct to customers for settlement, and for sales from Best Linking, Best Linking issued invoices direct to Hong Kong or overseas customers for settlement.

As illustrated above, the supply of slewing rings and mechanical parts and components by Kyoei Seiki for onward sale by Best Linking was regarded as intra-group related party transactions (the "**Transfer Pricing Arrangements**"). The amounts of these intra-group transactions were approximately HK$15.6 million, HK$15.5 million, HK$27.0 million and HK$14.0 million for FY2020, FY2021, FY2022 and 6M2023, respectively.

We engaged an independent tax adviser to conduct transfer pricing study concerning the above transactions during the Track Record Period taking into account of the applicable laws and regulations on transfer pricing in Hong Kong and the PRC. The key basis of the benchmarking study involved the comparison of the transactional net margin of Kyoei Seiki and the transactional net margin of the market comparables. According to the transfer pricing study, the interquartile range of the three-year weighted average full cost mark up ratio of the eight comparable companies for fiscal years 2019 to 2021 was 2.91% to 18.38%, with a median of 9.73%. The weighted average full cost mark up ratio of Kyoei Seiki calculated for the period covering the Track Record Period was 15.90%, which was within the interquartile range derived from the transactional net margin method analysis. The analysis result suggests that (i) the Transfer Pricing Arrangements were carried out on an arm's length basis in a material respect during the Track Record Period; and (ii) with the consideration of the business factors and the applicable transfer pricing regulatory environment in the PRC and Hong Kong, the practical risk that the said Transfer Pricing Arrangements would be challenged through transfer pricing by the tax authorities in the PRC and Hong Kong is not considered as high. Based on the above transactional net margin method analysis, which is one of the acceptable transfer pricing methods in the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by the Organisation for Economic Co-operation and Development, our independent tax adviser concluded that the Transfer Pricing Arrangements are in compliance with the arm's length provision under the applicable transfer pricing laws and regulations in Hong Kong and the PRC in all material respect during the Track Record Period.

Our Directors, after considering the analysis result and reviewing the transfer pricing study prepared by our independent tax adviser, are of the view that our Group is in compliance with the applicable transfer pricing laws and regulations in Hong Kong and the PRC in all material respect during the Track Record Period.

To ensure ongoing compliance with the applicable transfer pricing arrangement, the following measures are adopted by our Group:

— To keep track on regulatory update to ensure our Group is complying with those transfer pricing rules and regulations;

— To review the transfer pricing arrangements regularly with reference to the latest benchmarking data;

— To document all relevant information properly to support the reasonableness and appropriateness of the transfer pricing arrangements; and

— To revisit transfer pricing arrangements if necessary (e.g. when there will be any significant change in the functional and risk profiles of corresponding entities).

We may be subject to transfer pricing challenge by the relevant tax authorities and hence additional tax liabilities, which could have adverse impacts on the result of our operation. Please refer to the section headed "Risk Factors — Risks relating to our Business and our Industry — We may be subject to transfer pricing challenge" in this listing document for details on the risk of potential challenge on our transfer pricing arrangements.

As at the Latest Practicable Date, our Directors were not aware of any outstanding enquiry, audit or investigation by any tax authority in Hong Kong or the PRC with respect to our Transfer Pricing Arrangements.

Our Board consists of two executive Directors and three independent non-executive Directors. The following table sets out the information concerning our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Executive Directors						
Mr. Chan Yuk Pan (陳煜彬先生)	43	Executive Director, chief executive officer and chairman of the Board	25 June 2007	26 October 2018	Overall management, sales and business development and strategic planning of our Group	Brother of Mr. LP Chan
Mr. Chan Lung Pan (陳龍彬先生)	42	Executive Director	12 March 2019	12 March 2019	Human resources management of our Group	Brother of Mr. YP Chan
Independent Non-Executive Directors						
Mr. Chan Wan Tsun Adrian Alan (陳弘俊先生)	44	Independent non-executive Director	21 October 2019	21 October 2019	Supervising on the issues of strategy, policy, performance, accountability, internal control and corporate governance and providing independent advice to our Group	N/A
Ms. Tsang Hau Lam (曾巧臨女士)	49	Independent non-executive Director	21 October 2019	21 October 2019	Supervising on the issues of strategy, policy, performance, accountability, internal control and corporate governance and providing independent advice to our Group	N/A

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Ms. Tam Ho Ting (譚可婷女士)	45	Independent non-executive Director	21 October 2019	21 October 2019	Supervising on the issues of strategy, policy, performance, accountability, internal control and corporate governance and providing independent advice to our Group	N/A

Senior Management

Name	Age	Position	Date of joining our Group	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Mr. Chan Ho Chee Gilbert (陳浩賜先生)	36	Chief financial officer, chief operating officer and company secretary	1 November 2018	Overseeing the overall accounting, financial management, operation and compliance functions and company secretarial matters	N/A
Ms. Chen Fang (陳芳女士)	52	Financial controller and assistant to chief executive officer	September 2007	Overseeing the financial and accounting management of Kyoei Seiki	N/A

DIRECTORS

Executive Directors

Mr. Chan Yuk Pan (陳煜彬先生), aged 43, is the executive Director, chief executive officer and chairman of our Board, and one of our Controlling Shareholders. He is also the chairman of the Nomination Committee. Since 2007, Mr. YP Chan has been responsible for the overall management of our Group, including sales and business development as well as strategic planning. He was appointed director of Wing Fung, Kyoei Seiki and Best Linking in June 2007, August 2007 and December 2018, respectively and was appointed a Director on 26 October 2018 and was re-designated as an executive Director on 12 March 2019.

Mr. YP Chan is an entrepreneur with over 15 years of operational experience. He was involved in the trading of machineries and spare parts in Hong Kong and manufacture and sales of spare parts in the PRC. After completing the advanced Japanese language course at the Japanese Language Institute of Sapporo in Sapporo, Japan in 2004, Mr. YP Chan worked as a sales and marketing executive in a company engaged in distribution and exportation of confectionery and related products from December 2004 to December 2005 in Sapporo, Japan, which enabled him not only to further his Japanese language skill, but also gave him the opportunity to develop his network within the Japanese business community. After returning to Hong Kong, starting from January 2006, Mr. YP Chan worked in South Wing Machinery Company Limited, a company specialised in the trading of new and used construction machineries, where he gained experience in the sale and supply of heavy duty equipment and parts industry with his last position as a sales and marketing executive. In September 2007, he founded Kyoei Seiki through Wing Fung which is principally engaged in the manufacturing and sales of slewing rings. Mr. YP Chan has then established and maintained business relationship with general wholesalers or traders of machineries or parts in Asia, USA, Europe and Japan and gained valuable experience in the manufacture and sale of spare parts for machineries.

Mr. YP Chan completed his Form 7 education in Avondale College in Auckland, New Zealand. From 1999 to 2002, Mr. YP Chan attended Auckland University of Technology and took courses in business computing, applied science and information technology. In March 2004, Mr. YP Chan obtained a certificate in advanced Japanese language course at the Japanese Language Institute of Sapporo in Sapporo, Japan.

Mr. YP Chan is the elder brother of Mr. LP Chan, who is also an executive Director. Save as disclosed above, Mr. YP Chan is not connected with other Directors, members of the senior management or Substantial Shareholders.

Other than as our Director, Mr. YP Chan has not held directorship in any listed company, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date.

Mr. Chan Lung Pan (陳龍彬先生), aged 42, was appointed an executive Director on 12 March 2019. He first joined our Group in November 2005 as director and shareholder of Wing Fung, an investment holding company incorporated in Hong Kong. Mr. LP Chan resigned from his directorship in

Wing Fung in April 2011 to pursue other career development and rejoined our Company in March 2019 as an executive Director. He is also the chairman of the Corporate Governance Committee and a member of the Remuneration Committee. He is responsible for human resources management of our Group.

Mr. LP Chan has over 18 years of experience in procurement and management. He commenced his career in South Wing Machinery Company Limited, a company specialised in the trading of new and used construction machineries, in September 2003 as a trainee. He was subsequently promoted to the post of purchase and sales manager from 1 April 2009 to 30 September 2011, being responsible for purchase management, inventory control, contract negotiations, department co-ordination and complaints handling. Between 1 January 2012 and 12 March 2019, Mr. LP Chan worked as a manager overseeing purchasing and human resources management at Pacific Infinity Resources Holdings Limited and was a consultant of the same company from 13 March 2019 to 12 April 2019.

Mr. LP Chan attended Avondale College in Auckland, New Zealand, where he was enrolled as an international student in Year 12 from February 1998 to November 1999. He obtained his school certificate from the New Zealand Qualifications Authority in New Zealand in 1999 and later studied Japanese in Tohoku Foreign Language and Tourism College in Japan from October 2000 to March 2002.

Mr. LP Chan is the youngest brother of Mr. YP Chan, an executive Director and a Controlling Shareholder. Save as disclosed above, Mr. LP Chan is not connected with other Directors, members of the senior management, Substantial Shareholders or Controlling Shareholders.

Other than as our Director, Mr. LP Chan has not held directorship in any listed company, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date.

Independent non-executive Directors

Mr. Chan Wan Tsun Adrian Alan (陳弘俊先生) (“**Mr. Adrian Chan**”), aged 44, was appointed an independent non-executive Director on 21 October 2019. He is also the chairman of the Audit Committee and a member of the Nomination Committee and the Corporate Governance Committee. He is responsible for overseeing the areas with regard to the strategy, policy, performance, accountability, internal control, corporate governance and providing independent advice to our Group.

Mr. Adrian Chan graduated from the University of New South Wales, Australia with a bachelor degree in commerce in accounting and finance in April 2000. He has been a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants since June 2006 and November 2009, respectively.

Mr. Adrian Chan has over 9 years of experience in the field of corporate finance. He started his career with Deloitte Touche Tohmatsu and worked in the audit department of the firm from January 2000 to March 2000. Mr. Adrian Chan then worked in various financial institutions and investment banks between April 2000 and November 2009, including DBS Vickers Securities from April 2000 to December 2001, with his last position as an executive in the corporate finance department, DBS Asia Capital Limited from January 2002 to July 2005, with his last position as assistant vice president in equity capital markets, wholesale banking-global financial markets, and UOB Asia (Hong Kong) Limited from July 2005 to November 2009, with his last position as associate director.

After leaving UOB Asia (Hong Kong) Limited in November 2009, Mr. Adrian Chan switched his career from corporate finance to financial management. From November 2009 to June 2015, he was the chief financial officer of Enviro Energy International Holdings Limited (stock code: 1102), where he was responsible for overall financial management, internal control function and accounting function. Since July 2015, Mr. Adrian Chan has served as the chief financial officer of Sun Ray Capital Investment Corporation, a private investment company based in Hong Kong, and since July 2018, Mr. Adrian Chan has served as the chief financial officer of LabyRx Immunologic Therapeutics Limited, a bio-medical company focused on developing a comprehensive platform for treating adenocarcinomas. Since August 2018, Mr. Adrian Chan has served as the chief financial officer of Lifespans Limited, a medical device start-up company, and since January 2021, he has served as a regional director of The CFO (HK) Limited, a company providing part-time chief financial officers services.

The details of directorship held in other publicly listed companies by Mr. Adrian Chan are as follows:

Company name	Principal business activities of the company	Stock code	Stock Exchange	Position	Duration
Grand Baoxin Auto Group Limited	Sales and service of motor vehicles	01293	Main Board of the Stock Exchange	Independent non-executive director	November 2011 to June 2021
Cheerwin Group Limited	Development and manufacturing of household care, pet product and personal care	06601	Main Board of the Stock Exchange	Independent non-executive director	February 2021 to present
Regent Pacific Group Limited (formerly known as Endurance RP Limited)	Healthcare and life sciences investments	00575	Main Board of the Stock Exchange	Independent non-executive director	April 2023 to present

Save as disclosed above, Mr. Adrian Chan has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

Ms. Tsang Hau Lam (曾巧臨女士) (“**Ms. Tsang**”), aged 49, was appointed an independent non-executive Director on 21 October 2019. She is also a member of the Audit Committee and the Remuneration Committee. She is responsible for overseeing the areas with regard to the strategy, policy, performance, accountability, internal control, corporate governance and providing independent advice to our Group.

Ms. Tsang graduated from The University of Melbourne, Australia with a bachelor degree in commerce in December 1996 and a master degree in practising accounting from Monash University, Australia in November 2000. She has been a member of CPA Australia since July 2001.

Ms. Tsang has over 25 years of experience in the field of taxation. She started her career in PricewaterhouseCoopers in Hong Kong and had worked with the firm from February 1997 to March 2003, with her last position as senior consultant, where she obtained experience in tax compliance matters. Between November 2004 and February 2007, Ms. Tsang worked in Ross Melville PKF in Auckland, New Zealand with her last position as tax consultant. She then rejoined PricewaterhouseCoopers in Hong Kong as senior consultant in February 2007 and stayed with the firm until April 2010 with her last position as manager. Between April 2010 and April 2015, Ms. Tsang was employed by BDO Limited with her last position as tax principal of Hong Kong tax team. Since April 2015, Ms. Tsang held different positions in Phoenix Property Investors (H.K.) Limited, a private equity real estate investment group and was responsible for overseeing the tax matters, which she was a vice president from April 2015 to May 2020, and then a consultant since June 2020.

Other than as a Director of our Company, Ms. Tsang has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

Ms. Tam Ho Ting (譚可婷女士) ("**Ms. Tam**"), aged 45, was appointed an independent non-executive Director on 21 October 2019. She is also a member of the Audit Committee and the Nomination Committee and the chairlady of the Remuneration Committee. She is responsible for overseeing the areas with regard to the strategy, policy, performance, accountability, internal control, corporate governance and providing independent advice to our Group.

Ms. Tam obtained a bachelor degree in business administration from The Chinese University of Hong Kong in May 2000. In January 2008, she was admitted as an associate member of The Institute of Chartered Accountants in England and Wales. Ms. Tam has been a fellow member of the Association of Chartered Certified Accountants since July 2009 as well as a fellow member of the Hong Kong Institute of Certified Public Accountants since October 2015.

Ms. Tam has over 23 years of work experience in the accounting and financial work sector. Before joining our Group, Ms. Tam worked in various accounting firms and multi-national companies. She started her career in the assurance and business advisory department in Moores Rowland (HK) CPA Limited and worked there from September 2000 to December 2002, with her last position as associate III. From December 2002 to March 2004, Ms. Tam worked as an assistant manager in KPMG, Hong Kong. From April 2004 to June 2007, she worked in Hutchison Telecommunications (Hong Kong) Limited, a wholly-owned subsidiary of Hutchison Telecommunications Hong Kong Holdings Limited (stock code: 215), a company listed on the Main Board of the Stock Exchange with her final position as senior accountant in the finance and administration division. From June 2007 to August 2010, Ms. Tam worked in Avery Dennison Hong Kong, B.V., with her last position as finance manager in the production and costing sector of the financial planning and analysis department. Ms. Tam then worked as manager in the financial analysis department in Hasbro Far East Limited from August 2011 to August 2013. Since November 2013, Ms. Tam has provided accounting and book-keeping services to private companies engaged in various sectors of industries in Hong Kong, including pharmacy services and other services. In September 2018, Ms. Tam established CT Business Services Limited which was principally involved in the provision of accounting and book-keeping services.

Other than as a Director of our Company, Ms. Tam has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

Save as disclosed above, none of our Directors (i) held other position in our Company or other members of our Group as at the Latest Practicable Date; (ii) had relationship with other Directors, senior management or Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; and (iii) held directorship in public listed companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed "Substantial Shareholders" in this listing document and in the section headed "Statutory and General Information — Further Information about Directors, Management and Staff" in Appendix IV to this listing document, none of our Directors held any interest in the Shares within the meaning of Part XV of the SFO.

None of our Directors has any interest in any business which competes or is likely to compete, either directly or indirectly, with business of our Group. Please refer to Appendix IV to this listing document for further information about our Directors, including details of the interest of our Directors in the Shares and underlying Shares of our Company (within the meaning of Part XV of the SFO) and particulars of the service contract and remuneration.

Save as disclosed in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no other matter relating to the appointment of our Directors that need to be brought to the attention of our Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. Chan Ho Chee Gilbert (陳浩賜先生) ("**Mr. Chan**"), aged 36, joined our Group as the chief financial officer on 1 November 2018. He was later appointed the chief operation officer and company secretary of our Group on 12 March 2019. He is also a member of the Corporate Governance Committee. He is primarily responsible for overseeing overall accounting, financial management, operation and compliance functions and company secretarial matters.

Mr. Chan obtained a bachelor degree in commerce (accounting) from Macquarie University in Australia in September 2009. He further obtained a master's degree in financial analysis from The University of New South Wales in Australia in August 2010. Mr. Chan has been a member of CPA Australia since December 2013.

Mr. Chan has over 11 years of work experiences in accounting and finance covering a vast range of clientele including manufacturing and food and beverage industries. From December 2010 to October 2013, Mr. Chan worked in BDO Limited, with his last position as senior associate, where he participated in the annual audit and special engagement of listed companies in Hong Kong. From October 2013 to July 2018, Mr. Chan worked in PricewaterhouseCoopers, with his last position as manager in assurance practice, where he has been involved in audits for public, sizable private and multinational companies as well as initial public offerings.

Ms. Chen Fang (陳芳女士) ("**Ms. Chen**"), aged 52, is our financial controller and assistant to the chief executive officer. Ms. Chen joined the finance department of our Group in September 2007. She is primarily responsible for overseeing the financial and accounting management of Kyoei Seiki.

Ms. Chen graduated from Shaanxi Labor College (陝西工運學院) in the PRC in July 1998 with a diploma in computing and accounting (計算機與會計專業) and has over 16 years of experience in accounting work. Prior to joining our Group, between January 2002 and December 2003, Ms. Chen worked in Guangzhou BaiJi Engineering Machinery Parts Co., Ltd* (廣州市柏基工程機械配件有限公司), a company specialised in the sales of engineering machinery parts in Guangzhou, the PRC in the accounting department.

None of our senior management has held directorship in any listed company, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date. None of our senior management had any relationship with our Directors, the other senior management, Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date.

BOARD COMMITTEES

The Audit Committee, the Remuneration Committee and the Nomination Committee were established by resolutions passed by our Board on 21 October 2019 and the Corporate Governance Committee was established by a resolution passed by our Board on 31 March 2022.

Each of the four committees has written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Audit Committee

Our Company established the Audit Committee on 21 October 2019 in respect of the Listing on GEM. The Audit Committee comprises three independent non-executive Directors, namely Mr. Adrian Chan, Ms. Tam and Ms. Tsang. Mr. Adrian Chan was appointed the chairman of the Audit Committee. We adopted on 20 September 2023 a new set of terms for the Audit Committee which shall be effective upon the Transfer of Listing.

The primary duties of our Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor; review the financial statements and information and provide advice in respect of financial reporting; and oversee the risk management and internal control systems of our Company. The establishment of our Audit Committee is in compliance with Rule 3.21 of the Listing Rules and its written terms of reference are in compliance with Appendix 14 to the Listing Rules.

Remuneration Committee

Our Company established the Remuneration Committee on 21 October 2019 in respect of the Listing on GEM. The Remuneration Committee comprises two independent non-executive Directors, namely Ms. Tam and Ms. Tsang, and one executive Director, Mr. LP Chan. Ms. Tam was appointed chairlady of the Remuneration Committee. We adopted on 20 September 2023 a new set of terms for our Remuneration Committee which shall be effective upon the Transfer of Listing.

The primary functions of our Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group and on the establishment of a formal and transparent procedure for developing remuneration policy; review performance-based remuneration, approve the management's remuneration proposals with reference to the Board's corporate goals and objectives and ensure none of our Directors is in a position to determine his/her own remuneration. The establishment of our Remuneration Committee is in compliance with Rule 3.25 of the Listing Rules and its written terms of reference are in compliance with Appendix 14 to the Listing Rules.

Nomination Committee

Our Company established the Nomination Committee on 21 October 2019 in respect of the Listing on GEM. The Nomination Committee comprises two independent non-executive Directors and one executive Director, namely Mr. Adrian Chan, Ms. Tam and Mr. YP Chan. Mr. YP Chan was appointed the chairman of the Nomination Committee. We adopted on 20 September 2023 a new set of terms for our Nomination Committee which shall be effective upon the Transfer of Listing.

The primary functions of our Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of our independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular our chairman and the chief executive officer. The establishment of our Nomination Committee is in compliance with Rule 3.27A of the Listing Rules and its written terms of reference are in compliance with Appendix 14 to the Listing Rules.

Corporate Governance Committee

Our Company established the Corporate Governance Committee on 31 March 2022 with written terms of reference in compliance with code provision A.2.1 of part 2 of the CG Code. The Nomination Committee comprises one independent non-executive Director, namely Mr. Adrian Chan, one executive Director, Mr. LP Chan, and one senior management, Mr. Chan. Mr. LP Chan was appointed the chairman of the Corporate Governance Committee.

The primary functions of our Corporate Governance Committee are to develop and review our Group's policies and practices on corporate governance; review and monitor the training and continuous professional development of our Directors and senior management; review and monitor our Group's policies and practices on compliance with legal and regulatory requirements; develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and our Directors; and review our Company's compliance with the CG Code and disclosure in the annual reports of our Company. We adopted on 20 September 2023 a new set of terms in respect of corporate governance functions which shall be effective upon the Transfer of Listing. The written terms of reference of the Corporate Governance Committee are in compliance with Appendix 14 to the Listing Rules.

BOARD DIVERSITY POLICY

Our Nomination Committee is also responsible for ensuring the diversity of our Board in compliance with the CG Code in Appendix 14 to the Listing Rules, and will review our board diversity policy from time to time to ensure its continued effectiveness and the implementation of the board diversity policy.

We have adopted a board diversity policy which sets out the approach to achieve a balanced skills, experience and diversity of perspectives appropriate to the requirements of our Company's business from time to time including but not limited to gender, age, cultural and educational background, nationality and professional qualifications. The appointment will be based on meritocracy and contribution that the selected candidates will bring to the Board. Our implementation of the board diversity policy will be disclosed in our corporate governance report on an annual basis.

Our Board currently comprises three male Directors and two female Directors and has a balanced mix of experiences and industry background, including experiences in entrepreneurship, human resources management, taxation, accounting and financial management. Our Directors consider that the current composition of our Board satisfies our board diversity policy.

COMPLIANCE ADVISER

As the Transfer of Listing is made after the expiry of the requirement under Rule 6A.19 of the GEM Listing Rules, the continuous requirement relating to the appointment of a compliance adviser under Rule 9A.13 of the Listing Rules and the requirement under 3A.19 of the Listing Rules on the appointment of a compliance adviser are not applicable to our Company.

REMUNERATION POLICY

The aggregate amounts of remuneration (comprising fees, salaries, other allowances and benefits in kind, discretionary bonuses and contribution to pension schemes) of our Directors for FY2020, FY2021, FY2022 and 6M2023 were approximately HK$1,647,000, HK$1,796,000, HK$1,969,000 and HK$895,000, respectively. The aggregate amounts of salaries, other allowances and benefits, and contributions to pension schemes of our five highest paid individuals (excluding the emoluments paid to our Directors) for FY2020, FY2021, FY2022 and 6M2023 were approximately HK$877,000, HK$956,000, HK$1,502,000 and HK$732,000, respectively. Details of the arrangement for remuneration are set out in Note 7 to the Accountant's report in Appendix I to this listing document. Under such arrangement and pursuant to our Directors' service contracts and letters of appointment referred to in "Statutory and General Information — Further information about Directors, management and staff — 8. Directors — (a) Particulars of service contracts and letters of appointment" in Appendix IV to this listing document, the aggregate amount of Directors' fee and other emoluments payable to our Directors for the year ending 31 December 2023 is estimated to be approximately HK$2,000,000.

Our Group's principal policies concerning the remuneration of Directors or staff of high calibre are determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to our operations. Our Company provides discretionary bonuses to our senior management and key employees as incentive. Our Company will regularly review and determine the remuneration and compensation packages of our Directors and senior management.

To enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group, our Company has adopted the Share Option Scheme on 21 October 2019. Please refer to the section headed "Statutory and General Information — Share Option Scheme" in Appendix IV to this listing document.

Our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to the salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. No Director has waived or agreed to waive his/her remuneration during the Track Record Period. Save as disclosed in the paragraph headed "Remuneration Policy" in this section, no other payment has been paid, or is payable, by our Company or any of our subsidiaries to our Directors, senior management and the five highest paid individuals during the Track Record Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company will comply with the CG Code in Appendix 14 to the Listing Rules with the exception of code provision C.2.1 of part 2 of the CG Code, which requires the roles of chairman and chief executive to be held by different individuals.

Under code provision C.2.1 of part 2 of the CG Code, 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. Mr. YP Chan has been responsible for the overall management of our Group, including strategic planning as well as sales and business development. The Board considers that Mr. YP Chan is a suitable candidate to hold both positions and such arrangement will be beneficial to our Group.

Our Directors will review our corporate governance policies and compliance with the CG Code every financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Transfer of Listing.

DIRECTORS' COMPETING INTERESTS

None of our Controlling Shareholders, Directors and their respective close associates are interested in any business which competes or is likely to compete with that of ours.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Transfer of Listing (without taking into account of any Share which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), 75% of the issued share capital of our Company will continue to be held by C Centrum, which is wholly-owned by Mr. YP Chan. In this regard, Mr. YP Chan, together with C Centrum, are our Controlling Shareholders within the meaning of the Listing Rules. For the background of Mr. YP Chan, please refer to the section headed "Directors and Senior Management" in this listing document.

Save as disclosed above, there is no other person who will, immediately following the completion of Transfer of Listing, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

NO COMPETING INTERESTS

Our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge and belief after making all reasonable enquiries, none of our Controlling Shareholders, Substantial Shareholders, our Directors or their respective close associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business which would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors consider that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than the members of our Group) upon the Transfer of Listing:

Financial independence

We are financially independent of our Controlling Shareholders and their respective close associates (other than the members of our Group). We have sufficient capital and banking facilities (secured by our own corporate guarantee) to operate our business independently, and have adequate internal resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decisions according to our own business needs. As at the Latest Practicable Date, our Controlling Shareholders and their respective close associates (other than the members of our Group) did not provide any financial assistance to our Group.

Operational independence

We have sufficient operational capacity in terms of capital, facilities, premises and employees to operate our business independently. We do not rely on our Controlling Shareholders or their close associates and have independent access to our suppliers and customers, which are Independent Third Parties.

Our Group has established our own organisational structure made up of individual departments, each with specific area of responsibilities, to handle our day-to-day operations. We have not shared any operational resources, such as office premises, sales and marketing and general administration resources, and facilities and equipments with our Controlling Shareholders and their close associates (other than the members of our Group) during the Track Record Period. We have also established a set of internal controls to facilitate the effective operation of our business. We also have our own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology.

Our Group has obtained all the relevant material licenses and permits necessary for our business operations and is not dependent upon our Controlling Shareholders or their close associates (other than the members of our Group) for any such licenses and permits. Our Group also owns all relevant intellectual properties and research and development facilities that are necessary for our business operations.

We have not entered into any continuing connected transactions with our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently.

Management independence

Although our Controlling Shareholders will maintain controlling interests in our Company upon completion of the Transfer of Listing, the day-to-day management and operations of our Group will be the responsibility of all our executive Directors and senior management team of our Company. Our Board has five Directors comprising two executive Directors, and three independent non-executive Directors. Our senior management team consists of two members. Our Board and the senior management operate independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders as a whole after the Transfer of Listing without reliance on our Controlling Shareholders. With three independent non-executive Directors out of a total of five Directors in our Board, there will be independent voice within our Board to counterbalance any situation involving a conflict of interest and to protect the interests of our independent Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his or her duties as a director and his or her personal interest. In the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of material interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, the interested Director(s) shall fully disclose such matter to our Board and will abstain from voting at the relevant Board meetings in respect of such transactions and will not be counted in the quorum. Our Company has also adopted certain corporate governance measures for conflict situations, details of which are set out in the paragraphs headed "Corporate Governance Measures" in this section.

Our Company has an independent senior management team to carry out day-to-day operations and execute the business decisions of our Company, which is independent of our Controlling Shareholders. The independent senior management team has substantial experience in the industry we engaged in and has served our Company for a period of time during which it has demonstrated its capability of discharging its duties independently from our Controlling Shareholders. Our Directors do not foresee any issue or obstacle which may affect our management independence. Our Directors are satisfied that our senior management team will be able to perform its roles in our Company independently.

Our Board's main functions include the approval of our Company's overall business plans and strategies, the monitoring of the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director acting on his or her own is supposed to have any decision-making power unless otherwise authorised by our Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Board and our senior management team are capable of managing our Group's business independently from our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

(a) the Articles provide that a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;

(b) our Company has established the Corporate Governance Committee with effect from 31 March 2022 to continue the review of the corporate governance policy and practices of our Group;

(c) our independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to be involved or participate in a restricted business and if so, any condition to be imposed;

(d) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to connected transaction(s) at the cost of our Company; and

(e) our Company will use our best endeavours to ensure that our Board includes a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors whom we believe possess sufficient experience and are not involved in any business or other relationship which could interfere in any material manner with the exercise of their independent judgment. For details of our independent non-executive Directors, please refer to the section headed "Directors and Senior Management — Directors" in this listing document.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and/or their respective close associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationships with its shareholders. With the corporate governance measures comprising the measures set out above, our Directors believe that the interest of our Shareholders will be protected.

SHARE CAPITAL

Assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this listing document and without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below, the share capital of our Company immediately upon completion of the Transfer of Listing will be as follows:

		Nominal value
		HK$
Authorised share capital:		
10,000,000,000	Shares of HK$0.01 each	100,000,000
Shares in issue as at the date of this listing document:		
400,000,000	Shares of HK$0.01 each	4,000,000

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after the Transfer of Listing under the Listing Rules is 25% of its share capital in issue from time to time. Our Directors confirm that from the GEM Listing up to the Latest Practicable Date, we have maintained the said minimum level of public float and have been in compliance with Rule 8.08 of the Listing Rules.

RANKING

Our Shares are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with each other, and, in particular, will qualify in full for all dividend or other distributions declared, made or paid and any other rights and benefits attaching or accruing to our Shares following completion of the Transfer of Listing.

CIRCUMSTANCES WHERE GENERAL MEETING AND CLASS MEETING OF OUR COMPANY ARE REQUIRED

As a matter of the Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meetings or class meetings is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in Appendix III to this listing document. There are certain circumstances where annual general meetings or extraordinary general meetings of our Company are required under our Articles and the Listing Rules. A general summary of such circumstances is set out below, details of which are set out in section headed "2. Articles of Association — (e) Meetings of members — (iii) Annual general meetings and extraordinary general meetings" in Appendix III to this listing document.

- An annual general meeting of the Company shall be held for each financial year and such annual general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the Listing Rules, if any. Such meeting will be held at such time and place as may be determined by our Board.

- Our Board may, at its discretion, call for an extraordinary general meeting.

- Any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of our Company having the right of voting at general meetings of our Company (the "**requisitionist**"), on a one vote per share basis, shall have the right, by written requisition to our Board or the secretary of our Company, to require an extraordinary general meeting to be called by our Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit our Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/(themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

Other than the above circumstances, certain corporate actions may require the approval of Shareholders, which will be obtained at a general meeting. For details, please refer Appendix III to this listing document.

SHARE OPTION SCHEME

Our Company adopted the Share Option Scheme on 21 October 2019. The Share Option Scheme will remain valid and effective following the Transfer of Listing and will be implemented in full compliance with Chapter 17 of the Listing Rules. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to this listing document.

As at the Latest Practicable Date, no share option under the Share Option Scheme was granted, exercised, lapsed or cancelled.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general and unconditional mandate to allot, issue and otherwise deal with additional Shares not exceeding 20% of the aggregate number of the issued Shares as at 16 June 2023 pursuant to the ordinary resolutions passed at the annual general meeting of our Company held on 16 June 2023.

Such mandate will end at the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by our Articles or any applicable laws of the Cayman Islands; or (iii) the date on which such authority given to our Directors is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of our Company.

Please refer to the circular of our Company dated 30 March 2022 in relation to the general mandate to issue Shares for further details of such mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general and unconditional mandate to repurchase Shares not exceeding 10% of the aggregate number of the issued Shares as at 16 June 2023 pursuant to the ordinary resolutions passed at the annual general meeting of our Company held on 16 June 2023.

Such mandate will end at the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by our Articles or any applicable laws of the Cayman Islands; or (iii) the date on which such authority given to our Directors is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of our Company.

Please refer to the circular of our Company dated 30 March 2022 in relation to the general mandate to repurchase Shares and the section headed "Further Information about our Company and its Subsidiaries — 5. Repurchase by our own Company of its own securities" in Appendix IV to this listing document for further details of such mandate.

SHAREHOLDER DISTRIBUTION

We have made enquiries on our shareholder distribution with record date as at 31 August 2023. Based on the results of such enquiries and to the best knowledge of our Directors having made all reasonable due enquiries, as at 31 August 2023 (being the latest practicable date for ascertaining the shareholding structure of our Company prior to the Transfer of Listing), our Company had at least 300 public Shareholders and the shareholding structure of our Company was as follows:

	Number of Shares held *(Note 1)*	Approximate percentage of shareholding to our Company's issued share capital
Controlling Shareholders	300,000,000	75.00%
Top 29 Shareholders (excluding our Controlling Shareholders)		
— Top 1 Shareholder *(Note 2)*	4,080,000	1.02%
— Top 2 to 3 Shareholders *(Note 2)*	6,235,000	1.56%
— Top 4 to 5 Shareholders *(Note 2)*	5,485,000	1.37%
— Top 6 to 10 Shareholders *(Note 2)*	11,175,000	2.79%
— Top 11 to 20 Shareholders *(Note 2)*	16,600,000	4.15%
— Top 21 to 25 Shareholders *(Note 2)*	5,855,000	1.46%
— Top 26 to 29 Shareholders *(Note 2)*	4,145,000	1.04%
Subtotal	53,575,000	13.39%
Other identified Shareholders *(Note 2)*	44,880,050	11.22%
Unidentified Shareholders *(Note 3)*	1,544,950	0.39%
Total	400,000,000	100.00%

Notes:

1. In calculating the number of Shareholders, (i) Shareholders with the same names; (ii) Shareholders who holds Shares through multiple brokerage accounts via different brokerage firms would be deemed as one single beneficial Shareholder and the respective shareholdings will be aggregated in our shareholding distribution analysis.

2. To the best knowledge of our Directors who had made all reasonable enquiries, these Shareholders are all Independent Third Parties and are not financed directly or indirectly by nor are accustomed to taking instruction from our Company, our subsidiaries, our Directors, our senior management or any of their respective associates.

3. Represents the Shareholders who could not be identified from our public float enquiries.

Our top 30 Shareholders (including our Controlling Shareholders) held in aggregate 353,575,000 Shares, representing approximately 88.4% of the entire issued share capital of our Company; and together with the 1,544,950 Shares held by unidentified Shareholders, they held in aggregate 355,119,950 Shares, representing approximately 88.8% of the entire issued share capital of our Company. Save for the interests disclosed in this listing document, our Controlling Shareholders and Substantial Shareholders are not and were not interested in any Shares through any person, entity, custodian, nominee and brokerage firm. Our Controlling Shareholders and Substantial Shareholders do not and did not hold any Shares on behalf of any person, entity, custodian, nominee or brokerage firm. Please refer to the section headed "Substantial Shareholders" in this listing document for further details in respect of the interests held by our Substantial Shareholders.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, and assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this listing document, and excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons/entities will, immediately upon the completion of the Transfer of Listing, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

		As at the Latest Practicable Date	
Name	**Capacity/Nature of interest**	**Number of Shares** *(Note 1)*	**Percentage of shareholding**
C Centrum	Beneficial owner *(Note 2)*	300,000,000 Shares (L)	75%
Mr. YP Chan	Interest of controlled corporation *(Note 2)*	300,000,000 Shares (L)	75%
Ms. Leung Tak Yee	Interest of spouse *(Note 3)*	300,000,000 Shares (L)	75%

Notes:

1. The letter "L" denotes the person/entity's long position in the relevant Shares.

2. Mr. YP Chan legally and beneficially owns the entire issued share capital of 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.

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

Save as disclosed above, our Directors are not aware of any person or entity who will, immediately upon completion of the Transfer of Listing (excluding any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change in control of our Company.

*The following discussion and analysis should be read in conjunction with the audited consolidated financial information of our Group for the Track Record Period with the accompanying notes ("**Financial Information**"), included in the Accountant's Report as set out in Appendix I to this listing document. The consolidated Financial Information of our Group have been prepared in accordance with HKFRSs, which may differ in certain respects from generally accepted accounting principles in certain other countries. Potential investors should read the whole of the Accountant's Report as set out in Appendix I to this listing document and should not rely merely on the information contained in this section.*

The discussion and analysis set out in this section contain forward-looking statements that reflect the current views with respect to future events and financial performance based on certain assumptions and analysis, which involve risks and uncertainties. Our actual results may differ significantly from those projected. Factors that might cause our future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this listing document, particularly in the sections headed "Risk Factors" and "Business".

OVERVIEW

We are an established premium slewing ring manufacturer in the PRC serving our customers in the PRC, Hong Kong and overseas. We are also a provider for a comprehensive line of products for other mechanical parts and components and machineries which are used mainly in construction and mining sites. With over 15 years of experience in manufacturing and providing slewing rings related products and services, as per the Industry Report, our Group ranked fourth among the slewing ring manufacturers in the PRC in 2022 in terms of sales revenue to overseas markets, accounting for approximately 1.7% of the market share in the PRC in 2022.

For FY2020, FY2021, FY2022 and 6M2023, our revenue amounted to approximately HK$69.5 million, HK$132.3 million, HK$127.7 million and HK$77.4 million, respectively. The majority of our revenue is generated from the sales of slewing rings. For FY2020, FY2021, FY2022 and 6M2023, our revenue generated from our sales of slewing rings was approximately HK$35.0 million, HK$59.0 million, HK$75.3 million and HK$41.5 million, respectively, representing approximately 50.3%, 44.6%, 59.0% and 53.6% of our total revenue for the same year/period, respectively, while our profit for the year attributable to owners of the Company for the same year/period amounted to approximately HK$13.6 million, HK$35.1 million, HK$34.9 million and HK$14.8 million, respectively.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and disclosure requirements of the 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 the management to exercise its judgment in the process of applying our 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 note 4 to Appendix I to this listing document.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our Directors believe that the following major factors may affect our results of operations, the period-to-period comparability of our financial results and financial conditions:

Our profitability may be adversely affected by the fluctuations in the price of raw materials

Cost of raw materials is one of the key factors which will significantly affect our profitability. The raw materials we use in our manufacturing process for our slewing rings products are primarily forged rings and steel balls, of which forged rings accounted for the biggest item of our total purchases for our slewing ring products. For FY2020, FY2021, FY2022 and 6M2023, the total purchase of forged rings accounted for approximately 91.5%, 91.0%, 93.4% and 92.5% of the total purchase of raw materials, respectively. The forged rings are primarily made from gear steel and carbon round steel. We also purchase various semi-finished products as the raw materials for the production of mechanical parts and components. Nearly all of our raw materials are sourced from suppliers based in the PRC.

There are many factors which can cause fluctuation in the price of raw materials, in particular the economic conditions in the PRC, the labour cost, supply and demand of raw materials and international trade restrictions. For details of the sensitivity analysis illustrating the change in our financial performance as a result of hypothetical change in our cost of inventories and consumables during the Track Record Period, please refer to the paragraph headed "Principal Components of Consolidated Statements Of Comprehensive Income — Cost of sales" of this section. In addition, given that our Group does not enter into long-term contracts with suppliers, and that the majority of our revenue was generated from the sales of slewing rings, there is no guarantee that we will be able to maintain the same or similar levels of revenue and profitability during the Track Record Period. If we cannot pass the increase in the costs of raw materials to our customers, our operating margin and cash flow may be adversely affected, resulting in lower profitability, or loss making in the extreme case.

Our customers make purchases from us on an order-by-order basis and there is no certainty on the purchase amount and our revenue

During the Track Record Period, the sales agreements we entered into with our customers were on an order-by-order basis and there was no guaranteed minimum purchase from our customers. There was hence no purchase commitment from our customers. Our customers typically placed individual purchase orders with us from time to time and on a case-by-case basis based on their needs on our products. There is no guarantee that our major customers will continue to place orders with us for the same amount of products they ordered during the Track Record Period, and/or at a similar selling price or profit margin. Given there is no purchase commitment from our customers, the purchase volume or amount of customers' purchase orders we receive may fluctuate from time to time, and it will be difficult for our Group to forecast the future sales with certainty. If we cannot secure consistent and regular purchase orders from our customers, or cannot expand our clientele or secure new customers, our revenue and profits may be materially and adversely affected.

The sales and profitability of our products are dependent on our customers' business performance

We sell our products mainly to (i) wholesalers; (ii) traders; (iii) construction contractors; and (iv) manufacturers (including leading Japanese manufacturers or their affiliates). The business performance of our customers will in turn affect their purchase patterns from us. The business performance of our customers can be affected by a number of factors, such as changes in the economic conditions, business strategies, market demand, etc. If the business performance of our customers deteriorates, that could reduce their purchases from us, or even terminate their business relationship with us altogether. If the situation worsens, they may close down their businesses which could adversely and materially affect our business and financial conditions, results of operations and prospects as not only will we lose their orders, but we may also have difficulty in recovering the reduced orders from other customers shortly.

Any shortage in labour, increase in labour costs, strikes, labour unrests or other adverse factors affecting our labour force may have a material adverse effect on our business operations, profitability and prospects

The production of our slewing rings and machining of mechanical parts and components are not fully automated. Such process requires skilled workers to operate at various stages of production, in particular, turning, heat treatment, gear cutting and assembling. To support our business operation, we had a total of 96 full-time employees as at the Latest Practicable Date. For FY2020, FY2021, FY2022 and 6M2023, our direct labour costs accounted for approximately 8.8%, 6.3%, 6.7% and 6.6% of our total costs of sales, respectively. Our performance partly relies on the steady supply of skilled labour in the PRC. There is no assurance that we can secure a sufficient number of skilled workers to meet our production needs, or even if we can, with the rising trend in labour costs, it will push up the costs of production. Subsequent to the end of COVID-19 pandemic and the corresponding lifting of the quarantine measures imposed by the government, our Group has experienced fiercer competition for qualified and skilled personnel and increase in staff costs. As our production process requires skilled technical workers in design, operating and quality control, we cannot guarantee that we can retain and attract sufficient qualified employees on reasonable employment terms. In the event that we cannot keep the existing skilled workers or recruit sufficient skilled workers to replace the departing skilled workers, or to cope with our expansion plan on a timely basis at reasonable costs, or that the turnover rate of our workers is high and we do not have time to train up the workers to cope with our standards, our production process can be severely affected or interrupted. If we are unable to meet the delivery deadlines set by our customers, achieve the high level of production as expected by our customers, or to accommodate any sudden increase in the demand for our products, our business, prospects, financial condition and results of operations could be materially and adversely affected. We cannot guarantee that labour disputes, work stoppages or strikes will not arise in future. Increases in our staff costs and future disputes with our employees could materially and adversely affect our business, financial condition and results of operations.

The delay in payments from customers may adversely affect our sufficiency of working capital to support a relatively long ageing of trade receivables

There may be time lags between making payments to our suppliers and receiving payments from our customers, resulting in mismatch of timing of settlement with suppliers and receipts of revenue from our customers. When we place orders with our suppliers to acquire raw materials such as forged rings, steel balls and semi-finished mechanical parts and components, we incur payment obligations before we utilise them for our production of slewing rings and mechanical parts and components. We have in general a credit period of 30 days from our suppliers and in some instances we are granted credits for 90 days. However, we do run into situations where we receive no credit period at all from some of our suppliers.

As we generally extend a credit term of 30 to 90 days to our customers for slewing rings and mechanical parts and components orders and up to 120 days for machineries orders, we are exposed to a long ageing of the trade receivables of up to 120 days. Most of our trade receivables, being HK$20.5 million, HK$14.8 million and HK$19.3 million as at 31 December 2021, 2022 and 30 June 2023, respectively were payable within 30 days. However, there is no guarantee that we can continue to extend the same credit terms to our customers. If they request for a longer credit term, we will experience significant increase in amount due from customers, which may lead to insufficient working capital while our cash flow conditions may be adversely affected. For further details, please refer to the paragraphs headed "Analysis of major components of the consolidated balance sheets — Trade Receivables" in this section.

During the Track Record Period, we rely on a combination of net cash flow from operating activities and proceeds from the GEM Listing as our working capital. If our customers delay payment, or fail to settle our bills at all, we may not have sufficient working capital to maintain our operation and our business may be adversely affected.

SIGNIFICANT ACCOUNTING POLICIES

The financial information of our Group has been prepared based on accounting policies which conform with HKFRSs issued by the HKICPA. The basis of preparation is set out in Note 2 to the Accountant's Report in Appendix I to this listing document.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods in the ordinary course of our activities.

Revenue is recognised when or as the control of the goods is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods may be transferred over time or at a point in time.

Control of the goods is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as our Group performs; or
- does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If control of the goods transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods. Specific criteria where revenue is recognised are described below.

When either party to a contract has performed, our Group presents the contract in the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A receivable is recorded when our Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Our Group manufactures and trades a range of machinery products and mechanical parts to customers. Sales of goods transferred at a point in time are recognised when control of the products has been transferred, being when the products are delivered to the customers, the customer has full discretion over the usage of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. No element of financing is deemed present as the sales are made with a credit term of 60 to 120 days, which is consistent with the market practice.

If a customer pays consideration or our Group has a right to an amount of consideration that is unconditional, before our Group transfers the promised goods to the customer, our Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer the promised goods to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Property, plant and equipments

Property, plant and equipments are stated at historical costs less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the reporting period in which they are incurred.

Depreciation of property and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Plant and machinery	10 years
Office equipment	Five years
Motor vehicles	Three years
Leasehold improvements	Shorter of lease terms and useful lives

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "administrative expenses" in the consolidated statements of comprehensive income.

Construction-in-progress represents machineries under installation and leasehold improvement under construction, which is stated at historical cost less accumulated impairment losses, if any. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are ready for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

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. Our 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. Please refer to note 17 of the Accountant's Report set out in Appendix I to this listing document for further information about our accounting for trade receivables and note 2.9 of the Accountant's Report set out in Appendix I to this listing document for a description of our impairment policies.

Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income taxes

Our Group is subject to income taxes mainly in Hong Kong and the PRC. Significant judgment is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

Loss allowance of receivables

Our Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates. Our Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our historical default rates, existing market conditions as well as forward-looking estimates at the end of each reporting period. Our Group recognised lifetime expected credit loss for trade receivables carried at amortised cost based on either individually assessing customers which are long overdue with significant amounts or known insolvencies or non-response to collection activities, or collectively assessing them for likelihood of recovery based on ageing of the balances with similar risk characteristics taking into account the forward-looking information. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognised in the periods in which such estimates have been changed.

Impairment of right-of-use assets

Our Group leased land and buildings in the PRC for the purposes of its office premises and manufacturing plant under an operating lease of 10 years where the leased land and buildings, classified as right-of-use assets of our Group, were without land and property ownership certificates and the construction planning permit. Without the certificates and permit, the existing land and buildings might be ordered for demolition or confiscation and the lease may be deemed invalid. Our Directors are of the opinion, based on the advice from our PRC Legal Adviser, that the title defect of the leased land and buildings does not affect the operation of production facility of our Group. It is unlikely to be terminated or interrupted or have a material effect on the carrying amount of the right-of-use assets which was included in right-of-use assets totalling HK$3.4 million, HK$2.8 million, HK$2.0 million and HK$1.4 million as at 31 December 2020, 2021 and 2022 and as at 30 June 2023, respectively.

Provision for slow moving inventories

Our Group makes provision for slow moving inventories based on assessing the needs and reasonableness of provision for slow moving inventories at each period end. The identification of slow moving inventories requires the use of judgments and key assumptions which take into consideration of historical sales pattern, ageing and expectation of future sales orders. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision for inventories in the period in which such estimate has been changed.

MAJOR COMPONENTS OF THE RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth a summary of the consolidated results of our Group during the Track Record Period, which are derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountant's Report in Appendix I to this listing document:

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	69,499	132,250	127,730	68,769	77,437
Cost of sales	(43,362)	(77,740)	(69,806)	(36,902)	(45,599)
Gross profit	26,137	54,510	57,924	31,867	31,838
Other income	632	382	567	227	299
Other (losses)/gains, net	(1,047)	(465)	1,333	850	1,211
Selling and distribution expenses	(1,080)	(2,106)	(2,687)	(1,348)	(1,073)
Administrative expenses	(8,346)	(10,472)	(15,891)	(5,816)	(13,932)
Operating profit	16,296	41,849	41,246	25,780	18,343
Finance income	69	24	190	24	346
Finance costs	(113)	(7)	(4)	(49)	(4)
Finance (cost)/income, net	(44)	17	186	(25)	342
Profit before income tax	16,252	41,866	41,432	25,755	18,685
Income tax expense	(2,608)	(6,780)	(6,503)	(4,180)	(3,929)
Profit for the year/period attributable to owners of the Company	**13,644**	**35,086**	**34,929**	**21,575**	**14,756**

Non-HKFRS Measures

To supplement our consolidated statements of profit or loss, which are presented in accordance with HKFRS, we use adjusted net profit (Non-HKFRS measure) as a non-HKFRS measure, which is not required by, or presented in accordance with HKFRSs. We believe the presentation of this non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating the impact of certain items.

The following table reconciles our calculations of adjusted net profit (Non-HKFRS measure) with net profit for the year/period, which is presented in accordance with HKFRSs:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit for the year/period attributable to owners of the Company	13,644	35,086	34,929	21,575	14,756
Add:					
Transfer of Listing expenses	—	—	3,899	—	6,843
Adjusted net profit (Non-HKFRS measure)	13,644	35,086	38,828	21,575	21,599

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We generate our revenue from manufacturing slewing rings that conform to applicable JIS, which has higher quality control requirements than that produced in many other countries in the world. Since 2020, our Group has utilised the proceeds from the GEM Listing and has developed new products and provided a wider range of services by manufacturing mechanical parts and components for machineries besides slewing rings. During the Track Record Period, our products comprise of: (i) slewing rings which are (a) manufactured under ODM, OEM or OBM basis; and (b) sourced for our recurring customers; and (ii) mechanical parts and components which comprise mechanical parts and components that are either manufactured under ODM or sourced; and (iii) machineries sourced by us, including excavators and other machineries.

Revenue by product category

The following table sets forth the breakdown of our revenue by product category in each year/period of the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Slewing rings					
ODM	25,972	34,473	56,759	26,966	30,618
OEM	421	525	362	250	140
OBM	3,534	1,477	996	454	1,742
Sourcing	5,033	22,481	17,227	10,844	9,021
Sub-total	34,960	58,956	75,344	38,514	41,521
Mechanical parts and components					
ODM	5,581	8,311	8,950	5,325	3,980
Sourcing	11,738	25,856	16,116	10,852	11,371
Sub-total	17,319	34,167	25,066	16,177	15,351
Sourcing of machineries					
Excavators	17,220	27,167	16,493	8,809	9,799
Others	—	11,960	10,827	5,269	10,766
Sub-total	17,220	39,127	27,320	14,078	20,565
Total	**69,499**	**132,250**	**127,730**	**68,769**	**77,437**

The following table sets forth a breakdown of average selling price and quantities of our products sold by product category in each year/period of the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
	Average selling price		Average selling price		Average selling price		Average selling price		Average selling price	
	HK$	*units*	*HK$*	*units*	*HK$*	*units*	*HK$*	*units*	*HK$*	*units*
Slewing rings										
ODM	11,795	2,202	14,515	2,375	14,886	3,813	14,230	1,895	13,272	2,307
OEM	3,238	130	3,323	158	3,232	112	3,378	74	3,333	42
OBM	10,975	322	9,654	153	11,718	85	11,353	40	20,988	83
Sourcing	15,777	319	19,314	1,164	6,135	2,808	7,463	1,453	2,928	3,081
Sub-total		2,973		3,850		6,818		3,462		5,513
Mechanical parts and components										
ODM	1,982	2,816	122	68,305	82	109,767	263	20,284	1,036	3,843
Sourcing	2,866	4,096	3,507	7,372	1,735	9,291	2,024	5,361	783	14,514
Sub-total		6,912		75,677		119,058		25,645		18,357
Sourcing of machineries										
Excavators	1,721,973	10	936,792	29	458,133	36	440,447	20	445,425	22
Others	–	–	284,754	42	773,399	14	439,100	12	1,076,590	10
Sub-total		10		71		50		32		32
Total		**9,895**		**79,598**		**125,926**		**29,139**		**23,902**

The following table sets forth a breakdown of average selling price and quantities of our slewing rings sold by product size in each year/period of the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
	Average selling price		Average selling price		Average selling price		Average selling price		Average selling price	
	HK$	*units*	*HK$*	*units*	*HK$*	*units*	*HK$*	*units*	*HK$*	*units*
Slewing rings (ODM, OEM, OBM)										
Small-size	6,596	1,182	7,363	1,456	7,543	1,663	7,315	871	6,589	1,117
Medium-size	13,675	1,427	18,094	1,168	16,749	2,265	16,837	1,102	16,779	1,267
Large-size	58,140	45	74,542	62	93,127	82	76,206	36	80,874	48
Sub-total		**2,654**		**2,686**		**4,010**		**2,009**		**2,432**
Slewing rings (Sourcing)										
Small-size	6,460	118	6,505	441	290	1,586	299	679	48	2,395
Medium-size	14,480	152	19,054	452	5,603	580	5,445	357	6,016	318
Large-size	42,230	49	40,592	271	21,055	642	20,857	417	19,001	368
Sub-total		**319**		**1,164**		**2,808**		**1,453**		**3,081**
Total		**2,973**		**3,850**		**6,818**		**3,462**		**5,513**

Our revenue generated from the sales of slewing rings accounted for approximately 50.3%, 44.6%, 59.0% and 53.6% of our total revenue for each year/period of the Track Record Period, respectively, while our revenue generated from sales of mechanical parts and components accounted for approximately 24.9%, 25.8%, 19.6% and 19.8% of our total revenue for each year/period of the Track Record Period, respectively. Our sales generated from sales of machineries accounted for approximately 24.8%, 29.6%, 21.4% and 26.6% of our total revenue for each year/period of the Track Record Period, respectively. Please refer to the section headed "Business — Our products" in this listing document for further details of our products.

Slewing rings

ODM

Our ODM customers include wholesalers and traders, which slewing rings will be re-sold to end-users in the market and for the provision of related after-sales services, and construction contractors. Our revenue from sales of slewing rings manufactured under ODM remained the largest amongst our slewing ring products, which amounted to approximately HK$26.0 million, HK$34.5 million, HK$56.8 million and HK$30.6 million for FY2020, FY2021, FY2022 and 6M2023, representing approximately 37.4%, 26.1%, 44.4% and 39.5% of the total revenue, respectively.

OEM

We also manufacture slewing rings for some overseas customers on an OEM basis. Some of the leading Japanese manufacturers of machineries and equipments or their affiliates are our OEM customers. The OEM business includes the manufacture and sales of products based on customers' specifications and guidelines. Our revenue from sales of OEM slewing rings amounted to approximately HK$0.4 million, HK$0.5 million, HK$0.4 million and HK$0.1 million for FY2020, FY2021, FY2022 and 6M2023, representing approximately 0.6%, 0.4%, 0.3% and 0.2% of the total revenue, respectively.

OBM

We also derived our revenue from sales of our proprietary branded products on an OBM basis. Our revenue from sales to OBM customers amounted to approximately HK$3.5 million, HK$1.5 million, HK$1.0 million and HK$1.7 million for FY2020, FY2021, FY2022 and 6M2023, representing approximately 5.1%, 1.1%, 0.8% and 2.3% of the total revenue, respectively.

Sourcing

We source slewing rings for our customers. The slewing rings are mainly models which we do not manufacture currently as (i) they maybe of lower quality and the production of which would require different sets of raw materials we do not have; or (ii) they are of small quantity and it is 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 produce. Our revenue from such sales amounted to approximately HK$5.0 million, HK$22.5 million, HK$17.2 million and HK$9.0 million for FY2020, FY2021, FY2022 and 6M2023, representing approximately 7.2%, 17.0%, 13.5% and 11.6% of the total revenue, respectively.

Mechanical parts and components

ODM

Since 2020, we have commenced the manufacturing of mechanical parts and components for machineries besides slewing rings on ODM basis. Our revenue from such sales amounted to approximately HK$5.6 million, HK$8.3 million, HK$9.0 million and HK$3.9 million for FY2020, FY2021, FY2022 and 6M2023, representing approximately 8.0%, 6.2%, 7.0% and 5.1% of the total revenue, respectively.

Sourcing

Our Group also sources mechanical parts and components for our customers, mainly from those who have purchased slewing rings from us. It complements the main line of our business which enables our customers to enjoy a more comprehensive line of products. Our revenue from such sales amounted to approximately HK$11.7 million, HK$25.9 million, HK$16.1 million and HK$11.4 million for FY2020, FY2021, FY2022 and 6M2023, representing approximately 16.9%, 19.6%, 12.6% and 14.7% of the total revenue, respectively.

Machineries

We source heavy duty machineries, which are mainly excavators, for our customers. Our revenue from such sales amounted to approximately HK$17.2 million, HK$39.1 million, HK$27.3 million and HK$9.8 million for FY2020, FY2021, FY2022 and 6M2023, representing approximately 24.8%, 29.6%, 21.4% and 12.7% of the total revenue, respectively. Our revenue generated from sales of other machineries that we sourced such as pile drivers, trucks and wheel loaders amounted to approximately nil, HK$12.0 million, HK$10.8 million and HK$10.8 million for FY2020, FY2021, FY2022 and 6M2023, representing approximately nil, 9.1%, 8.5% and 13.9% of the total revenue, respectively.

For the reasons of the fluctuations of our revenue during the Track Record Period, please refer to the paragraph headed "Period-to-Period Comparison of Results of Operations" in this section.

The following table sets forth a breakdown of our sales of slewing rings by product size (in terms of inner diameter) in each year/period of the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	Quantities sold	*Quantities sold*	*Quantities sold*	*Quantities sold*	*Quantities sold*
Slewing rings *(note)*					
Small-size	1,300	1,897	3,249	1,550	3,512
Medium-size	1,579	1,620	2,845	1,459	1,585
Large-size	94	333	724	453	416
Total	**2,973**	**3,850**	**6,818**	**3,462**	**5,513**

Note: Small, medium and large sizes represent the inner diameter of slewing rings less than approximately 0.9 meter, approximately 1.0 meter to 1.3 meter and more than approximately 1.4 meter, respectively.

Revenue by geographical location

The following table sets forth a breakdown of our revenue by geographical location of our customers in each year/period of the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Singapore	24,120	45,858	51,216	27,961	28,098
Hong Kong	18,134	40,961	35,799	25,369	19,396
Malaysia	8,555	10,412	18,676	5,819	11,038
The Philippines	1,215	20,007	12,806	4,824	11,177
Japan	3,421	7,171	3,030	2,940	3,075
Vietnam	498	1,379	2,482	492	653
New Zealand	58	1,439	983	—	6
Northern Ireland	10,109	1,215	—	—	—
Others *(Note 1)*	3,389	3,808	2,738	1,364	3,994
Total	**69,499**	**132,250**	**127,730**	**68,769**	**77,437**

Note 1: Others mainly consist of Canada, Iceland, Taiwan, the PRC, Korea and Thailand.

Singapore

Revenue generated from the Singapore market increased from approximately HK$24.1 million for FY2020 by approximately 90.1% or HK$21.7 million to HK$45.9 million for FY2021, which was mainly due to the increase in sales from two major customers namely Customer A and Kangwoo. For FY2021, aggregate revenue generated from these two major customers in Singapore increased by approximately HK$19.1 million, from approximately HK$21.1 million for FY2020 to approximately HK$40.2 million. It was mainly attributable to (i) the increase in quantities of ODM slewing rings sold, from 994 in aggregate to 1,417 in aggregate; and (ii) sales of three excavators to one of these customers of approximately HK$7.1 million.

Revenue generated from the Singapore market further increased from approximately HK$45.9 million for FY2021 to approximately HK$51.2 million for FY2022. It was mainly due to (i) increased sales of ODM slewing rings of approximately HK$7.2 million due to the increase in sales quantities from 53 to 576 for another customer; and (ii) a new customer whom purchased our ODM slewing rings of approximately HK$4.2 million, and partially offset by the absence of sales in FY2022 from a customer as compared to sales of approximately HK$2.4 million in FY2021.

Revenue generated from Singapore market amounted to approximately HK$28.1 million for the 6M2023, which is at similar level as compare to that of approximately HK$28.0 million for the 6M2022.

Hong Kong

Revenue generated from Hong Kong increased significantly from approximately HK$18.1 million for FY2020 to approximately HK$41.0 million for FY2021, which was mainly due to the increase in revenue from (i) Customer E of approximately HK$9.1 million as we sourced 14 excavators for it; (ii) a customer of approximately HK$4.6 million as we expanded our product mix by sourcing five excavators of approximately HK$3.9 million as well as ODM slewing rings for it of approximately HK$0.3 million; and (iii) True Always of approximately HK$2.4 million as we (a) increased our sales of sourced mechanical parts and components quantities from 440 to 2,084 and (b) expanding our product mix by selling our ODM slewing rings to them of approximately HK$1.2 million.

Revenue generated from Hong Kong amounted to approximately HK$35.8 million for FY2022. The revenue generated mainly included (i) sales to our new customer, Customer F, of approximately HK$12.4 million as we sourced machineries of approximately HK$10.6 million, mainly excavators, and 74 units of mechanical parts and components of approximately HK$1.7 million; and (ii) sales to a new customer of HK$5.0 million for a pile driver.

Revenue generated from Hong Kong decreased from approximately HK$25.4 million for the 6M2022 to approximately HK$19.4 million for the 6M2023, which was mainly attributable to (i) the absence of sales to Customer C while we sold excavators and mechanical parts and components (including arm, boom buckets and telescopic boom) in an aggregate of approximately HK$4.4 million for 6M2022; and (ii) the decrease in sales of excavators to a construction contractor of approximately HK$2.9 million as a result of the decrease in sales quantities from 12 to 5, and partially offset by the sales of 4 articulated hauler of approximately HK$4.4 million to a new customer which is a construction contractor.

The Philippines

Revenue generated from the Philippines increased substantially from approximately HK$1.2 million for FY2020 to approximately HK$20.0 million for FY2021, which was mainly due to (i) sales to a new customer, Customer D, of approximately HK$17.7 million as we sourced mechanical parts and components of approximately HK$6.6 million and machineries of approximately HK$10.2 million which included an order of 20 trucks; and (ii) sales of ODM mechanical parts and components to a new customer for FY2021 of approximately HK$0.5 million.

Revenue generated from the Philippines decreased from approximately HK$20.0 million for FY2021 to approximately HK$12.8 million for FY2022, which was mainly attributable to the decrease in revenue from the Customer D of approximately HK$11.9 million to approximately HK$5.7 million due to absence of sales of truck in FY2022 when compared to sales of 20 trucks in FY2021 of approximately HK$9.2 million and partially offset by the increase in revenue from a new customer since FY2021 of approximately HK$5.3 million as we sourced seven machineries including construction machine and arms of approximately HK$5.0 million in aggregate.

Revenue generated from the Philippines increased from approximately HK$4.8 million for the 6M2022 to approximately HK$11.2 million for the 6M2023, which was mainly attributable to the increase in sales to Customer D of approximately HK$4.5 million, mainly due to (i) the increase in sales of mechanical parts and components we sourced of approximately HK$3.3 million as we expanded our product types so sold to Customer D as compared to that for the 6M2022 and (ii) the increase in sales of machineries of approximately HK$1.1 million as we sourced 3 fuel tanker trailers and a tractor for the 6M2023.

Malaysia

Revenue generated from Malaysia increased from approximately HK$8.6 million for FY2020 to approximately HK$10.4 million for FY2021, which was mainly due to the increase in revenue generated from sales to Titan Track Industries Sdn. Bhd ("**Titan**") of approximately HK$6.4 million as we, instead of solely selling our ODM and OBM slewing rings in FY2020, expanded our product mix in FY2021 by sourcing mechanical parts and components of approximately HK$3.6 million and slewing rings of approximately HK$4.6 million to this customer.

Revenue generated from Malaysia further increased to approximately HK$18.7 million for FY2022, which was mainly due to the increase in sales of our ODM and OBM slewing rings to Titan and Customer G of approximately HK$6.3 million, as we increased our sales quantities from 452 to 934 in aggregate.

Revenue generated from Malaysia increased from approximately HK$5.8 million for the 6M2022 to approximately HK$11.0 million for the 6M2023, which is mainly due to (i) the increase in sales to Customer G of approximately HK$3.2 million, (ii) increase in sales of our ODM slewing rings of approximately HK$2.1 million, with quantities increased from 167 to 312; and (iii) our expansion of product mix for sourcing 172 slewing rings of approximately HK$1.6 million for the 6M2023, while no such sales from sourcing for 6M2022.

Japan

We recorded an increase in revenue from Japan of approximately HK$3.8 million, from approximately HK$3.4 million for FY2020 to approximately HK$7.2 million for FY2021, which was mainly attributable to the increase in revenue from a new customer for FY2021 as we sourced a large-size excavator of approximately HK$4.4 million.

Revenue generated from Japan decreased from approximately HK$7.2 million for FY2021 to approximately HK$3.0 million for FY2022, which was mainly due to the decrease in revenue generated from the sales to the new customer for FY2021 mentioned above, where we purchased a medium-size excavator for approximately HK$0.6 million, and partially offset by (i) the increase in sales of our ODM slewing rings to Japanese customers of approximately HK$0.9 million; and (ii) sales of a medium-size ODM slewing ring to one new customer for FY2022 of approximately HK$27,000 as a test order.

Revenue generated from Japan amounted to approximately HK$3.1 million for the 6M2023, which is at similar level as compare to that of approximately HK$2.9 million for the 6M2022.

Northern Ireland

We recorded a significant decrease in revenue of approximately HK$8.9 million, from approximately HK$10.1 million for FY2020 to approximately HK$1.2 million for FY2021, which was mainly attributable to the change of product mix on the orders placed by a customer in Northern Ireland, when this customer purchased mainly excavators in FY2020 while it purchased mainly ODM slewing rings in FY2021.

No revenue was generated from Northern Ireland for FY2022 and the 6M2023.

Vietnam

We recorded an increase in revenue from Vietnam of approximately HK$0.9 million, from approximately HK$0.5 million for FY2020 to approximately HK$1.4 million for FY2021, which was mainly attributable to the increase in sales of our ODM slewing rings from a customer of approximately HK$0.9 million. For FY2022, we increased our sales of ODM slewing rings to that customer to approximately HK$2.2 million, resulted in a further increase in revenue generated from Vietnam for FY2022.

Revenue generated from Vietnam amounted to HK$0.7 million for 6M2023 as compared to approximately HK$0.5 million for 6M2022, and such increase was mainly due to the sales to a customer for 4 large size ODM slewing rings of approximately HK$0.6 million.

New Zealand

We recorded an increase in revenue from New Zealand of approximately HK$1.4 million, from approximately HK$58,000 for FY2020 to approximately HK$1.4 million for FY2021, which was mainly attributable to the sales of our 82 units of small-size and medium-size ODM slewing rings to a customer of approximately HK$1.3 million. For FY2022, we decreased our sales of ODM slewing rings to that customer to approximately HK$0.9 million due to the decrease in sales quantities from 82 in FY2021 to 55 in FY2022. Sales to New Zealand for 6M2023 are minimal.

Revenue by customer type

The following table sets forth the breakdown of our revenue by customer types in each year/period of the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Traders	36,203	89,031	74,355	41,718	49,386
Wholesalers	22,206	33,132	28,827	12,628	15,113
Construction contractors	9,998	8,087	21,704	13,671	12,145
Manufacturers	1,092	2,000	2,844	752	793
Total	**69,499**	**132,250**	**127,730**	**68,769**	**77,437**

Traders

Sales to traders increased significantly from approximately HK$36.2 million for FY2020 to approximately HK$89.0 million for FY2021, which was mainly due to the (i) increase in sales to (a) Customer A from approximately HK$13.1 million to approximately HK$23.6 million, which included increase in our sales of ODM slewing rings of approximately HK$6.5 million and sales of sourced slewing rings of approximately HK$3.8 million; (b) Kangwoo from approximately HK$8.0 million to approximately HK$16.6 million, which included sales of three excavators of approximately HK$7.1 million; and (c) a Hong Kong customer from approximately HK$1.7 million to approximately HK$6.4 million as we increased our product mix by sourcing five excavators of approximately HK$3.9 million as well as ODM slewing rings of approximately HK$0.3 million; (ii) sales to a new Customer D for FY2021 of approximately HK$17.7 million as we sourced mechanical parts and components of approximately HK$6.6 million and machineries of approximately HK$10.2 million which includes an order of 20 trucks; and (iii) sales to a new Japan customer for FY2021 of approximately HK$4.4 million for a large-size excavator we sourced for them.

Sales to traders decreased from approximately HK$89.0 million for FY2021 to approximately HK$74.4 million for FY2022, which was mainly due to the decrease in sales from Customer D by approximately HK$11.9 million due to the absence of sales of trucks in FY2022 as compared to sales of 20 trucks in FY2021.

Sales to traders increased from approximately HK$41.7 million for the 6M2022 to approximately HK$49.4 million for the 6M2023, which was mainly due to the increase in sales to (i) Customer D of approximately HK$4.5 million, attributable to (a) the increase in sales of mechanical parts and components we sourced of approximately HK$3.3 million as we expanded our product types; and (b) the increase in sales of machineries of approximately HK$1.1 million as we sourced 3 fuel tanker trailers and a tractor for the 6M2023; and (ii) to Customer G of approximately HK$3.2 million, attributable to (a) the increase in sales of our ODM slewing rings of approximately HK$2.1 million, as the sales quantities increased from 167 to 312; and (b) our expansion of product mix sold as we sourced 172 slewing rings of approximately HK$1.6 million for the 6M2023, while there was no such sale under sourcing for 6M2022.

Wholesalers

Sales to wholesalers increased from approximately HK$22.2 million for FY2020 to approximately HK$33.1 million for FY2021, which was mainly due to the increase in sales to (i) Titan from approximately HK$3.9 million to approximately HK$10.3 million due to expansion of our product mix in FY2021 by sourcing mechanical parts and components of approximately HK$3.6 million and slewing rings of approximately HK$4.6 million; and (ii) Customer E from nil to approximately HK$9.1 million for sales of 14 excavators.

Sales to wholesalers decreased from approximately HK$33.1 million for FY2021 to approximately HK$28.8 million for FY2022, which was mainly because no purchase order was placed by Customer E for FY2022 which procured products of approximately HK$9.1 million from us in FY2021. It was partially offset by the increase in sales from a Singaporean customer from approximately HK$3.3 million for FY2021 to approximately HK$7.6 million for FY2022, which was mainly due to the increase in ODM slewing rings revenue of approximately HK$7.2 million as the sales quantities of ODM slewing rings increased from 53 to 576.

Sales to wholesaler increased from approximately HK$12.6 million for the 6M2022 to approximately HK$15.1 million for the 6M2023, which was mainly due to the increase in sales to (i) a Singaporean wholesaler of approximately HK$1.0 million, with the increase in sales quantities of our ODM slewing rings from 223 to 301 caused by the increase in sales of small size slewing rings, while our average selling price to such customer are maintained at similar level; and (ii) a new Hong Kong wholesaler customer since 2nd half of 2022 of approximately HK$0.8 million as a result of the sales of our Group's new slewing ring products, i.e. 4 very large size slewing rings with inner diameter over 2 meters.

Construction contractors

Sales to construction contractors decreased from approximately HK$10.0 million for FY2020 to approximately HK$8.1 million for FY2021, which was mainly due to the decrease in sales from a Hong Kong customer from approximately HK$2.8 million to approximately HK$30,000, due to change in product mix as we sold medium-size excavator and two arms and buckets procured by this customer in FY2020 while it procured merely ODM arm and bucket in FY2021.

Sales to construction contractors increased significantly from approximately HK$8.1 million for FY2021 to approximately HK$21.7 million for FY2022. It was mainly due to the sales to two new Hong Kong customers including Customer F of approximately HK$12.4 million and HK$5.0 million, respectively.

Sales to construction contractors slightly decreased from approximately HK$13.7 million for the 6M2022 to approximately HK$12.1 million for the 6M2023, was mainly attributable to (i) the absence of sales to Customer C, while we sold excavators as well as mechanical parts and components such as arm and boom buckets and telescopic boom of approximately HK$4.4 million during 6M2022; and (ii) the decrease in sales in excavators to a Hong Kong customer of approximately HK$2.9 million, with decrease in sales quantities from 12 to 5, and partially offset by the sales of 4 articulated hauler of approximately HK$4.4 million to a new customer which is a construction contractor.

Manufacturers

Sales to manufactures increased from approximately HK$1.1 million for FY2020 to approximately HK$2.0 million for FY2021 and further increased to approximately HK$2.8 million for FY2022, which was mainly due to the increase in sales to a Vietnamese customer from approximately HK$0.5 million for FY2020 to approximately HK$1.4 million for FY2021 and then to approximately HK$2.2 million for FY2022, as a result of the increase in orders on our ODM slewing rings.

Revenue generated from manufacturer amounted to approximately HK$0.8 million for the 6M2023, which is at similar level as compare to that of approximately HK$0.8 million for the 6M2022.

Cost of sales

Our cost of sales primarily consists of cost of inventories and consumables, depreciation of plant and machinery, overheads and direct labour costs relating to our production. The following table sets forth a breakdown of our cost of sales in each year/period of the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Cost of inventories and consumables	36,865	70,004	61,594	33,186	40,275
Depreciation	1,357	1,194	1,561	581	1,045
Overheads	1,331	1,646	1,989	680	1,270
Direct labour costs	3,809	4,896	4,662	2,455	3,009
Total	**43,362**	**77,740**	**69,806**	**36,902**	**45,599**

Cost of inventories and consumables

Cost of inventories and consumables represent costs paid for raw materials such as forged rings and steel balls for the production of our products. It remained the largest portion of our costs of sales during the Track Record Period which represented approximately 85.0%, 90.1%, 88.2% and 88.3% for FY2020, FY2021, FY2022 and 6M2023, respectively. Our cost of inventories and consumables increased substantially by approximately HK$33.1 million, or 89.9%, from approximately HK$36.9 million for FY2020 to approximately HK$70.0 million for FY2021, which was in line with the increase in revenue. It then decreased by approximately HK$8.4 million, or 12.0%, to approximately HK$61.6 million for FY2022 which was in line with the decrease in revenue from our sourcing businesses. For the 6M2023, our cost of inventories and consumables increased to approximately HK$40.3 million, from approximately HK$33.2 million for 6M2022, which was in line with the increase in revenue.

Depreciation

Depreciation represents depreciation of plant and machinery and the portion of right-of-use assets incurred for the production of our products. Our depreciation charges slightly decreased from approximately HK$1.4 million for FY2020 to approximately HK$1.2 million for FY2021. It then increased to approximately HK$1.6 million for FY2022, which was mainly attributable to the increase in depreciation charges from our newly acquired equipments and machineries during FY2022 by utilising our proceeds from the GEM Listing. For the 6M2023, our depreciation charges increased to approximately HK$1.0 million, from approximately HK$0.6 million for 6M2022, which was mainly due to the increase in depreciation charges from our newly acquired equipment and machineries which commenced operations in 6M2023.

Overheads

Overheads represent water charges, transportation fees and other charges on the production of our products. Our overheads slightly increased from approximately HK$1.3 million for FY2020 to approximately HK$1.6 million for FY2021, which was in line with the increase in revenue. It then further increased to approximately HK$2.0 million for FY2022, which was mainly attributable to the increase in our production activities as evidenced by the increase in sales in quantities for our ODM slewing rings and ODM mechanical parts and components. For the 6M2023, our overheads increased to approximately HK$1.3 million, from approximately HK$0.7 million for 6M2022, which was mainly due to the increase in our production activities as there was an increase in sales quantities for our slewing rings manufactured by us.

Direct labour costs

Direct labour costs represent salaries and other benefits paid to personnel directly involved in the production of our products. Our direct labour costs increased from approximately HK$3.8 million for FY2020 to approximately HK$4.9 million for FY2021, which was mainly due to (i) lower labour costs recorded in FY2020 due to the disruption of our production facility as a result of the outbreak of COVID-19 and (ii) the increase in production scale in FY2021. It then slightly decreased to approximately HK$4.7 million for FY2022. For the 6M2023, our direct labour costs increased to approximately HK$3.0 million, from approximately HK$2.5 million for 6M2022, which was mainly due to the increase in production activities in 6M2023 as there was increase in sales of self-manufacturing slewing rings.

Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of inventories and consumables and direct labour costs, being the major components of our cost of sales, on our profit before taxation during the Track Record Period. The percentage adopted in the analysis below is based on the reasonable change in the cost variable with reference to the historical year-on-year fluctuation of our cost of inventories and consumables and direct labour costs.

	Increase/(decrease) in profit before taxation for the year ended 31 December			Increase/(decrease) in profit before taxation for the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hypothetical change in cost of inventories and consumables				
+5%	(1,843)	(3,500)	(3,080)	(2,014)
+10%	(3,687)	(7,000)	(6,159)	(4,028)
-5%	1,843	3,500	3,080	2,014
-10%	3,687	7,000	6,159	4,028

	Increase/(decrease) in profit before taxation for the year ended 31 December			Increase/(decrease) in profit before taxation for the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hypothetical change in direct labour costs				
+5%	(190)	(245)	(233)	(150)
+10%	(381)	(490)	(466)	(301)
-5%	190	245	233	150
-10%	381	490	466	301

Gross profit and gross profit margin by product category

Our gross profit was calculated by deducting our cost of sales from our revenue. The following table sets forth a summary of our gross profit earned by product category and the respective margin in each year/period of the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
		Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Slewing rings										
ODM	13,145	50.6	17,892	51.9	32,131	56.6	14,689	54.5	18,545	60.6
OEM	51	12.1	53	10.2	79	22.0	59	23.6	45	32.1
OBM	1,557	44.1	591	40.0	471	47.3	214	47.1	872	50.1
Sourcing	1,906	37.9	9,854	43.8	7,327	42.5	4,733	43.6	3,799	42.1
Sub-total	**16,659**	**47.7**	**28,390**	**48.2**	**40,008**	**53.1**	**19,695**	**51.1**	**23,261**	**56.0**
Mechanical parts and components										
ODM	2,038	36.5	3,534	42.5	3,642	40.7	1,930	36.2	1,928	48.4
Sourcing	4,030	34.3	12,054	46.6	6,508	40.4	4,947	45.6	2,712	23.9
Sub-total	**6,068**	**35.0**	**15,588**	**45.6**	**10,150**	**40.5**	**6,877**	**42.5**	**4,640**	**30.2**
Sourcing of machineries										
Excavators	3,409	19.8	7,175	26.4	5,369	32.6	3,876	44.0	2,577	26.3
Others	–	–	3,358	28.1	2,396	22.1	1,419	26.9	1,360	12.6
Sub-total	**3,409**	**19.8**	**10,533**	**26.9**	**7,765**	**28.4**	**5,295**	**37.6**	**3,937**	**19.1**
Total	**26,137**	**37.6**	**54,510**	**41.2**	**57,924**	**45.3**	**31,867**	**46.3**	**31,838**	**41.1**

Our gross profit increased from approximately HK$26.3 million for FY2020 to approximately HK$54.5 million for FY2021. It then further increased to approximately HK$57.9 million for FY2022. Our gross profit amounted to approximately HK$31.8 million for the 6M2023, which is at similar level as compared to that of approximately HK$31.9 million for the 6M2022. The gross profit margin of our Group for each of the year/period of the Track Record Period amounted to approximately 37.6%, 41.2%, 45.3% and 41.1%, respectively. For the reasons of the fluctuations of our gross profit and gross profit margin during the Track Record Period, please refer to the paragraphs headed "Period-to-Period Comparison of Results of Operations" in this section.

Gross profit and gross profit margin by product size

The following table sets forth a summary of our gross profit of our slewing rings earned by product size and the respective margin in each year/period of the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
		Gross Profit Margin		Gross Profit Margin		Gross Profit Margin		Gross Profit Margin		Gross Profit Margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Slewing rings										
Small-size	4,763	55.7	6,732	49.5	7,663	58.9	3,585	54.5	4,669	62.5
— Self-manufactured *(Note)*	4,493	57.6	5,662	52.8	7,433	59.2	3,503	55.0	4,666	63.4
— Sourcing	271	35.5	1,071	37.3	231	50.1	82	40.3	3	2.9
Medium-size	9,664	44.5	14,360	48.3	21,360	51.9	10,393	50.7	12,959	55.9
— Self-manufactured *(Note)*	8,851	45.4	10,489	49.6	20,302	53.5	9,752	52.6	12,283	57.8
— Sourcing	813	37.0	3,871	44.9	1,058	32.6	641	33.0	676	35.3
Large-size	2,232	47.6	7,298	46.7	10,985	51.9	5,716	50.0	5,634	51.8
— Self-manufactured *(Note)*	1,410	53.9	2,386	51.6	4,948	64.8	1,706	62.2	2,515	64.8
— Sourcing	822	39.7	4,912	44.7	6,038	44.7	4,010	46.1	3,119	44.6
Total	**16,659**	**47.7**	**28,390**	**48.2**	**40,008**	**53.1**	**19,695**	**51.1**	**23,261**	**56.0**

Note: Self-manufactured refers to our ODM, OEM and OBM slewing rings.

During the Track Record Period, our self-manufactured slewing rings generated higher gross profit margin than that of the slewing rings we sourced, irrespective of their product sizes. The higher gross profit margin generated from our self-manufactured slewing rings was mainly due to our high standards of our self-manufactured slewing rings that conform to premium standards under JIS while our sourced slewing rings are mainly models which we do not manufacture currently as (i) they may be of lower quality and their production would require different raw materials which we do not have; or (ii) they are of small quantity and it is not commercially justifiable for us to spend efforts on product development for such small scale productions; or (iii) they are of a size which we do not manufacture.

Gross profit and gross profit margin by geographical location

The following table sets forth a summary of our gross profit earned by geographical location and the respective margin in each year/period of the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
		Gross Profit Margin		Gross Profit Margin		Gross Profit Margin		Gross Profit Margin		Gross Profit Margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Singapore	11,351	47.1	20,006	43.6	27,308	53.3	14,476	51.8	16,166	57.5
Hong Kong	5,740	31.7	13,635	42.1	13,354	37.3	10,457	41.2	4,485	23.1
Malaysia	3,782	44.2	8,833	46.5	9,202	49.3	2,747	47.2	5,843	52.9
The Philippines	545	44.8	6,908	34.5	3,175	24.8	1,923	39.9	2,123	19.0
Japan	1,604	46.9	1,884	26.3	1,404	46.3	1,358	46.2	924	30.0
Vietnam	290	58.4	705	51.1	1,518	61.2	281	57.1	440	67.4
New Zealand	20	34.1	789	54.8	602	61.2	—	—	4	88.2
Northern Ireland	1,600	15.8	438	36.1	—	—	—	—	—	—
Others*(Note)*	1,204	35.5	1,314	34.5	1,361	49.7	625	45.9	1,854	46.4
Total	**26,137**	**37.6**	**54,510**	**41.2**	**57,924**	**45.3**	**31,867**	**46.3**	**31,838**	**41.1**

Note: Others mainly consist of Canada, Taiwan, The PRC, Korea and Thailand.

Our overall gross profit margin increased from approximately 37.6% in FY2020 to approximately 41.2% in FY2021, mainly due to the increase in gross profit margin generated from Hong Kong, as a result of the change in product mix as requested by our customers for mechanical parts and components. For instance, we sold (i) four telescope booms to a Hong Kong customer in FY2021 and recorded a gross profit margin of approximately 52.7%; and (ii) two buckets and five hydraulic pumps to a Hong Kong customer in FY2021 and recorded a gross profit margin of approximately 52.6% and 53.8%, respectively.

Our overall gross profit margin further increased from approximately 41.2% in FY2021 to approximately 45.3% in FY2022, as a result of the increase in gross profit margin generated from Singapore, mainly due to our increase in gross profit margin of ODM slewing rings and such increase was mainly due to (a) the increase in quantities of large-size slewing rings sold with higher profit margin compared to other types of ODM slewing rings from 27 to 39; (b) the maintenance of our selling price level during FY2022 after the price increment by our Group in FY2021; and (c) the decrease in our raw material cost, as particularly demonstrated by the decrease of average purchase cost of forged rings of approximately 5.8% from HK$7,593.75 per ton in FY2021 to HK$7,156.63 per ton in FY2022.

Our overall gross profit margin decreased from approximately 46.3% in 6M2022 to approximately 41.1% in 6M2023, mainly because of (i) the decrease in gross profit margin from Hong Kong market from approximately 41.2% for 6M2022 to 23.1% for 6M2023, mainly due to sales of machineries with low gross profit margin to a new customer which is a Hong Kong construction contractor with an aim to establish a long term relationship with it; and (ii) higher gross profit margin recorded for 6M2022 as a result of the gross profit margin of approximately 49.1% from the sales of machineries and sourcing of mechanical parts and components to a Hong Kong customer while no sales to such customer was recorded during 6M2023; partially offset by the increase in gross profit margin generated from

Singapore during 6M2023, mainly due to the increase in gross profit margin of ODM slewing rings as there were increase in quantities of large-size slewing rings sold which has the highest gross profit margin among all ODM slewing rings and decrease in our raw material cost.

Gross profit and gross profit margin by customer type

The following table sets forth a summary of our gross profit earned by customer type and the respective margin in each year/period of the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
		Gross Profit Margin		Gross Profit Margin		Gross Profit Margin		Gross Profit Margin		Gross Profit Margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Traders	15,948	44.1	36,256	40.7	36,236	48.7	19,728	47.3	22,344	45.2
Wholesalers	6,989	31.5	13,389	40.4	11,956	41.5	5,678	45.0	6,628	43.8
Construction contractors	2,847	28.5	4,094	50.6	8,134	37.5	6,115	44.7	2,381	19.6
Manufacturers	352	32.2	771	38.5	1,598	56.2	346	46.0	485	61.1
Total	**26,137**	**37.6**	**54,510**	**41.2**	**57,924**	**45.3**	**31,867**	**46.3**	**31,838**	**41.1**

Our pricing policy of our products are determined on a cost-plus basis taking into several consideration factors regardless of customer type and location. Please refer to the section headed "Business — Pricing Policy" in this listing document for details of our pricing policy.

Our overall gross profit margin increased from approximately 37.6% in FY2020 to approximately 41.2% in FY2021, mainly because the increase in gross profit margin generated from (i) wholesalers which increased from approximately 31.5% for FY2020 to approximately 40.4%, which was mainly due to (a) the gross profit margin of approximately 39.2% generated from a Hong Kong wholesaler from sales of excavators which were in better condition, with no identifiable need for any replacement of any parts of the excavators, and thus yielded a higher margin; and (b) the gross profit margin of approximately 51.2% generated from a Malaysian wholesaler from sales of the sourcing track chains and shoes; and (ii) construction contractors which increased from approximately 28.6% for FY2020 to approximately 50.6%, which was mainly due to the change in product mix as requested by our Hong Kong customer for mechanical parts and components. For instance, we sold four telescope booms to a Hong Kong customer in FY2021 and recorded a gross profit margin of approximately 52.7%.

Our overall gross profit margin further increased from approximately 41.2% in FY2021 to approximately 45.3% in FY2022 mainly due to the increase in gross profit margin generated from (i) traders which increased from approximately 40.7% for FY2020 to approximately 48.7%, which was mainly due to our sales of ODM slewing rings to Customer A and Kangwoo; and (ii) manufacturers which increased from approximately 38.5% for FY2020 to approximately 56.2%, due mainly to our sales of mainly large-size ODM slewing rings which generally had the highest gross profit margin among all ODM slewing rings, to a Vietnamese customer. For the reasons for the increase in gross profit and gross profit margin of ODM slewing rings, please refer to the paragraphs headed "Period-to-Period Comparison of Results of Operations" in this section.

Our overall gross profit margin decreased from approximately 46.3% in 6M2022 to approximately 41.1% in 6M2023, mainly because of (i) the decrease in gross profit margin from traders from approximately 47.3% for 6M2022 to 45.2% for 6M2023, primarily due to the decrease of gross profit margin from (i) the sourcing of mechanical parts and components from (a) a Hong Kong trader and (b) a Filipino trader due to the change of product mix as requested by them; and (ii) the decrease in gross profit margin from construction contractors from approximately 44.7% for 6M2022 to 19.6% for 6M2023, primarily due to (a) sales of machineries with low gross profit margin to a new customer with an aim to establish a long term relationship with it; and (b) higher gross profit margin recorded for 6M2022 as a result of the gross profit margin of approximately 49.1% from the sales of machineries and sourcing of mechanical parts and components to a customer while no sales to such customer was recorded during 6M2023.

Other income and other losses, net

Our other income primarily consisted of sales of scrapped materials, income from employment support scheme and government grants during the Track Record Period, which were approximately HK$0.6 million, HK$0.4 million, HK$0.6 million and HK$0.3 million for FY2020, FY2021, FY2022 and 6M2023, respectively. The following table sets forth a breakdown of our other income by nature in each year/period of the Track Record Period:

Other income:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Sale of scrapped materials	180	302	376	176	182
Employment support scheme	198	—	144	—	—
Government grants	240	—	—	48	—
Sundry income	14	80	47	3	47
Total	**632**	**382**	**567**	**227**	**299**

Our other gain/(losses), net represented mainly the net exchange differences arose from the fluctuations in the exchange rate of USD against RMB during the Track Record Period. As most of our customers are located overseas, our revenue is generally denominated in USD. On the other hand, our operations and productions are in the PRC, as such our expenses are generally denominated in RMB. As a result, exchange differences arose from the fluctuations in exchange rate during the year. For FY2020, FY2021, FY2022 and 6M2023, we recorded a loss of approximately HK$1.0 million, a loss of approximately HK$0.5 million, a gain of approximately HK$1.3 million and a gain of approximately HK$1.2 million, respectively. The following table sets forth the exchange differences in each year/period of the Track Record Period:

Other gains/(losses), net:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Exchange differences, net	(1,047)	(465)	1,333	850	1,211

Selling and distribution expenses

Our selling and distribution expenses mainly consist of (i) freight and transportation charges; and (ii) customs and declaration. The following table sets forth a breakdown of our selling and distribution expenses by nature in each year/period of the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Freight and transportation charges	709	1,622	2,057	1,063	818
Customs and declaration	185	261	318	157	130
Package fee	179	218	285	122	121
Others *(Note)*	7	6	27	6	4
Total	**1,080**	**2,106**	**2,687**	**1,348**	**1,073**

Note: Others mainly consisted of travelling expenses, motor vehicle expenses and other expenses.

Our selling and distribution expenses increased from approximately HK$1.1 million for FY2020 to HK$2.1 million for FY2021, and further increased to HK$2.7 million for FY2022. For 6M2023, our selling and distribution expenses amounted to approximately HK$1.1 million, represented a slight decrease from approximately HK$1.3 million for 6M2022. For the reasons of the fluctuations of our selling and distribution expenses during the Track Record Period, please refer to the paragraphs headed "Period-to-Period Comparison of Results of Operations" in this section.

Administrative expenses

Our administrative expenses mainly comprised of (i) staff costs; (ii) legal and professional fees; (iii) auditors' remuneration; (iv) depreciation; (v) security services fee; and (vi) Transfer of Listing expenses. The following table sets forth a breakdown of our administrative expenses by nature in each year/period of the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Staff costs	4,218	5,723	7,438	3,518	3,653
Legal and professional fees	1,563	1,688	1,482	802	812
Auditors' remuneration	1,000	1,100	1,050	550	500
Depreciation	377	641	620	141	822
Security services fee	173	236	249	127	142
Bank charges	106	186	157	18	156
Office expenses	154	149	144	190	210
Transfer of Listing expenses	—	—	3,899	—	6,843
Others*(Note)*	755	749	852	470	794
Total	**8,346**	**10,472**	**15,891**	**5,816**	**13,932**

Note: Others mainly consisted of marketing expenses, rental expenses, research and development expenses, water and electricity fees, travelling expenses etc.

Our legal and professional fees mainly represented the fees to our legal adviser, compliance adviser, share registrar, internal control review expert and financial printer, etc. which were engaged by us for the necessary professional services for our compliance with the GEM Listing Rules related matters following the GEM Listing.

Our administrative expenses increased from approximately HK$8.3 million for FY2020 to HK$10.5 million for FY2021, representing an increase of approximately 25.5%, and further increased to HK$15.9 million for FY2022, representing an increase of approximately 51.7%. For 6M2023, our administrative expenses amounted to approximately HK$13.9 million, represented a substantial increase from approximately HK$5.8 million for 6M2022. Please refer to the paragraphs headed "Period-to-Period Comparison of Results of Operations" in this section for the detailed reasons for the fluctuations of administrative expenses during the Track Record Period.

Finance (costs)/income, net

Our finance income are the interest income on cash and cash equivalents while our finance costs are the interest expenses on lease liabilities. The following table sets forth a breakdown of finance income and finance costs in each year/period of the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Finance income					
Interest income on cash and cash equivalents	69	24	190	24	346
Finance costs					
Interest expenses on lease liabilities	(113)	(7)	(4)	(49)	(4)
Finance (costs)/income, net	(44)	17	186	(25)	342

Our finance costs represented our interest expenses of our lease liabilities which were partially offset by our interest income from our bank deposits. We recorded a net finance cost of approximately HK$44,000 for FY2020 and turned around to a net finance income of approximately HK$17,000 for FY2021. For FY2022, we recorded a net finance income of approximately HK$0.2 million. For 6M2023, we recorded a net finance income of approximately HK$0.3 million. For detailed reasons, please refer to the paragraphs headed ''Period-to-Period Comparison of Results of Operations'' in this section.

Income tax expense

Our Group's major components of income tax expense in each year/period of the Track Record Period were as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current income tax					
— the PRC	935	661	2,208	1,238	1,582
— Hong Kong	1,725	6,197	4,704	2,942	2,183
— Over provision of prior periods	(38)	(49)	(41)	—	115
Total current income tax	2,622	6,809	6,871	4,180	3,880
Deferred tax	(14)	(29)	(368)	—	49
Total	**2,608**	**6,780**	**6,503**	**4,180**	**3,929**

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

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before income tax	16,252	41,866	41,432	25,755	18,685
Tax calculated at tax rates applicable to profits of the respective subsidiaries	2,436	6,652	6,403	3,960	2,736
Income not subject to tax	—	—	(43)	—	(98)
Expenses not deductible for tax purposes	391	399	653	220	1,415
Research and development tax credit *(Note)*	(181)	(222)	(469)	—	(239)
Over provision of prior periods	(38)	(49)	(41)	—	115
Total	**2,608**	**6,780**	**6,503**	**4,180**	**3,929**

Note: According to relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 75% for FY2020 and 100% for FY2021 and FY2022 and 6M2023 for the research and development expenses.

We are subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which we are domiciled and those in which we operate.

For Hong Kong profit tax, in accordance with the two-tiered profits tax rates regime effective from 1 January 2018, Hong Kong profits tax is calculated at 8.25% on the first HK$2,000,000, and 16.5% on the remaining balance of the estimated assessable profits of an operating subsidiary during the Track Record Period.

For the PRC enterprise income tax, under the EIT Law, the applicable income tax rate for Kyoei Seiki in the PRC is 25%.

Pursuant to the EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "**Certificate**") and completing the tax reduction and exemption filing with the tax authorities. Kyoei Seiki renewed the Certificate when it expired on 8 November 2020 and the renewed Certificate will expire on 8 December 2023. During the Track Record Period, as a result of Kyoei Seiki qualifying for the High New Technology Enterprise status, the applicable tax rate of Kyoei Seiki is 15%.

Our income tax expense amounted to HK$2.6 million, HK$6.8 million, HK$6.5 million and HK$3.9 million for FY2020, FY2021, FY2022 and 6M2023, respectively. Our effective tax rates, calculated by dividing income tax expense by profit before taxation, were approximately 16.0%, 16.2% 15.7% and 21.0% for FY2020, FY2021, FY2022 and 6M2023, respectively.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

6M2023 compared with 6M2022

Revenue

Our Group's revenue increased by approximately HK$8.7 million, or 12.6%, from approximately HK$68.8 million for 6M2022 to approximately HK$77.4 million for 6M2023, mainly due to the increase in revenue in (a) sales of ODM slewing rings; (b) sales of OBM slewing rings and (c) sourcing of machineries, partially offset by the decrease in revenue in sourcing of slewing rings. Details of which are set out below:

(a) ODM slewing rings

Our sales of ODM slewing rings slewing rings increased by approximately HK$3.7 million, or 13.5%, from approximately HK$27.0 million for 6M2022 to approximately HK$30.6 million for 6M2023. The increase was mainly because:

(i) the average utilisation rate of our production capacity increased for 6M2023 as compared to that for FY2022;

(ii) our customers, which were mainly international traders and wholesalers, continued to increase its business activities during 6M2023. This could be demonstrated by:

- Orders from Customer A that shipped to Malaysia and the Netherlands increased from 768 units to 1,047 units;
- Orders from Titan that shipped to Malaysia increased from 108 units to 261 units; and
- Orders from Customer G that shipped to Malaysia increased from 167 units to 312 units.

We recorded an increase of approximately HK$5.3 million in aggregate for the 6M2023; and

(iii) sales to a new customer located in Taiwan of approximately HK$1.2 million.

(b) OBM slewing rings

Our sales of OBM slewing rings increased from approximately HK$0.5 million for the 6M2022 to approximately HK$1.7 million for the 6M2023. Such increase was mainly due to the sales of our very large slewing rings (i.e. with an inner diameter over 2 meters) to a Hong Kong customer of approximately HK$0.8 million as our new equipment now enable us to produce larger slewing rings up to inner meters of approximately 3.6m.

(c) Sourcing of machineries

Our sales of machineries that we sourced for our customers increased by approximately HK$6.5 million, or 46.1%, from approximately HK$14.1 million for 6M2022 to approximately HK$20.6 million for 6M2023 which was mainly due to the increase in sales of other machineries that we sourced. For 6M2023, we were able to secure a sales order of 4 articulated haulers which have a high unit selling price in general from a new Hong Kong customer which is a construction contractor. Such sales amounted to approximately HK$4.4 million.

(d) Sourcing of slewing rings

Our sales of slewing rings that we sourced for our customers decreased by approximately HK$1.8 million, or 16.8%, from approximately HK$10.8 million for 6M2022 to approximately HK$9.0 million for 6M2023, which was mainly due to the switch from sourcing slewing rings from us to ordering slewing rings manufactured by us due to the increase in demand of our self-manufactured slewing rings. This could be demonstrated by the change from sourcing to ordering slewing rings manufactured by us from Titan, which we did not source any slewing rings for it for 6M2023 whereas our sales to Titan of our ODM and OBM slewing rings increased by approximately HK$2.8 million to approximately HK$4.8 million for 6M2023.

Cost of sales

Cost of sales increased by approximately HK$8.7 million, or approximately 23.6%, from approximately HK$36.9 million for 6M2022 to approximately HK$45.6 million for 6M2023. The increase was mainly due to (i) the increase in cost of inventories and consumables to approximately HK$40.3 million, from approximately HK$33.2 million for 6M2022, which was in line with the increase in revenue; (ii) the increase in (a) direct labour costs to approximately HK$3.0 million, from approximately HK$2.5 million for 6M2022; and (b) overheads costs to approximately HK$1.3 million, from approximately HK$0.7 million for 6M2022, which was mainly due to the increase in production activities in 6M2023 as there was increase in sales of self-manufacturing slewing rings; and (iii) increase in depreciation charges to approximately HK$1.0 million, from approximately HK$0.6 million for 6M2022, which was mainly due to the increase in depreciation charges from our newly acquired equipment and machineries which commenced operations during 6M2023.

Gross profit and gross profit margin

Our gross profit for the 6M2023 were approximately HK$31.8 million, which was at similar level as compared to that of approximately HK$31.9 million for 6M2022.

Our gross profit margin decreased from approximately 46.3% for 6M2022 to approximately 41.1% for 6M2023, which was primarily due to the decrease in gross profit margin from (a) sourcing of machineries; (b) sourcing of mechanical parts and components, partially offset by the improvement of our gross profit margins in the ODM slewing rings and ODM mechanical parts and components. Details of which are set out below:

(a) Sourcing of machineries

Our gross profit margin of sourcing of machineries decreased from approximately 37.6% for 6M2022 to approximately 19.1% for 6M2023, which was mainly due to:

(i) the decrease in gross profit margin from the sales of excavators from approximately 44.0% for 6M2022 to approximately 26.9% for 6M2023, due mainly to the increase in sales of 5 new excavators for the 6M2023 as compared to 1 new excavator sold for 6M2022. New excavators generally has lower gross profit margin as the purchase costs was higher than the used excavator and hence there was a slight room for further mark up by us; and

(ii) the decrease in gross profit margin from the sales of other machineries from approximately 26.9% for 6M2022 to approximately 12.6% for 6M2023, mainly because of the low gross profit margin recorded from a new Hong Kong customer which is a construction contractor with an aim to establish a long term relationship with the customer.

(b) Sourcing of mechanical parts and components

Our gross profit margin of mechanical parts and components that we sourced for our customers decreased from approximately 45.6% for 6M2022 to approximately 23.9% for 6M2023, which was mainly due to the change of product mix as requested by our customer.

For instance, we sold mechanical parts and components during 6M2022 with higher gross profit margin such as (i) two telescope booms to a Hong Kong customer and recorded a gross profit margin of approximately 49.8%; and (ii) 29 hydraulic pumps to 5 customers and recorded a gross profit margin of approximately 51.6%. The respective customers did not order for more mechanical parts and components during 6M2023, as certain mechanical parts and components are not required to be replaced frequently.

(c) ODM slewing rings

Our gross profit margin on sales of ODM slewing rings increased from approximately 54.5% for 6M2022 to approximately 60.6% for 6M2023. This was mainly due to (i) the increase in quantities of large-size slewing rings sold from 36 to 43, while the gross profit margin of large-size ODM slewing rings was approximately 69.3% for 6M2023, which was the highest among all ODM slewing rings; and (ii) the decrease in our average production costs from approximately HK$6,479 for 6M2022 to approximately HK$5,232 for 6M2023, mainly because we utilised the forged rings purchased in the second half of FY2022 where the average purchase price of forged rings in the second half of FY2022 was lower.

(d) ODM mechanical parts and components

Our gross profit margin on sales of mechanical parts and components on ODM basis increased from approximately 36.2% for 6M2022 to approximately 48.4% for 6M2023, which was mainly due to the change in the product mix as requested by our customer and we sold more coil springs from 207 units to 309 units which generally has higher gross profit margin than other ODM mechanical parts and components. Such higher gross profit margin was mainly due to (i) the higher purchase costs of coil springs and (ii) more procedures of works are required, and hence we were able to charge our customers with gross profit margin of approximately 60.2% in average for 6M2023.

Other income & other gain, net

Other income remained relatively stable of approximately HK$0.3 million for 6M2023 as compared to that of approximately HK$0.2 million for 6M2022.

For 6M2023, we recorded other gains from exchange differences, net of approximately HK$1.2 million as compared to other gain, net of approximately HK$0.9 million for 6M2022, primarily due to the depreciation of RMB against USD during the period.

Selling and distribution expenses

Our selling and distribution expenses decreased from approximately HK$1.3 million for 6M2022 to approximately HK$1.1 million for 6M2023, which was mainly due to the decrease in freight and transportation charges of approximately HK$0.2 million mainly because the decrease in freight fee charged by logistic providers for shipment to the United States.

Administrative expenses

Administrative expenses increased from approximately HK$5.8 million for 6M2022 to approximately HK$13.9 million for 6M2023. Such increase was mainly due to (i) the Transfer of Listing expenses incurred of approximately HK$6.8 million for 6M2023 while no such expenses for 6M2022 and (ii) the depreciation charge on a motor vehicle acquired in December 2022.

Finance income/costs, net

For 6M2023, our finance income, which represents the interest income on cash and cash equivalents amounted to approximately HK$0.3 million. Our finance costs, which represents interest expenses on lease liabilities decreased from approximately HK$49,000 for 6M2022 to approximately HK$4,000 for 6M2023.

As a result, we recorded a net finance income of approximately HK$0.3 million for 6M2023 as compared to a net finance costs of approximately HK$25,000 for 6M2022.

Income tax expense

The income tax expenses slightly decreased from approximately HK$4.2 million for 6M2022 to approximately HK$3.9 million for 6M2023. The effective tax rates were approximately 16.2% and 21.0% for 6M2022 and 6M2023, respectively. The increase in effective tax rate for 6M2023 was mainly due to the increase in expenses not deductible for tax purposes of approximately HK$1.4 million, primarily because of the Transfer of Listing expenses of approximately HK$6.8 million being recorded in 6M2023.

Profit for the period attributable to owners of the Company and net profit margin

As a result of the foregoing, our profit for the period attributable to owners of the Company decreased from approximately HK$21.6 million for 6M2022 to approximately HK$14.8 million for 6M2023. The net profit margin was 31.4% and 19.1%, respectively.

FY2022 compared with FY2021

Revenue

Our Group's revenue decreased by approximately HK$4.5 million, or 3.4%, from approximately HK$132.3 million for FY2021 to approximately HK$127.7 million for FY2022, mainly due to the decrease in revenue from (a) sourcing of slewing rings; (b) sourcing of mechanical parts and components and (c) sourcing of machineries, partially offset by the increase in revenue in ODM slewing rings. Details of which are set out below:

(a) Sourcing of slewing rings

Our sales of slewing rings that we sourced for our customers decreased by approximately HK$5.3 million, or 23.4%, from approximately HK$22.5 million for FY2021 to approximately HK$17.2 million for FY2022, which was mainly due to the switch from sourcing slewing rings from us to ordering slewing rings manufactured by us due to the increase in demand of our self-manufactured slewing rings following the resumption of business activities and relaxation of COVID-19 restrictions overseas during FY2022. This could be demonstrated by the change from sourcing to ordering slewing rings manufactured by us from Customer G, one of our top five customers, which recorded a decrease in revenue from sourcing of slewing rings by approximately HK$3.2 million as a result of the decrease in sales quantities from 189 to 149 units of medium-size slewing rings whereas our sales to Customer G of our ODM medium-size premium slewing rings increased from 108 to 359.

(b) Sourcing of mechanical parts and components

Our sales of mechanical parts and components that we sourced for our customers decreased by approximately HK$9.7 million, or 37.7%, from approximately HK$25.9 million for FY2021 to approximately HK$16.1 million for FY2022. The decrease was mainly because:

(i) certain mechanical parts and components are not required to be replaced frequently, as such the customers did not normally make frequent orders. This could be demonstrated by the decrease in revenue from True Always of approximately HK$2.6 million mainly as a result of the decrease in orders of 72 units of arms and buckets in FY2022; and the decrease in revenue from Customer C of approximately HK$2.7 million mainly as a result of the decrease in sales of two units of telescopic boom in FY2022 of which unit price was high in general; and

(ii) three customers, which contributed in aggregate a revenue of HK$1.9 million in FY2021 did not place orders from us in FY2022 as they may have placed their orders with other suppliers following their gradual resumption of operations after the impact of COVID-19.

(c) Sourcing of machineries

Our sales of machineries that we sourced for our customers decreased by approximately HK$11.8 million, or 30.2%, from approximately HK$39.1 million for FY2021 to approximately HK$27.3 million for FY2022. The decrease was mainly due to the fact that customers did not normally make frequent orders for the machineries as they are not required to be replaced frequently. This could be demonstrated by (i) the decrease in sales to Customer D of approximately HK$9.9 million as we only sold a wheel loader of approximately HK$0.3 million in FY2022 as compared to the sales of 20 dumper trucks in FY2021 of approximately HK$10.2 million; (ii) Customer E which procured with us for 14 excavators for approximately HK$9.1 million in FY2021 but placed no order with us in FY2022; and (iii) decrease in sales to a Japan customer of approximately HK$3.7 million due to the sales of a medium-size excavator in FY2022 as compared to a large-size excavator sales in FY2021, partially offset by the revenue recorded from two new Hong Kong construction contractors, including Customer F, which contributed approximately HK$15.6 million in aggregate.

(d) ODM slewing rings

Our sales of ODM slewing rings increased by approximately HK$22.3 million, or 64.6%, from approximately HK$34.5 million for FY2021 to approximately HK$56.8 million for FY2022. The increase was mainly because:

(i) our production capacity, in particular our gear cutting capability, had been increased following the acquisitions of machineries and equipment during FY2022 which allowed us to increase our annual production volume from 3,002 units in FY2021 to 3,517 units in FY2022;

(ii) our customers, which were mainly international traders and wholesalers, had increased in their business activities during FY2022 following the relaxation of COVID-19 restrictions overseas during FY2022. This could be demonstrated by:

- Orders from Customer A for new shipping destinations to USA and Malaysia;
- Orders from Kangwoo for new shipping destination to United Kingdom; and
- Orders from a Singaporean customer for new shipping destination to the Netherlands.

We recorded a revenue for these new destinations of approximately HK$6.5 million in aggregate for FY2022; and

(iii) there were changes in product mix of our customers from sourcing slewing rings from us to ordering slewing rings manufactured by us with an increase in demand of our self-manufactured slewing rings following the resumption of business activities and relaxation of COVID-19 restrictions overseas during FY2022. This could be demonstrated by the fact that:

- sales of slewing rings manufactured by us to Customer G increased by approximately HK$2.9 million during FY2022, mainly for medium-size rings, while the orders for sourced slewing rings decreased by approximately HK$3.2 million during the same period; and

- sales of slewing rings manufactured by us to Titan increased by approximately HK$3.6 million during FY2022, mainly for medium-size rings, while the orders for sourced slewing rings decreased by approximately HK$1.0 million during the same period.

Cost of sales

Cost of sales decreased by approximately HK$7.9 million, or approximately 10.2%, from approximately HK$77.7 million for FY2021 to approximately HK$69.8 million for FY2022. The decrease was mainly due to (i) the decrease in cost of inventories and consumables of approximately HK$8.4 million, or 12.0%, from approximately HK$70.0 million in FY2021 to approximately HK$61.6 million in FY2022 which was in line with the decrease in our sourcing revenue; and (ii) the decrease in direct labour costs of approximately HK$0.2 million, or 4.8%, from approximately HK$4.9 million in FY2021 to approximately HK$4.7 million in FY2022 as a result of the decrease in salaries from the management personnel of the production facilities of approximately HK$0.2 million, and partially offset by (i) the increase in depreciation from approximately HK$1.2 million in FY2021 to approximately HK$1.6 million in FY2022, mainly due to the increase in depreciation of newly acquired equipments and machineries; and (ii) the increase in overhead expenses from approximately HK$1.6 million for FY2021 to approximately HK$2.0 million in FY2022, mainly due to the increase in our production activities as evidenced by the increase in sales of our ODM slewing rings and ODM mechanical parts and components.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$3.4 million, or 6.3%, from approximately HK$54.5 million for FY2021 to approximately HK$57.9 million for FY2022. The increase in gross profit for FY2022 was mainly due to the increase in revenue in ODM slewing rings of approximately HK$22.3 million as a result of (i) the expansion of our production capacity following the acquisitions of machineries and equipment; (ii) the expansion of business activities of our customers following the relaxation of COVID-19 restrictions overseas during FY2022 during which orders for new shipping destinations were received; and (iii) switches in product mixes ordered by our customers to slewing rings manufactured by us with the increase in demand of our self-manufactured slewing rings following the resumption of business activities and relaxation of COVID-19 restrictions overseas during FY2022. Our gross profit margin increased by approximately 4.1% from approximately 41.2% for FY2021 to approximately 45.3% for FY2022. The increase in gross profit margin was primarily driven by the improvement in our gross profit margin on the sales of (i) ODM slewing rings; (ii) OBM slewing rings; and (iii) sourcing of machineries during FY2022.

(a) ODM slewing rings

Our gross profit margin on sales of ODM slewing rings increased from approximately 51.9% for FY2021 to approximately 56.6% for FY2022. This was mainly due to (i) the increase in quantities of large-size slewing rings sold from 62 to 82, while the gross profit margin of large-size ODM slewing rings was approximately 64.8% for FY2022, which was the highest among all ODM slewing rings; (ii) the maintenance of our selling price level during FY2022 after the price increment by our Group in FY2021, as demonstrated by the slight increase in our average selling price of approximately 2.6% from HK$14,515 per unit for FY2021 to HK$14,886 per unit for FY2022; and (iii) the decrease in our raw material cost, as particularly demonstrated by the decrease of purchase cost of forged rings of approximately 5.8% from HK$7,593.75 per ton in FY2021 to HK$7,156.63 per ton in FY2022.

(b) OBM slewing rings

Our gross profit margin on sales of OBM slewing rings increased from approximately 40.0% for FY2021 to approximately 47.3% for FY2022, which was mainly due to a one-off bargain sale made to a Malaysian customer in FY2021 at a low profit margin of approximately 36.5% with an aim to promote our branded products under poor market sentiment affected by the COVID-19 pandemic. The order was made in FY2020 and subsequently delivered in the first quarter of FY2021.

(c) Sourcing of machineries

Our gross profit margin of sourcing of machineries increased from approximately 26.9% for FY2021 to approximately 28.4% for FY2022, which was mainly due to the increase in sales of medium-size excavators from five to 22 units that were directly procured from Sumitomo Construction Machinery Sales since the commencement of our collaboration in FY2021.

Other income & other gain/(losses), net

Other income increased by approximately HK$0.2 million from approximately HK$0.4 million for FY2021 to approximately HK$0.6 million for FY2022. Such increase was mainly due to the income from the employment support scheme by the Hong Kong government of approximately HK$0.1 million in FY2022.

During FY2022, we recorded other gains from exchange differences, net of approximately HK$1.3 million when compared to other losses, net of approximately HK$0.5 million for FY2021 primarily due to the depreciation of RMB against USD during the year.

Selling and distribution expenses

Our selling and distribution expenses increased from approximately HK$2.1 million for FY2021 to approximately HK$2.7 million for FY2022, which was mainly due to the increase in freight and transportation charges of approximately HK$0.4 million to approximately HK$2.1 million, which was in line with the increase in our production activities as evidenced by our increase in sales of our slewing rings.

Administrative expenses

Administrative expenses increased from approximately HK$10.5 million for FY2021 to approximately HK$15.9 million for FY2022. Such increase was mainly due to the increase in (i) staff cost by approximately HK$1.7 million which was mainly attributable to the increase in salary of staff approximately HK$1.4 million; and (ii) the Transfer of Listing expenses of approximately HK$3.9 million incurred for FY2022.

Finance income/costs, net

During FY2022, our finance income, which represents the interest income on cash and cash equivalents amounted to approximately HK$0.2 million. Our finance costs, which represents interest expenses on lease liabilities decreased from approximately HK$7,000 for FY2021 to approximately HK$4,000 for FY2022.

As a result, we recorded an increase in net finance income from approximately HK$17,000 for FY2021 to approximately HK$0.2 million for FY2022.

Income tax expense

The income tax expenses slightly decreased from approximately HK$6.8 million for FY2021 to approximately HK$6.5 million for FY2022. The effective tax rates were approximately 16.2% and 15.7% for FY2021 and FY2022, respectively. The decrease in effective tax rate for FY2022 was mainly due to (i) the increase in research and development tax credit of approximately HK$0.3 million; and (ii) the income not subject of tax of approximately HK$43,000, partially offset by the increase in expenses not deductible for tax purposes of approximately HK$0.3 million, mainly due to the Transfer of Listing expenses recorded in FY2022.

Profit for the year attributable to owners of the Company and net profit margin

As a result of the foregoing, our profit for the year attributable to owners of the Company remained relatively stable at approximately HK$35.1 million for FY2021 and approximately HK$34.9 million for FY2022. The net profit margin was 26.5% and 27.3%, respectively.

FY2021 compared with FY2020

Revenue

Our Group's revenue increased significantly by approximately HK$62.8 million, or 90.3%, from approximately HK$69.5 million for FY2020 to approximately HK$132.3 million for FY2021, which was mainly due to the increase in revenue in our sales in (a) ODM slewing rings; (b) sourcing of slewing rings; (c) sourcing of mechanical parts and components; and (d) sourcing of machineries. Details of which are set out below:

(a) ODM slewing rings

Our sales of ODM slewing rings increased by approximately HK$8.5 million, or 32.7%, from approximately HK$26.0 million for FY2020 to approximately HK$34.5 million for FY2021. The increase was mainly because our annual production volume increased to 3,002 units for FY2021, compared to that of 2,363 units for FY2020 as a result of temporary suspension of our production facility in FY2020 due to COVID-19. As a result of our increase in production volume for FY2021, we have:

(i) recorded an increase in sales quantities sold from 994 in aggregate to 1,417 in aggregate from Customer A and Kangwoo with an increased revenue of approximately HK$7.7 million in aggregate mainly due to the (a) orders from Customer A for new shipping destinations to Vietnam in FY2021 as well as increase in orders on different sizes and models of our ODM slewing rings and (b) increase in orders on different sizes and models of our ODM slewing rings from Kangwoo; and

(ii) the increase in number of customers from 23 for FY2020 to 26 for FY2021, including orders from two new customers in FY2021, namely Customer D and a New Zealand wholesaler of approximately HK$1.6 million.

(b) Sourcing of slewing rings

Our sales of slewing rings that we sourced for our customers increased sharply by approximately HK$17.5 million, or 346.7%, from approximately HK$5.0 million for FY2020 to approximately HK$22.5 million for FY2021. The increase was mainly because we experienced increase in demand on slewing rings of low unit price which we did not manufacture on our own from our customers. The increase in demand was resulted from the uncertainties in global economies due to the continuous adverse impact of COVID-19 pandemic. Such uncertainties negatively impacted the budget of our customers and hence their respective customers. As such, our international traders and wholesaler customers tended to purchase slewing rings of lower selling price in general to fit their customers' needs. This can be demonstrated by:

(i) the switch in product mixes of a Singapore wholesaler and Titan whereby the sales from sourcing of slewing rings increased by approximately HK$7.2 million while the revenue from ODM slewing rings dropped by approximately HK$2.0 million during FY2021;

(ii) the increase in sales quantities from Customer A from 248 units in FY2020 to 485 units in FY2021 which were shipped to a different destination other than those of our ODM slewing rings; and

(iii) the increase in sales quantities from Customer G from 69 units in FY2020 to 189 units in FY2021.

(c) Sourcing of mechanical parts and components

Our sales of mechanical parts and components that we sourced for our customers increased significantly by approximately HK$14.1 million, or 120.3%, from approximately HK$11.7 million for FY2020 to approximately HK$25.9 million for FY2021. The increase was mainly due to (i) our capability to source such a wide range of different types of mechanical parts and components attributable to our established network of suppliers and (ii) our close collaboration with our logistic service providers which allowed us to arrange logistic services at the time of congested global logistic supply chain characterised by port congestion, container shortage and transportation delay in FY2021. This can be demonstrated by:

(i) sales to Customer D of approximately HK$6.6 million which was our new customer in FY2021. It also ordered machineries and slewing rings from us;

(ii) the commencement of sales of sourced mechanical parts and components to Titan of approximately HK$3.6 million for FY2021 while we only recorded orders of slewing rings from it in FY2020; and

(iii) increase in sales to Customer C of approximately HK$3.4 million due to the increase in our products offerings and sales of telescopic booms in FY2021.

(d) Sourcing of machineries

Our sales of machineries that we sourced for our customers increased sharply by approximately HK$21.9 million, or 127.2%, from approximately HK$17.2 million for FY2020 to approximately HK$39.1 million for FY2021, which was due to the increase in number of customers from three for FY2020 to 10 for FY2021, in particular,

(i) Customer D became our new customer which ordered, among others, 20 dumper trucks from us during FY2021. Sales to Customers D on machineries amounted to approximately HK$10.2 million in FY2021; and

(ii) Customer E, another new customer of us, purchased 14 units of excavators from us as we started to supply excavators which we sourced directly from Sumitomo Construction Machinery Sales in FY2021.

Cost of sales

Cost of sales increased by approximately HK$34.4 million, or approximately 79.3%, from approximately HK$43.4 million for FY2020 to approximately HK$77.7 million for FY2021. The increase was mainly due to (i) the increase in cost of inventories and consumables of approximately HK$33.1 million, or 89.9%, from approximately HK$36.9 million in FY2020 to approximately HK$70.0 million in FY2021 which was in line with the increase in revenue; (ii) the increase in overhead expenses of approximately HK$0.3 million, or 23.7%, from approximately HK$1.3 million in FY2020 to approximately HK$1.6 million in FY2021 as a result of the increase in transportation costs; and (iii) an increase in direct labour costs of approximately HK$1.1 million, or 28.5%, from approximately HK$3.8 million in FY2020 to approximately HK$4.9 million in FY2021 mainly due to (i) lower labour costs recorded in FY2020 due to the disruption of our production facility as a result of the outbreak of

COVID-19; and (ii) the increase in production scale in FY2021, and partially offset by the slight decrease in depreciation expenses of approximately HK$0.2 million, or 12.0%, from approximately HK$1.4 million in FY2020 to approximately HK$1.2 million in FY2021.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$28.4 million, or 108.6%, from approximately HK$26.1 million for FY2020 to approximately HK$54.5 million for FY2021. The increase in gross profit in FY2021 was mainly due to (i) the lowered production capacity in FY2020 as a result of temporary suspension of our production facility due to COVID-19; (ii) the increase in demand on sourcing slewing rings of low unit price in FY2021 of our customers under the adverse impact by COVID-19 pandemic; (iii) the increase in our revenue of sourcing of mechanical parts and components with our capability to source wide range of products and our arrangement of logistic services at the time of tight global logistic supply chain in FY2021; and (iv) the increase in number of customers on sourcing machineries from us.

Our gross profit margin increased by approximately 3.6% from approximately 37.6% for FY2020 to approximately 41.2% for FY2021. The increase in gross profit margin was primarily driven by the improvement in our gross profit margin on the sales of (a) ODM slewing rings; (b) sourcing of slewing rings; (c) ODM mechanical parts and components; (d) sourcing of mechanical parts and components and (e) sourcing of machineries during FY2021.

(a) ODM slewing rings

Our gross profit margin on sales of ODM slewing rings increased from approximately 50.6% for FY2020 to approximately 51.9% for FY2021, which was mainly due to (i) the lower gross profit margin of our ODM slewing rings for FY2020 as we undertook one-off bargain sales for a customer during the outbreak of COVID-19 with an aim to enhance our long term business relationship; and (ii) the increase in gross profit margin for a Japanese customer from approximately 46.3% for FY2020 to approximately 79.6% for FY2021 as a result of a urgent sales order which was required to be shipped within two weeks.

(b) Sourcing of slewing rings

Our gross profit margin on slewing rings that we sourced for our customers increased from approximately 37.9% for FY2020 to approximately 43.8% for FY2021, which was mainly due to the increase in gross profit margin from (i) a Singaporean customer from approximately 38.8% for FY2020 to approximately 42.3% for FY2021; and (ii) a customer from approximately 39.8% for FY2020 to approximately 42.1% for FY2021. Such increase in gross profit margin was mainly due to the price increment from our major supplier and we are able to further mark-up and transferred to these customers.

(c) ODM mechanical parts and components

Our gross profit margin on sales of mechanical parts and components on ODM basis increased from approximately 36.5% for FY2020 to approximately 42.5% for FY2021, which was mainly due to the increase in gross profit margin for a Singaporean customer from approximately

31.5% for FY2020 to approximately 64.9% for FY2021 as a result of two sales orders which required more procedures of work and we were able to charge them with gross profit margin of approximately 67.2% in average.

(d) Sourcing of mechanical parts and components

Our gross profit margin of mechanical parts and components that we sourced for our customers increased from approximately 34.3% for FY2020 to approximately 46.6% for FY2021, which was mainly due to the change of product mix as requested by our customers. For instance, we sold (i) four telescope booms to a Hong Kong customer in FY2021 and recorded a gross profit margin of approximately 52.7%; and (ii) two buckets and five hydraulic pumps to a Hong Kong customer in FY2021 and recorded a gross profit margin of approximately 52.6% and 53.8%, respectively.

(e) Sourcing of machineries

Our gross profit margin of sourcing of machineries increased from approximately 19.8% for FY2020 to approximately 26.9% for FY2021, which was mainly due to the sales of 20 brand new dumper trucks to a customer in the Philippines in FY2021 which recorded a high gross profit margin of approximately 26.9%.

Other income & other losses, net

Other income decreased by approximately HK$0.2 million from approximately HK$0.6 million for FY2020 to approximately HK$0.4 million for FY2021. Such decrease was mainly due to the absence of (i) income from the employment support scheme by the Hong Kong government in FY2021 as compared to that of approximately HK$0.2 million for FY2020 due to the COVID-19 pandemic; and (ii) government grants from the PRC government in FY2021 as compared to that of approximately HK$0.2 million for FY2020 due to the COVID-19 pandemic.

During FY2021, we recorded a decrease in other losses from exchange differences, net of approximately HK$0.5 million as compared to that of approximately HK$1.0 million for FY2020 because RMB appreciated against USD during FY2020 while the exchange rate was relatively stable during FY2021.

Selling and distribution expenses

Our selling and distribution expenses increased from approximately HK$1.1 million for FY2020 to approximately HK$2.1 million for FY2021, which was mainly due to the increase in freight and transportation charges of approximately HK$0.9 million to approximately HK$1.6 million which was in line with the increase in sales.

Administrative expenses

Administrative expenses increased from approximately HK$8.3 million for FY2020 to approximately HK$10.5 million for FY2021. Such increase was mainly due to the increase in (i) staff cost by approximately HK$1.5 million which was mainly attributable to the increase in salary of approximately HK$0.9 million and social insurance of approximately HK$0.5 million; and (ii) increase in depreciation charges of approximately HK$0.2 million due to the leasehold improvement in our office in the PRC.

Finance income/costs, net

During FY2021, our finance income, which represents the interest income on cash and cash equivalents amounted to approximately HK$24,000, representing a decrease from approximately HK$69,000. Our finance costs, which represents interest expenses on lease liabilities decreased from approximately HK$0.1 million for FY2020 to approximately HK$7,000 for FY2021.

As a result, we recorded a turnaround from net finance costs of approximately HK$44,000 for FY2020 to net finance income approximately HK$17,000 for FY2021.

Income tax expense

Income tax expenses increased from approximately HK$2.6 million for FY2020 to approximately HK$6.8 million for FY2021. The effective tax rates were relatively stable and amounted to approximately 16.0% and 16.2% for FY2020 and FY2021, respectively.

Profit for the year attributable to owners of the Company and net profit margin

As a result of the foregoing, our profit for the year attributable to owners of the Company increased by approximately HK$21.4 million, or 157.2%, from approximately HK$13.6 million for FY2020 to approximately HK$35.1 million for FY2021. The net profit margin was 19.6% and 26.5%, respectively.

CONSOLIDATED BALANCE SHEETS

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	8,507	13,088	25,129	23,700
Prepayments and deposits	4,261	5,850	818	937
Deferred tax assets	78	107	475	426
	12,846	19,045	26,422	25,063
Current assets				
Inventories	23,867	25,575	20,634	21,068
Trade receivables	22,028	38,895	41,707	47,161
Prepayments, deposits and other receivables	5,564	4,298	9,422	3,373
Current income tax recoverable	152	—	—	—
Cash and cash equivalents	43,130	56,387	51,003	75,954
	94,741	125,155	122,766	147,556
Total assets	107,587	144,200	149,188	172,619
EQUITY				
Equity attributable to owners of the Company				
Share capital	4,000	4,000	4,000	4,000
Reserves	97,074	125,531	139,565	134,900
Total equity	101,074	129,531	143,565	138,900
LIABILITIES				
Non-current liabilities				
Lease liabilities	79	—	79	27
	79	—	79	27
Current liabilities				
Trade payables	4,465	8,343	1,034	10,889
Accruals and other payables	1,868	1,901	3,485	5,225
Dividend payables	—	—	—	16,000
Current income tax liability	—	4,346	924	1,475
Lease liabilities	101	79	101	103
	6,434	14,669	5,544	33,692
Total liabilities	6,513	14,669	5,623	33,719
Net current assets	88,307	110,486	117,222	113,864
Total equity and liabilities	107,587	144,200	149,188	172,619

ANALYSIS OF MAJOR COMPONENTS OF THE CONSOLIDATED BALANCE SHEETS

Property, plant and equipment

Our property, plant and equipment mainly comprised plant and machinery, right-of-use assets, and construction in progress. The following table sets forth the carrying amount by assets types as at the respective dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Right-of-use assets	3,565	2,930	2,234	1,787
Office equipment	173	246	243	262
Plant and machinery	3,888	3,423	11,640	15,330
Leasehold improvement	602	376	540	354
Motor vehicles	279	147	3,312	2,752
Construction in progress	—	5,966	7,160	3,215
Total	**8,507**	**13,088**	**25,129**	**23,700**

The carrying amount of our property, plant and equipment increased by approximately HK$4.6 million or 53.8%, from approximately HK$8.5 million as at 31 December 2020 to HK$13.1 million as at 31 December 2021. Such increase was mainly attributable to the increase in construction in progress of approximately HK$6.0 million. Our property, plant and equipment then further increased by approximately HK$12.0 million or 92.0% to approximately HK$25.1 million as at 31 December 2022, which was mainly attributable to (i) the increase in plant and machinery; (ii) the increase in motor vehicles; (iii) the increase in construction in progress; and (iv) partly net off by the decrease in our right-of-use assets. The carrying amount of our property, plant and equipment decreased by approximately HK$1.4 million or 5.7% compared to the carrying amount as at 31 December 2022 to approximately HK$23.7 million as at 30 June 2023, which was mainly due to (i) the decrease in construction in progress; (ii) the decrease in right-of-use assets; and (iii) partly offset by the increase in plant and equipment.

Our plant and machinery amounted to approximately HK$3.9 million, HK$3.4 million, HK$11.6 million and HK$15.3 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively, which represented approximately 45.7%, 26.2%, 46.3% and 64.7% of our total property, plant and equipment, respectively. The significant increase in our plant and machinery as at 31 December 2022 (of approximately 240.1% compared to the carrying amount as at 31 December 2021) and the increase of approximately 31.7% as at 30 June 2023 compared to the carrying amount as at 31 December 2022 were mainly attributable to the transfer from construction in progress when the construction was completed and the machines were ready to be put in use.

The value of our motor vehicles amounted to approximately HK$0.3 million, HK$0.1 million, HK$3.3 million and HK$2.8 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively, representing approximately 3.3%, 1.1%, 13.2% and 11.6% of our total property, plant and equipment at the corresponding dates, respectively. The increase in value of our motor vehicles of approximately HK$3.2 million was mainly attributable to a newly acquired motor vehicle in December 2022. The decrease in value of our motor vehicles of approximately HK$0.6 million was mainly due to the depreciation charge of such motor vehicle recorded for 6M2023.

We recognised construction in progress of approximately nil, HK$6.0 million, HK$7.2 million and HK$3.2 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively, representing approximately nil, 45.6%, 28.5% and 13.6% of our total property, plant and equipment at the corresponding dates, respectively. The construction in progress represents (i) the structural foundation under construction for the installation of the newly acquired machine units at our production facilities in the PRC and (ii) new machines stored at our production facilities in the PRC and had yet to be used for production purpose.

We recognised a right-of-use assets and a corresponding lease liability with respect to all leases, which amounted to approximately HK$3.6 million, HK$2.9 million, HK$2.2 million and HK$1.8 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively, representing approximately 41.9%, 22.4%, 8.9% and 7.5% of our total property, plant and equipment at the corresponding dates, respectively. Such decreasing trend was mainly due to the depreciation of the right-of-use assets. The right-of-use assets represent the lease on production factory in the PRC, and office and carpark in Hong Kong.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly consisted of (i) prepayments for purchase of property, plant and equipment; (ii) prepayments for purchase of computer software; (iii) prepayments for inventories; and (iv) prepayments for listing expenses. The following table sets out the breakdown of prepayments, deposits and other receivables as at the respective dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Prepayments for purchase of property, plant and equipment	4,243	5,032	—	—
Prepayments for purchase of computer software	—	800	800	800
Rental deposits	18	18	18	137
Current				
Deposits and other receivables	36	475	160	144
Prepayments for inventories	5,528	3,823	9,262	2,254
Prepayments for listing expenses	—	—	—	975
Total	**9,825**	**10,148**	**10,240**	**4,310**

Our prepayments, deposits and other receivables increased by approximately HK$0.3 million, or 3.3%, from approximately HK$9.8 million as at 31 December 2020 to approximately HK$10.1 million as at 31 December 2021, which was mainly attributable to the (i) increase in prepayments for purchase of property, plant and equipment, (ii) newly purchased computer software to establish our enterprise resource planning (ERP) system and partly offset by the decrease in prepayments for inventories.

Our prepayments, deposits and other receivables remained relatively stable at approximately HK$10.2 million as at 31 December 2022, which was mainly attributable to the combined effect of (i) the increase in our prepayments for inventories of approximately HK$5.4 million, which was mainly due to the sales orders of machineries from customers placed in September and November 2022 of approximately HK$6.4 million in aggregate which were yet to be delivered as at 31 December 2022 and was subsequently shipped in February and May 2023; and (ii) the decrease in prepayments for purchase of property, plant and equipment, which was mainly due to the transfer of such equipments to construction in progress upon delivery.

Our prepayments, deposits and other receivables decreased by approximately HK$5.9 million or 57.9%, from approximately HK$10.2 million as at 31 December 2022 to approximately HK$4.3 million as at 30 June 2023, which was mainly due to (i) the decrease in prepayments for inventories of approximately HK$7.0 million, as a result of the previous prepayment for machineries of approximately HK$6.5 million as at 31 December 2022 and was fully utilized as at 30 June 2023; and (ii) partly offset by the increase in prepayments for listing expenses of approximately HK$1.0 million.

The following table sets forth the carrying amounts of our prepayments, deposits and other receivables denominated in the following currencies as at the dates indicated:

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	5,798	6,240	1,105	1,570
HK$	4,027	1,107	3,990	1,912
USD	—	1,569	640	59
JPY	—	1,232	4,505	769
Total	**9,825**	**10,148**	**10,240**	**4,310**

As at the Latest Practicable Date, approximately HK$1.7 million, or 39.1%, of our prepayments, deposits and other receivables as at 30 June 2023 had been subsequently settled.

Deferred tax assets

Our deferred tax assets mainly comprised of temporary differences arising from leased liabilities, decelerated tax depreciation and provision for inventories of our Group. The carrying amount of deferred tax assets amounted to approximately HK$78,000, HK$107,000, HK$475,000 and HK$426,000 as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

Inventories

Our inventories mainly consisted of raw materials (including forged rings, steel balls and spacers), work in progress and finished goods. The level of raw materials will generally depend on our stocks on hand, and the projected production plans based on the purchase orders we received from our customers. We will maintain a sufficient level of raw materials to meet our production needs. The following table sets out the breakdown of inventories as at the respective dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	6,736	8,287	8,817	9,125
Work in progress	2,773	2,418	2,453	4,790
Finished goods	14,687	15,230	9,801	7,477
Less: provision for slow moving inventories	(329)	(360)	(437)	(324)
Total	**23,867**	**25,575**	**20,634**	**21,068**

Our inventories increased by approximately HK$1.7 million or 7.2%, from approximately HK$23.9 million as at 31 December 2020 to approximately HK$25.6 million as at 31 December 2021, which was mainly attributable to the increase in raw materials of approximately HK$1.6 million as a result of stocking up raw materials to support the increasing sales; and decreased to approximately HK$20.6 million as at 31 December 2022, which was mainly attributable to the decrease in our finished goods, that comprises mainly slewing rings manufactured by us, and was in line with the increase in sales of slewing rings. Our inventories then maintained at similar level of approximately HK$21.1 million as at 30 June 2023.

The following table sets forth an ageing analysis of our finished goods as at the dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ageing				
0 to 180 days	3,910	4,628	4,259	3,132
181 to 365 days	1,123	2,093	1,203	1,349
Within 1–2 years	5,348	4,076	1,494	1,264
Over 2 years	4,306	4,433	2,845	1,732
Total	**14,687**	**15,230**	**9,801**	**7,477**

As at the Latest Practicable Date, approximately HK$8.9 million or 41.7% of our inventories as at 30 June 2023 had been subsequently sold to our customers and/or consumed by our Group.

Taking into consideration that (i) the inventories of our Group are mainly forged rings for raw materials and slewing rings for finished goods which have no expiry date and the product life cycles are long (i.e. more than 20 years); (ii) our Group has an inventory provision policy to make full provisions on slow moving inventories (i.e. full provision will be made on inventories aged over two years and there is (a) no historical sales/ utilisation record for the past two years; and (b) no secured sales order received from customers); (iii) there was continuous utilisation on inventories that aged over one year as at 31 December 2022 and as at 30 June 2023; and (iv) our Group's inventory turnover days decreased from 198 days for FY2020 to 82 days for 6M2023, our Directors are of the view that there is no material recoverability issue for inventories aged over one year and sufficient provision has been made.

The following table sets forth our inventory turnover days for the year/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2020	**2021**	**2022**	**2023**
Average inventory balance (HK$'000)*(Note 1)*	23,531	24,721	23,105	20,851
Inventory turnover days*(Note 2)*	198	116	121	82

Notes:

(1) Average inventory balance is the sum of beginning and ending inventory balances for the respective year divided by two.

(2) The inventory turnover days are calculated by dividing the average inventory balance by the cost of sales for the respective years/period and multiplied by 365 days for the three years ended 31 December 2022 and 180 days for the six months ended 30 June 2023.

The decrease in our inventory turnover days from 198 days for FY2020 to 116 days for FY2021 was primarily due to (i) the increase in finished goods as of 31 December 2020 which were subsequently delivered in FY2021 and (ii) the increase in cost of sales of our Group which was in line with our increase in revenue in FY2021.

Our inventory turnover days then remained relatively stable at 121 days for FY2022.

Our inventory turnover days then decreased to 82 days for 6M2023 which was primarily due to (i) the utilisation of our inventories aged over 2 years; and (ii) the increase in our cost of sales and was in line with the increase in our revenue for 6M2023.

Our Group monitors the inventory level of our finished goods regularly through our in-house database to ensure our inventory will be in line with our sales plan. We also review our inventory level by stocktaking on a quarterly basis to ensure that the information recorded in our in-house database is accurate.

Trade receivables

Our trade receivables represent the outstanding amounts receivable by us from our customers for the sales of our products. We generally grant our customers a credit period of 60 to 120 days. The following table sets out the breakdown of trade receivables as at the respective dates indicated:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	22,028	38,895	41,707	47,161

The increase in our trade receivables by approximately HK$16.9 million or 76.6%, from approximately HK$22.0 million as at 31 December 2020 to approximately HK$38.9 million as at 31 December 2021 was mainly attributable to the sales to one of our customers from the Philippines in December 2021.

The increase in our trade receivables by approximately HK$2.8 million, or 7.2%, from approximately HK$38.9 million as at 31 December 2021 to approximately HK$41.7 million as at 31 December 2022 was mainly due to the overdue payment of one of our Singaporean customers. As at the Latest Practicable Date, such overdue amount was fully settled.

The increase in our trade receivables by approximately HK$5.5 million, or 13.1%, from approximately HK$41.7 million as at 31 December 2022 to approximately HK$47.2 million as at 30 June 2023 was mainly attributable to the sale of four articulated haulers of approximately HK$4.4 million to one of our Hong Kong customers in May 2023.

The following table sets forth the carrying amounts of our trade receivables denominated in the following currencies as at the dates indicated:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	16,846	37,181	31,462	31,099
RMB	303	268	403	293
JPY	16	—	—	—
HK$	4,863	1,446	9,842	15,769
Total	**22,028**	**38,895**	**41,707**	**47,161**

Since most of our invoices were issued in USD, a majority of our trade receivables were denominated in USD.

The following table sets forth the turnover days of our trade receivables for the years/period indicated:

	For the year ended 31 December 2020	2021	2022	For the six months ended 30 June 2023
Average trade receivables (HK$'000)(Note 1)	19,456	30,462	40,301	44,434
Trade receivables turnover days(Note 2)	102	84	115	103

Notes:

(1) Average trade receivable balance is the sum of beginning and ending trade receivable balances for the respective year divided by two.

(2): Trade receivables turnover days for the relevant years/period equals to the average of the beginning and ending balance of trade receivables divided by revenue for the relevant years/period, multiplied by 365 days for the three years ended 31 December 2022 and 180 days for the six months ended 30 June 2023.

The decrease in our trade receivables turnover days from 102 days for FY2020 to 84 days for FY2021 was primarily due to a shorter settlement period recorded for a new customer in FY2021.

The increase in our trade receivables turnover days from 84 days for FY2021 to 115 days for FY2022 was primarily due to the overdue payment of approximately HK$6.7 million from one of our Singaporean customers which was fully settled as at the Latest Practicable Date.

The decrease in our trade receivables turnover days from 115 days for FY2022 to 103 days for 6M2023 was primarily due to no overdue payment from our customers incurred for the period.

An ageing analysis of the trade receivables based on the date of invoice at the end of each year/period are presented as follows:

	As at 31 December 2020	2021	2022	As at 30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ageing				
Up to 30 days	3,174	20,499	14,762	19,273
31 to 60 days	4,290	9,768	5,353	13,955
61 to 90 days	5,259	4,890	11,235	6,799
Over 3 months	9,305	3,738	10,357	7,134
Total	**22,028**	**38,895**	**41,707**	**47,161**

As at the Latest Practicable Date, approximately HK$36.2 million, or 76.7%, of our trade receivables as at 30 June 2023 had been subsequently settled. Moreover, 94.8% of the trade receivables as of 30 June 2023 which remained unsettled as of the Latest Practicable Date, amounting to HK$10.4 million, was still within the credit period granted to our customers. Our Directors consider that there will not be any significant issue with respect to the recoverability of the trade receivables and sufficient provision has been made.

Trade payables

Our trade payables represent outstanding amounts due to our third-party suppliers for the procurement of raw materials and sourcing products. In addition, we may be required to make a deposit to our suppliers. Our Group's credit period granted by suppliers was generally 0 to 90 days. Our trade payables are classified as current liabilities as they are expected to be payable within a year.

The following table sets out the breakdown of trade payables as at the respective dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	4,465	8,343	1,034	10,889

Our trade payables increased by approximately HK$3.9 million, or 86.9%, from approximately HK$4.5 million as at 31 December 2020 to approximately HK$8.3 million as at 31 December 2021, mainly due to the increase in purchases of raw materials to support the increasing sales during the year end.

Our trade payables decreased by approximately HK$7.3 million, or 87.6%, from approximately HK$8.3 million as at 31 December 2021 to approximately HK$1.0 million as at 31 December 2022, which was mainly due to the increase in prepayments on the purchase of machineries and hence a lower level of trade payables was recorded.

Our trade payables increased by approximately HK$9.9 million or 953.1%, from approximately HK$1.0 million as at 31 December 2022 to approximately HK$10.9 million as at 30 June 2023, which was mainly attributable to the increase in purchases of mechanical parts and components and machineries to support our sourcing business during the period end.

The following table sets forth the carrying amounts of our trade payables denominated in the following currencies as at the dates indicated:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	2,057	622	889	1,646
HK$	2,406	7,719	145	7,586
USD	2	2	—	1,657
Total	**4,465**	**8,343**	**1,034**	**10,889**

Since most of our suppliers were located in the PRC, our purchase of raw materials was denominated in RMB. For FY2021 and 6M2023, a majority of our trade payables was dominated in HK$, which was mainly due to the increase in procurement of machineries of which invoices were billed in HK$. For FY2022, our purchase invoices were billed in RMB and a majority of our trade payables were denominated in RMB.

The following table sets forth the turnover days of our trade payables for the years/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2020	2021	2022	2023
Average trade payables (HK$'000)*(Note 1)*	2,984	6,404	4,689	5,962
Trade payables turnover days*(Note 2)*	25	30	25	24

Notes:

(1): Average trade payable balance is the sum of beginning and ending trade payable balances for the respective year/period divided by two.

(2): Trade payables turnover days for the relevant years/period equals to the average of the beginning and ending balance of trade payables for the years/period divided by cost of sales for the relevant years/period, multiplied by 365 days for the three years ended 31 December 2022 and 180 days for the six months ended 30 June 2023.

Our trade payables turnover days increased from 25 days for FY2020 to 30 days for FY2021, which was mainly due to the increase in trade payables as a result of the increase in purchases of raw materials to support the increasing sales during the year end.

Our trade payable turnover days decreased from 30 days for FY2021 to 25 days for FY2022, which was mainly due to the increase in prepayments on the purchase of machineries and hence a lower level of trade payables was recorded.

Our trade payables turnover days remained relatively stable at 24 days for 6M2023.

An ageing analysis of the trade payables presented based on the date of invoice at the end of each year/period are presented as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ageing				
Up to 30 days	3,012	7,057	774	6,085
31 to 60 days	1,144	1,271	106	684
61 to 90 days	210	—	121	3,231
Over 3 months	99	15	33	889
Total	**4,465**	**8,343**	**1,034**	**10,889**

We used to settle payments to the suppliers before the expiry of credit terms in the past. As at 30 June 2023, we had aggregate trade payables of approximately HK$4.1 million, representing approximately 37.8% of our trade payables, aged over 60 days. As at the Latest Practicable Date, approximately HK$10.5 million, or 96.4%, of our trade payables as at 30 June 2023 had been subsequently settled.

Accruals and other payables

Our accruals and other payables mainly consisted of (i) accrued auditors' remuneration; (ii) accrued listing expenses; (iii) payable for purchase of property, plant and equipment; and (iv) accrued employee benefit expenses. The following table sets out the breakdown of accruals and other payables as at the respective dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrued auditors' remuneration	1,000	822	1,050	1,050
Accrued listing expenses	—	—	775	2,085
Accrued employee benefit expenses	585	759	869	785
Other accruals	157	199	241	215
Other payables	4	—	10	9
Payable for purchase of property, plant and equipment	114	117	540	1,081
Contract liabilities	8	4	—	—
Total	**1,868**	**1,901**	**3,485**	**5,225**

Our accruals and other payables remained stable at approximately HK$1.9 million as at 31 December 2020 and 2021, and then increased to approximately HK$3.5 million as at 31 December 2022, which was mainly attributable to the recognition of accrued listing expenses and the increase in payable for purchase of property, plant and equipment. Our accruals and other payables then further increased to approximately HK$5.2 million as at 30 June 2023, which was mainly attributable to recognition of accrued listing expenses and the increase in payable for purchase of property, plant and equipment.

As at the Latest Practicable Date, approximately HK$1.5 million, or 29.4%, of our accruals and other payables as at 30 June 2023 had been subsequently settled.

The following table sets forth the carrying amounts of our accruals and other payables denominated in the following currencies as at the dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	843	1,030	1,349	2,005
HK$	1,025	871	2,136	3,220
Total	**1,868**	**1,901**	**3,485**	**5,225**

Net current assets

The following table sets forth a breakdown of our Group's current assets and liabilities as at 31 December 2020, 2021 and 2022, and 30 June 2023:

	As at 31 December			As at 30 June	As at 31 July
	2020	**2021**	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Current assets					
Inventories	23,867	25,575	20,634	21,068	21,372
Trade receivables	22,028	38,895	41,707	47,161	51,798
Prepayments, deposits and other receivables	5,564	4,298	9,422	3,373	5,440
Current income tax recoverable	152	—	—	—	—
Cash and cash equivalents	43,130	56,387	51,003	75,954	55,097
Total current assets	**94,741**	**125,155**	**122,766**	**147,556**	**133,707**

	As at 31 December			As at 30 June	As at 31 July
	2020	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Current liabilities					
Trade payables	4,465	8,343	1,034	10,889	11,797
Accruals and other payables	1,868	1,901	3,485	5,225	4,745
Dividend payable	—	—	—	16,000	—
Current income tax liability	—	4,346	924	1,475	727
Lease liabilities	101	79	101	103	333
Total current liabilities	**6,434**	**14,669**	**5,544**	**33,692**	**17,602**
Net current assets	**88,307**	**110,486**	**117,222**	**113,864**	**116,105**

Our net current assets increased by approximately HK$22.2 million or 25.1%, from approximately HK$88.3 million as at 31 December 2020 to approximately HK$110.5 million as at 31 December 2021, which was primarily attributable to (i) the increase of approximately HK$16.9 million in trade receivables; (ii) the increase of approximately HK$13.3 million in cash and cash equivalents; and partly offset by (i) the increase of approximately HK$4.3 million in current income tax liability; and (ii) the increase of approximately HK$3.9 million in trade payables. As at 31 December 2020, our Group did not have any bank borrowings.

Our net current assets increased by approximately HK$6.7 million or 6.1%, from approximately HK$110.5 million as at 31 December 2021 to approximately HK$117.2 million as at 31 December 2022, which was primarily attributable to (i) the decrease in trade payables of approximately HK$7.3 million; (ii) the increase in prepayments, deposits and other receivables of approximately HK$5.1 million; and partly offset by the decrease in cash and cash equivalents of approximately HK$5.4 million. As at 31 December 2021 and 2022, our Group did not have any bank borrowings.

Our net current assets decreased by approximately HK$3.4 million or 2.9%, from approximately HK$117.2 million as at 31 December 2022 to HK$113.9 million as at 30 June 2023, which was primarily attributable to (i) the increase of approximately HK$25.0 million in cash and cash equivalents; (ii) the increase of approximately HK$5.5 million in trade receivables; and partly offset by (i) the decrease of approximately HK$6.0 million in prepayments, deposits and other receivables; and (ii) the increase of approximately HK$16.0 million in dividend payable. As at 30 June 2023, our Group did not have any bank borrowings.

Our net current assets increased by approximately HK$2.2 million or 1.9%, from approximately HK$113.9 million as at 30 June 2023 to approximately HK$116.1 million as at 31 July 2023, which was primarily attributable to (i) the decrease of approximately HK$16.0 million in dividend payable which was paid in July 2023; and (ii) the increase of approximately HK$4.6 million in trade receivables. As at 31 July 2023, our Group did not have any bank borrowings.

INDEBTEDNESS AND CONTINGENT LIABILITIES

(a) Indebtedness

As at the Latest Practicable Date, for the purpose of this statement of indebtedness, save as described below, our Group had no outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments or any guarantees or other material contingent liabilities.

At the close of business on 31 July 2023, being the latest practicable date on which such information was available to us, our Group had outstanding indebtedness comprising lease liabilities of HK$0.6 million. As at 31 December 2020, 2021 and 2022 and 30 June 2023, we had indebtedness of HK$0.2 million, HK$0.1 million, HK$0.2 million and HK$0.1 million, respectively.

The following table sets forth breakdown of our indebtedness for the years/period indicated:

	As at 31 December			As at 30 June	As at 31 July
	2020	**2021**	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Non-current					
Lease Liabilities	79	—	79	27	270
Current					
Lease Liabilities	101	79	101	103	333
Total	**180**	**79**	**180**	**130**	**603**

As at the Latest Practicable Date, our Group have unutilised banking facilities amounted to HK$30.7 million. For more information, please refer to the paragraphs headed "Disclosure under Rules 13.13 to 13.19 of the Listing Rules" in this section.

(b) Contingent liabilities

As at the end of each reporting period during the Track Record Period and 31 July 2023, we did not have any significant contingent liabilities.

Our Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of our Group since 30 June 2023 and up to the Latest Practicable Date.

Except as disclosed above, as at 31 July 2023, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdraft, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there was no material change in our indebtedness since 31 July 2023 and up to the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangement.

CAPITAL COMMITMENTS

Significant capital expenditures

Our capital expenditures during the Track Record Period mainly consisted of expenditures on property, plant and equipment, and amounted to approximately HK$5.5 million, HK$9.1 million, HK$2.3 million and HK$0.7 million for FY2020, FY2021, FY2022 and 6M2023, respectively.

The following table sets forth our capital expenditures in each of the year/period of the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Property, plant and equipment and intangible assets					
— Not later than one year	5,125	8,251	1,999	6,579	678
— Later than one year but not later than five years	405	822	288	47	—
Total	**5,530**	**9,073**	**2,287**	**6,626**	**678**

RELATED PARTY TRANSACTIONS

Save for the compensation of key management personnel, there was no material related party transactions during the Track Record Period and as at the Latest Practicable Date. Key management includes executive Directors and the senior management of our Group. The following table sets forth the compensation paid or payable to key management for employee services in each of the year/period of the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	1,715	1,862	2,263	1,148	1,123
Discretionary bonuses	—	—	278	87	—
Retirement benefit costs — defined contribution plans	62	68	67	32	34
Total	**1,777**	**1,930**	**2,608**	**1,267**	**1,157**

TRANSFER OF LISTING EXPENSES

Our financial performance for FY2022 was affected by expenses incurred in relation to the Transfer of Listing. The Transfer of Listing expenses are estimated to be approximately HK$16.0 million, in which approximately HK$3.9 million and HK$6.8 million was charged to profit or loss of our Group for FY2022 and 6M2023, respectively. The estimated Transfer of Listing expenses include (i) professional parties expenses of approximately HK$15.8 million paid and payable to the Sole Sponsor, the reporting accountant, the legal advisers, the industry consultant, etc.; and (ii) non-professional parties expenses of approximately HK$0.2 million. The actual amount to be recognised in profit or loss in the financial year ending 31 December 2023 onwards are subject to final billing and other adjustments, and hence we expect that the forecast net profit for the financial year ending 31 December 2023 may decrease.

Our Directors are of the view that there has been no fundamental deterioration in the commercial and operational viability in our business despite the expected Transfer of Listing expenses.

KEY FINANCIAL RATIOS

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2020	2021	2022	2023
Gross profit margin*(Note 1)*	37.6%	41.2%	45.3%	41.1%
Net profit margin*(Note 2)*	19.6%	26.5%	27.3%	19.1%
Current ratio*(Note 3)*	14.7	8.5	22.1	4.4
Quick ratio*(Note 4)*	11.0	6.8	18.4	3.8
Gearing ratio*(Note 5)*	0.2%	0.1%	0.1%	0.1%
Return on equity*(Note 6)*	13.5%	27.1%	24.3%	10.6%
Return on total assets*(Note 7)*	12.7%	24.3%	23.4%	8.5%

Notes:

(1) Gross profit margin was calculated based on the gross profit for the year/period divided by revenue for the respective year/period and multiplied by 100%.

(2) Net profit margin was calculated based on the profit for the year/period divided by revenue for the respective year/period and multiplied by 100%.

(3) Current ratio was calculated based on the total current assets divided by the total current liabilities as at the end of the respective year/period.

(4) Quick ratio was calculated by dividing current assets (excluding inventory) with current liabilities as at the end of the respective year/period.

(5) Gearing ratio was calculated by dividing total debt by total equity as at the end of the respective year/period. Total debt is defined as lease liabilities held by our Group.

(6) Return on equity was calculated based on the profit for the year/period divided by the total equity as at the end of the respective year/period and multiplied by 100%.

(7) Return on total assets was calculated based on the profit for the year/period divided by the total assets as at the end of the respective year/period and multiplied by 100%.

Gross profit margin

Our gross profit margin was approximately 37.6%, 41.2%, 45.3% and 41.1% for FY2020, FY2021, FY2022 and 6M2023, respectively. For further information in relation to our gross profit margin, please refer to the paragraphs headed "Period-to-Period Comparison of Results of Operations" in this section.

Net profit margin

Our net profit margin was approximately 19.6%, 26.5%, 27.3% and 19.1% for FY2020, FY2021, FY2022 and 6M2023, respectively. For further information in relation to our net profit margin, please refer to the paragraphs headed "Period-to-Period Comparison of Results of Operations" in this section.

Current ratio

Our current ratio decreased from 14.7 times as at 31 December 2020 to 8.5 times as at 31 December 2021, which was mainly due to the increase in trade payables of approximately HK$7.0 million recorded as at 31 December 2021, as a result of the increase in purchases of raw materials to support the increasing sales during the year end. Our current ratio then increased to 22.1 times as at 31 December 2022, which was mainly attributable to the increase in prepayments on the purchase of machineries and hence a lower level of trade payables was recorded. Our current ratio then decreased to 4.4 times as at 30 June 2023, which was mainly due to the increase in trade payables, as a result of the reasons discussed above under "Trade Payables", and the recognition of dividend payable for the period.

Quick ratio

Our quick ratio decreased from 11.0 times as at 31 December 2020 to 6.8 times as at 31 December 2021, which was mainly due to the increase in trade payables of approximately HK$7.0 million recorded as at 31 December 2021 as a result of the reasons discussed above under "Current ratio". Our quick ratio then increased to 18.4 times as at 31 December 2022, which was mainly attributable to the decrease in trade payables and the increase in prepayments for purchase of machineries, as a result of the reasons discussed above under "Current ratio". Our quick ratio then decreased to 3.8 times as at 30 June 2023, which was mainly due to the increase in trade payables and the recognition of dividend payable for the period, as a result of the reasons discussed above under "Current ratio".

Gearing ratio

Our gearing ratio was 0.2%, 0.1%, 0.1% and 0.1% as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively which was relatively stable over the years.

Return on equity

Our return on equity increased from 13.5% as at 31 December 2020 to 27.1% as at 31 December 2021, which was mainly attributable to our increase in net profit for the year. Our return on equity then decreased to 24.3% as at 31 December 2022, which was mainly attributable to the increase in our total equity as a result of the increase in retained earnings of approximately HK$33.4 million. Our return on equity then decreased to 10.6% as at 30 June 2023, which was mainly due to the lower net profit recorded for a shorter period for six months only compared to the whole year of FY2022.

Return on total assets

Our return on total assets increased from 12.7% as at 31 December 2020 to 24.3% as at 31 December 2021, which was mainly attributable to our increase in net profit for the year. Our return on total assets then decreased to 23.4% as at 31 December 2022, which was mainly attributable to the increase in our property, plant and equipment as a result of the transfer from construction in progress when the construction was completed and the machines were ready to be put in use. Our return on total assets then decreased to 8.5% as at 30 June 2023, which was mainly due to the lower net profit recorded for a shorter period for six months only compared to the whole year of FY2022.

LIQUIDITY AND CAPITAL STRUCTURE

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally through funds generated internally and proceeds received from the GEM Listing. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business. Upon completion of the Transfer of Listing, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future.

As at 31 December 2020, 2021, 2022 and 30 June 2023, we had cash and cash equivalents of approximately HK$43.1 million, HK$56.4 million, HK$51.0 million and HK$76.0 million, respectively. The increasing trend as at 31 December 2021 was mainly attributable to the increase in net cash generated from operating activities as a result of the increase in net profit. The decrease in cash and cash equivalents as at 31 December 2022 was mainly due to the payment of dividend of HK$16 million and net off by the increase in net cash generated from operating activities as a result of the increase in net profit. The increase in cash and cash equivalents as at 30 June 2023 was mainly attributable to (i) the decrease in income tax paid and (ii) the decrease in payments for construction in progress. As at 31 December 2020, 2021, 2022 and 30 June 2023, our cash generated from operating activities amounted to approximately HK$11.1 million, HK$29.1 million, HK$21.0 million and HK$26.3 million, respectively. We continue to use the internally generated cash flows and proceeds received from the GEM Listing as a major source of funding for future developments.

Cash flows

The following table sets forth a summary of our Group's cash flows for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Operating cash flow before changes in working capital	18,102	43,706	43,539	26,502	20,332
Net cash generated from operating activities	11,142	29,051	21,017	2,620	26,253
Net cash used in investing activities	(5,278)	(7,646)	(10,260)	(3,380)	(777)
Net cash used in financing activities	(11,870)	(8,108)	(16,108)	(54)	(54)
Net (decrease)/increase in cash and cash equivalents	(6,006)	13,297	(5,351)	(814)	25,422
Cash and cash equivalents as at beginning of year	49,040	43,130	56,387	56,387	51,003
Currency translation differences	96	(40)	(33)	202	(471)
Cash and cash equivalents as at end of year/period	**43,130**	**56,387**	**51,003**	**55,775**	**75,954**

Net cash generated from operating activities

Net cash generated from operating activities primarily consisted of profit before income tax adjusted for non-cash items, such as amortisation and depreciation. We primarily derive our cash inflows from the receipt of payments from customers. Our cash used in operations principally comprises purchases of inventories and labour costs.

For FY2020, our net cash generated from operating activities was approximately HK$11.1 million, primarily as a result of the combined effects of (i) an operating profit before movements in working capital of approximately HK$18.1 million; (ii) the increase in trade receivables of approximately HK$4.4 million; (iii) the increase in prepayments, deposits and other receivables of approximately HK$0.9 million; (iv) the decrease in inventories of approximately HK$0.8 million; (v) the increase in trade payables of approximately HK$2.8 million; (vi) the decrease in accruals and other payables of approximately HK$0.5 million; and (vii) the payment of income tax of approximately HK$4.9 million.

For FY2021, our net cash generated from operating activities was approximately HK$29.1 million, primarily as a result of the combined effects of (i) an operating profit before movements in working capital of approximately HK$43.7 million; (ii) the increase in trade receivables of approximately HK$16.5 million; (iii) the decrease in prepayments, deposits and other receivables of approximately HK$1.4 million; (iv) the increase in inventories of approximately HK$1.1 million; (v) the increase in trade payables of approximately HK$3.8 million; (vi) the increase in accruals and other payables of approximately HK$7,000; and (vii) the payment of income tax of approximately HK$2.3 million.

For FY2022, our net cash generated from operating activities was approximately HK$21.0 million, primarily as a result of the combined effects of (i) an operating profit before movements in working capital of approximately HK$43.5 million; (ii) the increase in trade receivables of approximately HK$4.3 million; (iii) the net increase in inventories of approximately HK$2.6 million after the inclusion of increase in prepayment for inventories of approximately HK$5.4 million; (iv) the decrease in trade payables of approximately HK$7.3 million; (v) the increase in accruals and other payables of approximately HK$1.7 million; and (vi) the payment of income tax of approximately HK$10.3 million.

For 6M2023, our net cash generated from operating activities was approximately HK$26.3 million, primarily as a result of the combined effects of (i) an operating profit before movements in working capital of approximately HK$20.3 million; (ii) the increase in trade receivables of approximately HK$6.6 million; (iii) the net decrease in inventories of approximately HK$5.7 million after the inclusion of increase in prepayment for inventories of approximately HK$7.0 million; (iv) the increase in trade payables of approximately HK$9.9 million; (v) the increase in accruals and other payables of approximately HK$1.0 million; and (vi) the payment of income tax of approximately HK$3.3 million.

Net cash used in investing activities

For FY2020, our net cash used in investing activities was approximately HK$5.3 million. The net cash used was mainly attributable to (i) the purchase of property, plant and equipment of approximately HK$1.0 million; and (ii) the prepayments for purchase of property, plant and equipment of approximately HK$4.2 million.

For FY2021, our net cash used in investing activities was approximately HK$7.6 million. The net cash used was mainly attributable to (i) the payments for construction in progress of approximately HK$5.9 million; (ii) the prepayments for purchase of property, plant and equipment of approximately HK$0.8 million; (iii) the prepayments for purchase of intangible assets of approximately HK$0.8 million; and (iv) the purchases of property, plant and equipment of approximately HK$0.2 million.

For FY2022, our net cash used in investing activities was approximately HK$10.3 million. The net cash used was mainly attributable to (i) the payments for construction in progress of approximately HK$6.4 million; and (ii) the purchases of property, plant and equipment of approximately HK$3.9 million.

For 6M2023, our net cash used in investing activities was approximately HK$0.8 million. The net cash used was mainly attributable to (i) the payments for construction in progress of approximately HK$0.4 million; and (ii) the purchases of property, plant and equipment of approximately HK$0.4 million.

Net cash used in financing activities

For FY2020, our net cash used in financing activities was approximately HK$11.9 million. The net cash used was mainly attributable to (i) payments of lease liabilities of approximately HK$3.9 million; and (ii) the dividend paid of approximately HK$8.0 million.

For FY2021, our net cash used in financing activities was approximately HK$8.1 million. The net cash used was mainly attributable to (i) payments of lease liabilities of approximately HK$0.1 million; and (ii) the dividend paid of approximately HK$8.0 million.

For FY2022, our net cash used in financing activities was approximately HK$16.1 million. The net cash used was mainly attributable to (i) payments of lease liabilities of approximately HK$0.1 million; and (ii) the dividend paid of approximately HK$16.0 million.

For 6M2023, our net cash used in financing activities was approximately HK$54,000. The net cash used was mainly attributable to the payments of lease liabilities.

FINANCIAL RISK DISCLOSURE

We are exposed to the following financial risks: foreign exchange risk, credit risk, cash flow and fair value interest rate risk and liquidity risk. Our Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on our Group's financial performance.

Foreign Exchange Risk

Our Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in these currencies. We consider that the foreign exchange risk with respect to USD is not significant as HK$ is pegged to USD. The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Our Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

During the Track Record Period, our Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

As at 31 December 2020, 2021, 2022 and 30 June 2023, if USD has strengthened/weakened by 5% against RMB, and RMB has strengthened/weakened by 5% against HK$, with all other variables held constant, the post-tax profit for the year would have been changed mainly as a result of foreign exchange gains/losses on translation of USD and RMB denominated on cash and cash equivalents, trade and other receivables and trade and other payables.

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Post-tax profit (decrease)/increase when RMB against USD				
— Strengthened 5%	752	1,061	1,210	1,347
— Weakened 5%	(752)	(1,061)	(1,210)	(1,347)
Post-tax profit (decrease)/increase when HK$ against RMB				
— Strengthened 5%	185	636	224	188
— Weakened 5%	(185)	(636)	(224)	(188)

Credit Risk

(i) Risk Management

Credit risk of our Group mainly arises from trade receivables, deposits and other receivables and cash and cash equivalents. The majority of bank deposits are placed with reputable banks and financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

Our Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and we perform periodic credit evaluations of our customers. Our Group's historical experience in collection of trade and other receivables falls within the recorded allowances and our Directors are of the opinion that adequate provision for uncollectible receivables has been made.

The carrying amounts of trade receivables, deposits and other receivables and cash and cash equivalents represent our Group's maximum exposure to credit risk in relation to financial assets.

During the Track Record Period, approximately 63.9%, 58.6%, 55.1% and 57%, of our Group's revenue in each year/period was derived from our top five customers, respectively. As at 31 December 2020, 2021, 2022 and 30 June 2023, approximately 61%, 83%, 71% and 61% of the total trade receivables were due from our top five customers, respectively.

(ii) Impairment of financial assets

The financial assets measured at amortised cost are subject to the expected credit loss model:

- *Trade receivables*

Our Group then determines the provision for expected credit losses by grouping the trade receivables based on shared credit risk characteristics and the days past due, and applying expected credit loss rates to the respective gross carrying amounts of the trade receivables. The expected loss rates are based on the probability of a receivable progressing through successive stages of delinquency to write-off. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Our Group has identified the Asia-Pacific Region annual Gross Domestic Product (the "**GDP**") growth rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with our Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2020, 2021, 2022 and 30 June 2023, no provision of impairment for trade receivables was made as the expected loss rate were minimal.

- *Other financial assets at amortised cost*

Other financial assets at amortised cost include cash and cash equivalents and other receivables. Impairment on other financial assets are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables. Our Group has identified the Hong Kong employment rate, Hong Kong inflation rate, the Hong Kong GDP and the PRC GDP to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Our Group has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and the loss allowance for other financial assets at amortised cost as at 31 December 2020, 2021, 2022 and 30 June 2023 was immaterial.

(iii) Cash flow and fair value interest rate risk

During the Track Record Period, our Group has no significant interest-bearing assets or liabilities except for cash and cash equivalents. Hence our Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, our directors are of the opinion that our Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

(iv) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Our Group's liquidity risk is further mitigated through the availability of financing through its own cash resources to meet its financial commitments. In the opinion of our Directors, our Group does not have any significant liquidity risk.

The following table shows the remaining contractual maturities at the end of each reporting period of our Group's financial liabilities based on contractual undiscounted cash flows and the earliest date our Group is required to pay. Balances due within 12 months equal to their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	Repayable on demand	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2022						
Trade Payables	—	1,034	—	—	—	1,034
Accruals and other payables	—	2,616	—	—	—	2,616
Lease Liabilities	—	108	81	—	—	189
	—	3,758	81	—	—	3,839
As at 31 December 2021						
Trade Payables	—	8,343	—	—	—	8,343
Accruals and other payables	—	1,139	—	—	—	1,139
Lease Liabilities	—	81	—	—	—	81
	—	9,563	—	—	—	9,563
As at 31 December 2020						
Trade Payables	—	4,465	—	—	—	4,465
Accruals and other payables	—	1,275	—	—	—	1,275
Lease Liabilities	—	108	81	—	—	189
	—	5,848	81	—	—	5,929

	Repayable on demand	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2023						
— Trade payables	—	10,889	—	—	—	10,889
— Accruals and other payables	—	4,439	—	—	—	4,439
— Dividend payables	—	16,000	—	—	—	16,000
— Lease liabilities	—	108	27	—	—	135
	—	31,436	27	—	—	31,464

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, interim and final dividend of approximately nil, HK$16.0 million, HK$24.0 million and nil were declared for FY2020, FY2021, FY2022 and 6M2023, respectively. All declared dividend have been fully settled during the Track Record Period except the final dividend of HK$16.0 million declared for FY2022 which was paid on 5 July 2023. Future dividend payments will also depend upon the availability of dividend we will receive from our subsidiaries. PRC laws require that dividend be paid only out of the distributable profit calculated according to PRC accounting principles. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividend. Distributions from our PRC subsidiaries may also be subject to restrictive covenants in bank credit facilities or loan agreements, convertible bond instruments or other agreements that we or they may enter into in the future.

Pursuant to the Companies Law and our Articles, we, through a general meeting, may declare dividend in any currency, but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividend may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividend may also be declared and paid out of our share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

We have adopted a dividend policy and in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others, our Group's (i) financial conditions; (ii) actual and expected financial performance; (iii) cash flow, working capital requirements, capital expenditure requirements and future expansion plans; (iv) retained earnings and distributable reserves; (v) liquidity position; (vi) general economic conditions, future prospects of our Group and other internal or external factors that may have an impact on the business or financial performance and position of our Group; and (vii) other factors that our Board may consider appropriate. In addition, the payment of the dividend by us is also subject to restrictions under the Companies Law of the Cayman Islands and the Articles of Association of the Company and our Board endeavours to strike a balance between the Shareholders' interests and prudent capital management with a sustainable dividend policy.

Our Board has absolute discretion in determining whether to declare any dividend for any period and, if it decides to declare a dividend, the amount of dividend to be declared. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividend, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law of the Cayman Islands, including the approval of our Shareholders. We currently do not have a fixed dividend payout ratio.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Our Group had no significant event after the end of the reporting period and up to the Latest Practicable Date.

WORKING CAPITAL

During the Track Record Period and up to the Latest Practicable Date, we financed our working capital requirements principally from internally generated cash flows and proceeds received from the GEM Listing.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that taking into account the financial resources available to us, including cash and cash equivalents, we have sufficient working capital for our present requirements and for at least 12 months from the date of this listing document.

We adopt the following approaches to manage our Group's working capital requirements:

(i) monitor our cash flow situation closely and adopt a conservative approach on further working capital requirements, capital commitment, and investment, if any;

(ii) maintain positive net current position; for details of our positive net current position during the Track Record Period, please refer to paragraphs headed "Net current assets" in this section; and

(iii) maintain positive cash and cash equivalent positions; for details of our positive cash and cash equivalent during the Track Record Period, please refer to paragraphs headed "Cash flows" in this section.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 26 October 2018. As at 30 June 2023, our Company had reserves available for distribution to our Shareholders amounting to HK$14.6 million.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the section headed ''Unaudited Pro Forma Financial Information'' in Appendix II to this listing document for further details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, save for the expenses in connection with the Transfer of Listing, as far as they are aware, since 30 June 2023 and up to the date of this listing document, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect our Group's financial position and operating results shown in our consolidated financial information set out in the Accountant's Report included in Appendix I to this listing document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

On 10 September 2020, Best Linking Limited (''**Best Linking**''), an indirect wholly-owned subsidiary of our Company, as borrower; DBS Bank (Hong Kong) Limited (''**Lender A**'') as lender; and our Company as corporate guarantor, entered into a banking facility letter, under which the Lender agreed to make available to Best Linking a trading facility of up to HK$8,000,000. On 18 June 2021, Leader A has pursuant to its periodic review agreed to replace the same with a revised trading facility of up to HK$10,000,000, and the facility was further revised to HK$15,000,000 on 14 July 2022 (the ''**Facility A**'') for Best Linking. Best Linking and our Company, as borrower and corporate guarantor respectively, entered into a revised banking facility letter with the Lender A (the ''**Facility Letter A**''), on the terms and conditions therein contained, including the Lender A's right to review any time and the Lender A's customary overriding right to demand repayment, as well as the right to call for cash cover on demand for prospective or contingent liability. Pursuant to the terms of the Facility Letter A, among other things, during the term of the Facility Letter A, (i) Best Linking shall remain an indirect wholly-owned subsidiary of our Company; (ii) our Company shall procure Mr. YP Chan, the Controlling Shareholder of our Company, to remain as the director of our Company and Best Linking; and (iii) Mr. YP Chan shall continue to be the single largest shareholder and hold not less than 50% of the beneficial interest of our Company.

On 28 February 2023, The Hongkong and Shanghai Banking Corporation Limited (the ''**Lender B**'') as lender; and our Company as corporate guarantor, entered into a banking facility letter (the ''**Facility Letter B**'') under which the Lender B agreed to make available to Best Linking, which is an indirect wholly owned subsidiary of our Company a trading facility of up to HK$16,000,000 (the ''**Facility B**''), on the terms and conditions therein contained, including the Lender B's right to review any time and the Lender B's customary overriding right to demand repayment, as well as the right to call for cash cover on demand for prospective or contingent liability. Pursuant to the terms of the Facility Letter B, among other things, during the term of the Facility Letter B, (i) Best Linking shall remain an indirect wholly-owned subsidiary of the Company; (ii) our Company shall procure Mr. YP Chan, the Controlling Shareholder of our Company, to remain as the director of our Company and Best Linking; and (iii) Mr. YP Chan shall continue to be the single largest shareholder and hold not less than 50% of the beneficial interest of our Company.

As at the Latest Practicable Date, Mr. YP Chan's beneficial interest in each of our Company and Best Linking is 75%.

Our Directors confirm that as at the Latest Practicable Date, there was no other circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEST LINKING GROUP HOLDINGS LIMITED AND GOLDLINK CAPITAL (CORPORATE FINANCE) LIMITED

Introduction

We report on the historical financial information of Best Linking Group Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-53, which comprises the consolidated balance sheets as at 31 December 2020, 2021 and 2022 and 30 June 2023, the balance sheets of the Company as at 31 December 2020, 2021 and 2022 and 30 June 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-53 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated 22 September 2023 (the "**Listing Document**") in connection with the proposed transfer of listing from GEM to the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2020, 2021 and 2022 and 30 June 2023 and the consolidated balance sheets of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 27 to the Historical Financial Information which contains information about the dividends paid by Best Linking Group Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
22 September 2023

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements of the Group for the Track Record Period ("**Historical Financial Statements**"). The previously issued financial statements for each of the years ended 31 December 2020, 2021 and 2022 were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December,			Six months ended 30 June,	
		2020	2021	2022	2022	2023
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	*5*	69,499	132,250	127,730	68,769	77,437
Cost of sales	*6*	(43,362)	(77,740)	(69,806)	(36,902)	(45,599)
Gross profit		26,137	54,510	57,924	31,867	31,838
Other income	*8*	632	382	567	227	299
Other (losses)/gains, net	*9*	(1,047)	(465)	1,333	850	1,211
Selling and distribution expenses	*6*	(1,080)	(2,106)	(2,687)	(1,348)	(1,073)
Administrative expenses	*6*	(8,346)	(10,472)	(15,891)	(5,816)	(13,932)
Operating profit		16,296	41,849	41,246	25,780	18,343
Finance income	*11*	69	24	190	24	346
Finance cost	*11*	(113)	(7)	(4)	(49)	(4)
Finance (cost)/income, net		(44)	17	186	(25)	342
Profit before income tax		16,252	41,866	41,432	25,755	18,685
Income tax expense	*12*	(2,608)	(6,780)	(6,503)	(4,180)	(3,929)
Profit for the year/period attributable to owners of the Company		13,644	35,086	34,929	21,575	14,756
Other comprehensive income/(loss)						
Items that may be reclassified to profit or loss						
Currency translation differences	*22*	3,032	1,371	(4,895)	(2,616)	(3,421)
Total comprehensive income for the year/period		16,676	36,457	30,034	18,959	11,335
Earnings per share for profit attributable to equity holders of the Company for the year/period						
Basic and diluted earnings per share (HK cents per share)	*13*	3.4	8.8	8.7	5.4	3.7

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December, 2020 HK$'000	As at 31 December, 2021 HK$'000	As at 31 December, 2022 HK$'000	As at 30 June, 2023 HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	*15*	8,507	13,088	25,129	23,700
Prepayments and deposits	*18*	4,261	5,850	818	937
Deferred tax assets	*28*	78	107	475	426
		12,846	19,045	26,422	25,063
Current assets					
Inventories	*19*	23,867	25,575	20,634	21,068
Trade receivables	*17*	22,028	38,895	41,707	47,161
Prepayments, deposits and other receivables	*18*	5,564	4,298	9,422	3,373
Current income tax recoverable		152	—	—	—
Cash and cash equivalents	*20*	43,130	56,387	51,003	75,954
		94,741	125,155	122,766	147,556
TOTAL ASSETS		107,587	144,200	149,188	172,619
EQUITY					
Equity attributable to owners of the Company					
Share capital	*21*	4,000	4,000	4,000	4,000
Reserves	*22*	97,074	125,531	139,565	134,900
Total equity		101,074	129,531	143,565	138,900
LIABILITIES					
Non-current liability					
Lease liabilities	*24*	79	—	79	27
		79	—	79	27
Current liabilities					
Trade payables	*25*	4,465	8,343	1,034	10,889
Accruals and other payables	*26*	1,868	1,901	3,485	5,225
Dividend payable	*27*	—	—	—	16,000
Current income tax liabilities		—	4,346	924	1,475
Lease liabilities	*24*	101	79	101	103
		6,434	14,669	5,544	33,692
Total liabilities		6,513	14,669	5,623	33,719
TOTAL EQUITY AND LIABILITIES		107,587	144,200	149,188	172,619

BALANCE SHEETS OF THE COMPANY

	Note	As at 31 December, 2020 HK$'000	As at 31 December, 2021 HK$'000	As at 31 December, 2022 HK$'000	As at 30 June, 2023 HK$'000
ASSETS					
Non-current assets					
Investment in subsidiaries	*31*	41,888	41,888	41,888	41,888
Loan to a subsidiary	*32*	1,879	10,850	17,910	9,426
		43,767	52,738	59,798	51,314
Current assets					
Loan to a subsidiary	*32*	—	—	—	6,368
Prepayments		—	104	—	975
Cash and cash equivalents	*20*	24,954	15,995	5,173	23,386
		24,954	16,099	5,173	30,729
TOTAL ASSETS		68,721	68,837	64,971	82,043
EQUITY					
Equity attributable to owners of the Company					
Share capital	*21*	4,000	4,000	4,000	4,000
Reserves	*23*	54,994	44,573	22,634	14,643
Total equity		58,994	48,573	26,634	18,643
LIABILITIES					
Current liabilities					
Accruals	*26*	1,000	753	1,815	3,095
Dividend payable	*27*	—	—	—	16,000
Amounts due to subsidiaries	*33*	8,727	19,511	36,522	44,305
Total liabilities		9,727	20,264	38,337	63,400
TOTAL EQUITY AND LIABILITIES		68,721	68,837	64,971	82,043

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Exchange reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 21)	*(Note 21)*	*(Note 22)*	*(Note 22)*	*(Note 22)*		
Balance at 1 January 2020	4,000	42,511	13,000	2,170	(636)	31,353	92,398
Profit for the year	—	—	—	—	—	13,644	13,644
Other comprehensive income							
Currency translation differences	—	—	—	—	3,032	—	3,032
Total comprehensive income for the year	—	—	—	—	3,032	13,644	16,676
Transactions with equity holders:							
Dividend paid *(Note 21)*	—	(8,000)	—	—	—	—	(8,000)
Transfer to statutory reserve	—	—	—	506	—	(506)	—
Total transactions with equity holders	—	(8,000)	—	506	—	(506)	(8,000)
Balance at 31 December 2020	4,000	34,511	13,000	2,676	2,396	44,491	101,074

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Exchange reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 21)	*(Note 21)*	*(Note 22)*	*(Note 22)*	*(Note 22)*		
Balance at 1 January 2021	4,000	34,511	13,000	2,676	2,396	44,491	101,074
Profit for the year	—	—	—	—	—	35,086	35,086
Other comprehensive income							
Currency translation differences	—	—	—	—	1,371	—	1,371
Total comprehensive income for the year	—	—	—	—	1,371	35,086	36,457
Transactions with equity holders:							
Dividend paid *(Note 21)*	—	(8,000)	—	—	—	—	(8,000)
Transfer to statutory reserve	—	—	—	529	—	(529)	—
Total transactions with equity holders	—	(8,000)	—	529	—	(529)	(8,000)
Balance at 31 December 2021	4,000	26,511	13,000	3,205	3,767	79,048	129,531

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Exchange reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 21)	*(Note 21)*	*(Note 22)*	*(Note 22)*	*(Note 22)*		
Balance at 1 January 2022	4,000	26,511	13,000	3,205	3,767	79,048	129,531
Profit for the year	—	—	—	—	—	34,929	34,929
Other comprehensive loss							
Currency translation differences	—	—	—	—	(4,895)	—	(4,895)
Total comprehensive income for the year	—	—	—	—	(4,895)	34,929	30,034
Transactions with equity holders:							
Dividend paid *(Note 21)*	—	(16,000)	—	—	—	—	(16,000)
Transfer to statutory reserve	—	—	—	1,522	—	(1,522)	—
Total transactions with equity holders	—	(16,000)	—	1,522	—	(1,522)	(16,000)
Balance at 31 December 2022	4,000	10,511	13,000	4,727	(1,128)	112,455	143,565

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Exchange reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 21)	*(Note 21)*	*(Note 22)*	*(Note 22)*	*(Note 22)*		
Balance at 1 January 2022	4,000	26,511	13,000	3,205	3,767	79,048	129,531
Profit for the period	—	—	—	—	—	21,575	21,575
Other comprehensive loss							
Currency translation differences	—	—	—	—	(2,616)	—	(2,616)
Total comprehensive income for the period	—	—	—	—	(2,616)	21,575	18,959
Transactions with equity holders:							
Dividend declared *(Note 21)*	—	(8,000)	—	—	—	—	(8,000)
Transfer to statutory reserve	—	—	—	682	—	(682)	—
Total transactions with equity holders	—	(8,000)	—	682	—	(682)	(8,000)
Balance at 30 June 2022 (Unaudited)	4,000	18,511	13,000	3,887	1,151	99,941	140,490
Balance at 1 January 2023	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 income for the period	—	—	—	—	(3,421)	14,756	11,335
Transactions with equity holders:							
Dividend declared *(Note 21)*	—	(10,511)	—	—	—	(5,489)	(16,000)
Transfer to statutory reserve	—	—	—	997	—	(997)	—
Total transactions with equity holders	—	(10,511)	—	997	—	(6,486)	(16,000)
Balance at 30 June 2023	4,000	—	13,000	5,724	(4,549)	120,725	138,900

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December,			Six months ended 30 June,	
		2020	2021	2022	2022	2023
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from operations	*30(a)*	15,963	31,338	31,093	2,896	29,203
Income tax paid		(4,890)	(2,311)	(10,266)	(253)	(3,296)
Interest received		69	24	190	(23)	346
Net cash generated from operating activities		11,142	29,051	21,017	2,620	26,253
Cash flows from investing activities						
Purchases of property, plant and equipment		(1,035)	(184)	(3,873)	(3,076)	(385)
Payments for construction in progress		—	(5,873)	(6,387)	—	(432)
Proceeds from disposal of property, plant and equipment		—	—	—	—	40
Prepayments for purchase of property, plant and equipment		(4,243)	(789)	—	(304)	—
Prepayments for purchase of intangible assets		—	(800)	—	—	—
Net cash used in investing activities		(5,278)	(7,646)	(10,260)	(3,380)	(777)
Cash flows from financing activities						
Payment of interest elements of lease liabilities	*30(b)*	(113)	(7)	(4)	(2)	(4)
Payment of principal elements of lease liabilities	*30(b)*	(3,757)	(101)	(104)	(52)	(50)
Dividends paid	*27*	(8,000)	(8,000)	(16,000)	—	—
Net cash used in financing activities		(11,870)	(8,108)	(16,108)	(54)	(54)
(Decrease)/increase in cash and cash equivalents		(6,006)	13,297	(5,351)	(814)	25,422
Cash and cash equivalents at beginning of the year/period		49,040	43,130	56,387	56,387	51,003
Currency translation differences		96	(40)	(33)	202	(471)
Cash and cash equivalents at end of the year/period		43,130	56,387	51,003	55,775	75,954

II 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. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and trading of a range of machinery products and mechanical parts (the "**Business**"). The ultimate holding company of the Company is C Centrum Holdings Limited. The ultimate controlling party of the Group is Mr. Chan Yuk Pan ("**Mr. YP Chan**").

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

2 MATERIAL ACCOUNTING POLICIES INFORMATION

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under historical cost convention. 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 Note 4.

All effective standards, amendments to standards and interpretations, which are mandatorily effective from the financial year beginning on 1 January 2023 are consistently applied by the Group throughout the Track Record Period.

New and amended standards and interpretation which have been issued but are not yet effective and have not been early adopted by the Group

Certain new and amended standards and interpretation have been published that are mandatory for financial year beginning on or after 1 January 2024 and have not been early adopted by the Group. These are:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has commenced an assessment of the impact of these new standards, amendments to standards and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the Group's financial performance and position is expected when they become effective.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Group on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK$ which is the Company's functional and the Company's and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statements of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other (losses)/gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the reporting period in which they are incurred.

Depreciation of property and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	3 years
Leasehold improvements	Shorter of lease terms and useful lives

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within ''administrative expenses'' in the consolidated statements of comprehensive income.

Construction-in-progress represents machineries under installation and leasehold improvement under construction, which is stated at historical cost less accumulated impairment losses, if any. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are ready for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

(i) Classification

The Group classifies its financial assets as those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated statements of comprehensive income.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represented solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated statements of comprehensive income and presented in "other (losses)/gains, net" together with foreign exchange gains and losses.

2.9 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

2.10 Financial liabilities

(i) Classification and measurement

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in consolidated statements of comprehensive income. Any gain or loss on derecognition is also recognised in consolidated statements of comprehensive income.

(ii) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability arc substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in consolidated statements of comprehensive income.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

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. See Note 17 for further information about the Group's accounting for trade receivables and Note 2.9 for a description of the Group's impairment policies.

2.13 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include deposits held at call with banks and cash on hand.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(ii) Retirement benefits plans

The Group contributed to a mandatory provident fund scheme (the "**MPF Scheme**") which is a defined contribution plan and is available to all employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The MPF Scheme cost charged to profit or loss represents contributions payable by the Group to the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

Full-time employees of the Group's PRC entity participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other these benefits based on certain percentage of the employees' salaries. Full-time employees who have passed the probation period are entitled to such benefits.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group did not have defined benefit plans.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expenses.

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods in the ordinary course of the Group's activities.

Revenue is recognised when or as the control of the goods is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good may be transferred over time or at a point in time.

Control of the goods is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods. Specific criteria where revenue is recognised are described below.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Revenue is recognised when specific criteria have been met for the Group's activity as described below:

The Group manufactures and trades a range of machinery products and mechanical parts to customers. Sales of goods transferred at a point in time are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the usage of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. No element of financing is deemed present as the sales are made with a credit term of 60–120 days, which is consistent with market practice.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.22 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.25 Leases

The Group leases production factory in the PRC and office in Hong Kong. Property leases are typically made for fixed periods of two to ten years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-of-use assets include the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipments and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in consolidated statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.27 Research and development costs

Research and development expenditure is recognised as an expense as incurred and classified under of cost of sales when it is not fulfilling the criteria of capitalisation.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, cash flow and fair value interest rate risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

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 the US dollars ("**USD**") and Renminbi ("**RMB**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in these currencies. Since HK$ is pegged to USD, the Group believes the exposure of transactions denominated in USD which are entered into the by Group to be insignificant.

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, if USD has strengthened/weakened by 5% against RMB, and RMB has strengthened/weakened by 5% against HK$, with all other variables held constant, the post-tax profit for the year would have change mainly as a result of foreign exchange gains/losses on translation of USD and RMB denominated on cash and cash equivalents, trade and other receivables and trade and other payables, as follows:

	As at 31 December,			As at 30 June,
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Post-tax profit (decrease)/increase when RMB against USD				
— Strengthened 5%	752	1,061	1,210	1,347
— Weakened 5%	(752)	(1,061)	(1,210)	(1,347)
Post-tax profit (decrease)/increase when HK$ against RMB				
— Strengthened 5%	185	636	224	188
— Weakened 5%	(185)	(636)	(224)	(188)

(ii) Credit risk

(i) Risk management

Credit risk of the Group mainly arises from trade receivables, deposits and other receivables and cash and cash equivalents. Majority of bank deposits are placed with reputable banks and financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

The carrying amounts of trade receivables, deposits and other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 2023, 64%, 58%, 55%and 57% of the Group's revenue was derived from its top five customers, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, 61%, 83%, 71% and 61% of the total trade receivables were due from the Group's top five customers.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables; and
- other financial assets at amortised cost.

Trade receivables

The Group then determines the provision for expected credit losses by grouping the trade receivables based on shared credit risk characteristics and the days past due, and applying expected credit loss rates to the respective gross carrying amounts of the trade receivables. The expected loss rates are based on the probability of a receivable progressing through successive stages of delinquency to write-off. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Asia-Pacific Region annual Gross Domestic Product (the "**GDP**") growth rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, no provision of impairment for trade receivables was made as the expected loss rate were minimal.

Other financial assets at amortised cost

Other financial assets at amortised cost include cash and cash equivalents and other receivables. Impairment on other financial assets are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables. The Group has identified the Hong Kong unemployment rate, Hong Kong inflation rate, Hong Kong GDP and the PRC GDP to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Group has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and the loss allowance for other financial assets at amortised cost as at 31 December 2020, 2021 and 2022 and 30 June 2023 was immaterial.

(iii) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets or liabilities except for cash and cash equivalents.

Hence our Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, our directors are of the opinion that our Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Our Group's liquidity risk is further mitigated through the availability of financing through its own cash resources to meet its financial commitments. In the opinion of our directors, our Group does not have any significant liquidity risk.

The following tables show the remaining contractual maturities at the end of each reporting period of our Group's financial liabilities based on contractual undiscounted cash flows and the earliest date our Group can be required to pay. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	Repayable on demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2020						
— Trade payables	—	4,465	—	—	—	4,465
— Accruals and other payables	—	1,275	—	—	—	1,275
— Lease liabilities	—	108	81	—	—	189
	—	5,848	81	—	—	5,929
As at 31 December 2021						
— Trade payables	—	8,343	—	—	—	8,343
— Accruals and other payables	—	1,139	—	—	—	1,139
— Lease liabilities	—	81	—	—	—	81
	—	9,563	—	—	—	9,563
As at 31 December 2022						
— Trade payables	—	1,034	—	—	—	1,034
— Accruals and other payables	—	2,616	—	—	—	2,616
— Lease liabilities	—	108	81	—	—	189
	—	3,758	81	—	—	3,839
As at 30 June 2023						
— Trade payables	—	10,889	—	—	—	10,889
— Accruals and other payables	—	4,440	—	—	—	4,440
— Dividend payable	—	16,000	—	—	—	16,000
— Lease liabilities	—	108	27	—	—	135
	—	31,437	27	—	—	31,464

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group did not have any debt owed to other party.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets, including trade receivables, deposits and other receivables, cash and cash equivalents, and financial liabilities, including trade payables and accruals and other payables and lease liabilities approximate their fair values as at the reporting date due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for slow moving inventories

The Group makes provision for slow moving inventories based on assessing the needs and reasonableness of provision for slow moving inventories at each period end. The identification of slow moving inventories requires the use of judgments and key assumptions which take into consideration of historical sales pattern, ageing and expectation of future sales orders. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision for inventories in the period in which such estimate has been changed.

(b) Impairment of right-of-use assets

The Group leased land and buildings in the PRC for the purposes of its office premises and manufacturing plant under an operating lease of 10 years where the leased land and buildings, classified as right-of-use assets of the Group were without land and property ownership certificates and the construction planning permit. Without the certificates and permit, the existing land and buildings might be ordered for demolition or confiscation and the lease may be deemed as invalid. Our directors are of the opinion, based on the advice from the Group's external legal adviser, that the title defect of the leased land and buildings does not affect the operation of production facility of the Group. It is unlikely to be terminated or interrupted or to have a material effect on the carrying amount of the right-of-use assets which was included in right-of-use assets totalling HK$3,350,000, HK$2,816,000, HK$2,018,000 and HK$1,653,000 as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

(c) Income taxes

The Group is subject to income taxes mainly in Hong Kong and the PRC. Significant judgment is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

(d) Loss allowance of receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward-looking estimates at the end of each reporting period. The Group recognised lifetime expected credit loss for trade receivables carried at amortised cost based on either individually customers who are long overdue with significant amounts or known insolvencies or non-response to collection activities, or collectively assessing them for likelihood of recovery based on ageing of the balances with similar risk characteristics taking into account the forward-looking information. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognised in the periods in which such estimates have been changed.

5 REVENUE AND SEGMENT INFORMATION

The CODM has been identified as the executive directors of our Group. Management has determined the operating segments based on the information reviewed by our executive director for the purpose of allocating resources and assessing performance. The only component in internal reporting to the executive directors is our Group's manufacturing and trading of a range of machinery products and mechanical parts for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023. In this regard, management considers there is only one operating segment under the requirements of HKFRS 8 "Operating Segments".

The directors assess the performance of the operating segment based on a measure of revenue and gross profit.

All of our Group's revenue are from contracts with customers and are recognised at a point in time. Please refer to Note 2.21 for details of accounting policies on revenue recognition.

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

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, there were four, three, one, two and one customers, which individually contributed over 10% of our Group's total revenue. Revenue contributed from our major customers were as follows:

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	13,053	23,609	28,856	18,435	18,059
Customer B	10,109	N/A*	N/A*	N/A*	N/A*
Customer C	8,043	16,601	N/A*	N/A*	N/A*
Customer D	7,159	N/A*	N/A*	N/A*	N/A*
Customer E	N/A*	17,684	N/A*	N/A*	N/A*
Customer F	N/A*	N/A*	N/A*	9,323	N/A*

* The corresponding customers did not contribute over 10% of total revenue of the Group for the respective years/periods.

(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:

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Singapore	24,120	45,858	51,216	27,961	28,098
Hong Kong	18,134	40,961	35,799	25,369	19,396
Malaysia	8,555	10,412	18,676	5,819	11,038
The Philippines	1,215	20,007	12,806	4,824	11,177
Japan	3,421	7,171	3,030	2,940	3,075
Vietnam	498	1,379	2,482	492	653
The PRC	1,391	1,436	1,064	278	2,172
New Zealand	58	1,439	983	—	6
Taiwan	823	1,494	912	575	1,434
Northern Ireland	10,109	1,215	—	—	—
Thailand	1,009	—	—	—	—
Others *(Note)*	166	878	762	511	388
	69,499	132,250	127,730	68,769	77,437

Note:

Others include Canada, Iceland and Korea.

(c) Details of contract liabilities *(Note 26)*

	As at 31 December,			As at 30 June,
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities, included in accruals and other payables	8	4	—	—

Note:

As at 31 December 2020 and 2021, contract liabilities represent advanced payments received from the customers for goods that have not yet been transferred to the customers, the contract liabilities mainly included the advance payments received from sale of machinery products. The contract liabilities decreased during the year due to fluctuation in sales with advanced payments.

	Year ended 31 December,			Six months ended 30 June,
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year				
Sales contracts	175	8	4	—

As at 31 December 2020, 2021 and 2022 and 30 June 2023, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15 "Revenue from Contracts with Customers", the transaction price allocated to these unsatisfied performance obligations were not disclosed.

(d) Non-current assets by geographical location

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

	As at 31 December,			As at 30 June,
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	12,535	18,006	21,653	20,823
Hong Kong	233	932	4,294	3,814
	12,768	18,938	25,947	24,637

6 EXPENSES BY NATURE

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

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Raw materials and consumables used *(Note 19)*	36,043	69,697	56,999	30,622	41,295
Changes in inventories of finished goods and work in progress *(Note 19)*	822	285	4,485	2,564	(921)
(Reversal of)/provision for slow moving inventories, net *(Note 19)*	(3)	22	109	—	(99)
Employee benefit expenses, including directors' emoluments *(Note 7)*	8,027	10,620	12,100	5,973	6,662
Amortisation	76	—	—	—	—
Depreciation *(Note 15)*	1,734	1,835	2,181	722	1,870
Legal and professional fees	1,563	1,688	1,482	802	812
Listing expenses	—	—	3,899	—	6,843
Auditors' remuneration					
— Audit services	950	1,050	1,000	550	500
— Non-audit services	50	50	50	—	—
Utilities	610	761	949	436	521
Transportation expenses	866	1,873	2,203	1,112	939
Other expenses	2,050	2,437	2,927	1,285	2,182
Total cost of sales, selling and distribution expenses and administrative expenses	52,788	90,318	88,384	44,066	60,604

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expenses

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Wages, salaries, bonuses and other benefits	7,843	9,849	11,303	5,548	6,184
Retirement benefit costs					
— defined contribution plans	125	695	708	380	429
Mandatory provident fund scheme	59	76	89	45	49
	8,027	10,620	12,100	5,973	6,662

(b) Five highest paid individuals

The five individuals whose remuneration was the highest in the Group include two, two, two, two and two directors for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively, whose remuneration are reflected in the analysis presented in Note 10(a) below.

The remuneration paid to the remaining three, three, three, three and three individuals for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively, are as follows:

	Year ended 31 December,			Six months ended 30 June,	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Wages, salaries and other benefits	846	913	1,333	659	707
Discretionary bonuses	—	—	119	50	—
Retirement benefit costs					
— defined contribution plans	6	18	24	13	6
Mandatory provident fund scheme	25	25	26	13	19
	877	956	1,502	735	732

The emolument of the highest paid individuals fell within the following bands:

	Year ended 31 December,			Six months ended 30 June,	
	2020	2021	2022	2022 (Unaudited)	2023
Emolument band					
Nil to HK$1,000,000	3	3	3	3	3

8 OTHER INCOME

	Year ended 31 December,			Six months ended 30 June,	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Sales of scrapped materials	180	302	376	176	182
Employment support scheme	198	—	144	48	—
Government grants	240	—	—	—	—
Sundry income	14	80	47	3	117
	632	382	567	227	299

9 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December,			Six months ended 30 June,	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Exchange differences, net	(1,047)	(465)	1,333	850	1,211

10 BENEFITS AND INTERESTS OF DIRECTOR

(a) Directors' emoluments

The emoluments of individual directors for our Company paid and payable by our Group for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 are set out below:

For the year ended 31 December 2020:

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. YP Chan *(Chairman and Chief Executive Officer)*	—	767	—	—	22	789
Mr. Chan Lung Pan	—	372	—	—	18	390
Independent non-executive directors:						
Mr. Chan Wan Tsun Adrian Alan	180	—	—	—	—	180
Ms. Tsang Hau Lam	144	—	—	—	—	144
Ms. Tam Ho Ting	144	—	—	—	—	144

For the year ended 31 December 2021:

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. YP Chan *(Chairman and Chief Executive Officer)*	—	871	—	—	27	898
Mr. Chan Lung Pan	—	412	—	—	18	430
Independent non-executive directors:						
Mr. Chan Wan Tsun Adrian Alan	180	—	—	—	—	180
Ms. Tsang Hau Lam	144	—	—	—	—	144
Ms. Tam Ho Ting	144	—	—	—	—	144

For the year ended 31 December 2022:

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. YP Chan *(Chairman and Chief Executive Officer)*	—	862	102	—	30	994
Mr. Chan Lung Pan	—	420	69	—	18	507
Independent non-executive directors:						
Mr. Chan Wan Tsun Adrian Alan	180	—	—	—	—	180
Ms. Tsang Hau Lam	144	—	—	—	—	144
Ms. Tam Ho Ting	144	—	—	—	—	144

For the six months ended 30 June 2022 (unaudited):

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. YP Chan *(Chairman and Chief Executive Officer)*	—	430	52	—	15	497
Mr. Chan Lung Pan	—	210	35	—	9	254
Independent non-executive directors:						
Mr. Chan Wan Tsun Adrian Alan	90	—	—	—	—	90
Ms. Tsang Hau Lam	72	—	—	—	—	72
Ms. Tam Ho Ting	72	—	—	—	—	72

For the six months ended 30 June 2023:

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. YP Chan *(Chairman and Chief Executive Officer)*	—	427	—	—	15	442
Mr. Chan Lung Pan	—	210	—	—	9	219
Independent non-executive directors:						
Mr. Chan Wan Tsun Adrian Alan	90	—	—	—	—	90
Ms. Tsang Hau Lam	72	—	—	—	—	72
Ms. Tam Ho Ting	72	—	—	—	—	72

No directors waived their emoluments during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

(b) Directors' retirement benefits

None of our directors received or will receive any retirement benefits during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

(c) Directors' termination benefits

None of our directors received or will receive any termination benefits during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

(d) Consideration provided to third parties for making available directors services

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our Group did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, there were no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to our Group's business to which our Group was a party and in which a director of our Company had a material interest, whether directly to indirectly; subsisted at the end of the year or at any time during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

11 FINANCE (COST)/INCOME, NET

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Finance income					
Interest income on cash and cash equivalents	69	24	190	24	346
Finance cost					
Interest expenses on lease liabilities	(113)	(7)	(4)	(49)	(4)
Finance (cost)/income, net	(44)	17	186	(25)	342

12 INCOME TAX EXPENSE

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

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current income tax					
— The PRC enterprise income tax ("**EIT**")	935	661	2,208	1,238	1,582
— Hong Kong profits tax	1,725	6,197	4,704	2,942	2,183
— (Over)/under provision of prior periods	(38)	(49)	(41)	—	115
Total current income tax	2,622	6,809	6,871	4,180	3,880
Deferred income tax *(Note 28)*	(14)	(29)	(368)	—	49
Income tax expense	2,608	6,780	6,503	4,180	3,929

(i) Hong Kong profits tax

In accordance with the two-tiered profits tax rates regime effective from 1 January 2018, Hong Kong profits tax is calculated at 8.25% on the first HK$2,000,000, and 16.5% on the remaining balance of the estimated assessable profits of an operating subsidiary for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 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 Kyoei Seiki Co., Limited ("**Kyoei Seiki**") in the PRC is 25%.

Pursuant to the EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "**Certificate**") and completing the tax reduction and exemption filing with the tax authorities. Kyoei Seiki renewed the Certificate when it expired on 8 November 2020. The renewed Certificate was issued on 9 December 2020 and is valid for 3 years. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, as a result of Kyoei Seiki qualifying for High New Technology Enterprise status, the applicable tax rate of Kyoei Seiki is 15%.

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

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before income tax	16,252	41,866	41,432	25,755	18,685
Tax calculated at tax rates applicable to profits of the respective subsidiaries	2,436	6,652	6,403	3,960	2,736
Income not subject to tax	—	—	(43)	—	(98)
Expenses not deductible for tax purposes	391	399	653	220	1,415
Research and development tax credit *(Note)*	(181)	(222)	(469)	—	(239)
(Over)/under provision of prior periods	(38)	(49)	(41)	—	115
Income tax expense	2,608	6,780	6,503	4,180	3,929

Note:

According to relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 75% for the year ended 31 December 2020 and 100% for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2022 and 2023 of the research and development expenses. The aggregate research and development expenses charged to consolidated statements of comprehensive income amounted to HK$1,613,000, HK$1,479,000, HK$3,125,000, nil and HK$1,594,000 during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 respectively.

13 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.

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
				(Unaudited)	
Profit attributable to equity holders of the Company *(HK$'000)*	13,644	35,086	34,929	21,575	14,756
Weighted average number of shares in issue *(thousand)*	400,000	400,000	400,000	400,000	400,000
Basic earnings per share *(HK cents per share)*	3.4	8.8	8.7	5.4	3.7

Diluted earnings per share for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years/periods.

14 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020, 2021 and 2022 and 30 June 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly or indirectly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The countries of incorporation or registration are also their principal place of business.

Name of subsidiaries	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Issued and paid-in capital/registered capital	Ownership interest held by the Group As at 31 December, 2020	2021	2022	As at 30 June, 2023	As of the date of this report
Directly held:								
Kyoei Seiki Holdings Limited	The BVI, limited liability company, 14 September 2018	Investment holding in the BVI	1 ordinary share of US$1 each	100%	100%	100%	100%	100%
Best Linking Holdings Limited	The BVI, limited liability company, 13 September 2018	Investment holding in the BVI	1 ordinary share of US$1 each	100%	100%	100%	100%	100%
Indirectly held:								
Wing Fung Machinery Company Limited	Hong Kong, limited company, 10 November 2005	Investment holding in Hong Kong	13,000,000 ordinary shares HK$13,000,000	100%	100%	100%	100%	100%
Best Linking Limited	Hong Kong, limited company, 15 September 2010	Trading of machinery products in Hong Kong	1 ordinary share HK$1	100%	100%	100%	100%	100%
Kyoei Seiki Co., Limited	The PRC, limited liability company, 5 September 2007	Manufacturing of machinery products in the PRC	Registered capital of HK$20,000,000	100%	100%	100%	100%	100%

(a) The statutory financial statements of Wing Fung Machinery Company Limited and Best Linking Limited for the years ended 31 December 2020, 2021 and 2022 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong. No statutory audit was required for these two companies for the six months ended 30 June 2023.

(b) The statutory financial statements of Kyoei Seiki Co., Limited for the years ended 31 December 2020, 2021 and 2022 were audited by 東莞市華瑞會計師事務所 in the PRC. No statutory audit was required for this company for the six months ended 30 June 2023.

(c) No statutory audit was required for other subsidiaries during the Track Record Period.

15 PROPERTY PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2020							
Cost	4,304	1,160	24,480	—	—	—	29,944
Accumulated depreciation	(1,562)	(991)	(19,966)	—	—	—	(22,519)
Net book amount	2,742	169	4,514	—	—	—	7,425
Year ended 31 December 2020							
Opening net book amount	2,742	169	4,514	—	—	—	7,425
Additions	1,305	54	44	667	270	—	2,340
Disposal	(38)	—	—	—	—	—	(38)
Depreciation	(649)	(61)	(918)	(99)	(7)	—	(1,734)
Exchange differences	205	11	248	34	16	—	514
Closing net book amount	3,565	173	3,888	602	279	—	8,507
At 31 December 2020							
Cost	5,827	1,294	26,156	707	286	—	34,270
Accumulated depreciation	(2,262)	(1,121)	(22,268)	(105)	(7)	—	(25,763)
Net book amount	3,565	173	3,888	602	279	—	8,507
At 1 January 2021							
Cost	5,827	1,294	26,156	707	286	—	34,270
Accumulated depreciation	(2,262)	(1,121)	(22,268)	(105)	(7)	—	(25,763)
Net book amount	3,565	173	3,888	602	279	—	8,507
Year ended 31 December 2021							
Opening net book amount	3,565	173	3,888	602	279	—	8,507
Additions	62	107	77	—	—	5,873	6,119
Depreciation	(780)	(41)	(639)	(238)	(137)	—	(1,835)
Exchange differences	83	7	97	12	5	93	297
Closing net book amount	2,930	246	3,423	376	147	5,966	13,088
At 31 December 2021							
Cost	6,037	1,439	26,949	726	294	5,966	41,411
Accumulated depreciation	(3,107)	(1,193)	(23,526)	(350)	(147)	—	(28,323)
Net book amount	2,930	246	3,423	376	147	5,966	13,088

	Right-of-use assets HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2022							
Cost	6,037	1,439	26,949	726	294	5,966	41,411
Accumulated depreciation	(3,107)	(1,193)	(23,526)	(350)	(147)	—	(28,323)
Net book amount	2,930	246	3,423	376	147	5,966	13,088
Year ended 31 December 2022							
Opening net book amount	2,930	246	3,423	376	147	5,966	13,088
Additions	268	78	41	494	3,260	11,418	15,559
Transfer from CIP	—	—	9,701	—	—	(9,701)	—
Written-off	—	(1)	(2)	—	—	—	(3)
Depreciation	(760)	(60)	(980)	(295)	(86)	—	(2,181)
Exchange differences	(204)	(20)	(543)	(35)	(9)	(523)	(1,334)
Closing net book amount	2,234	243	11,640	540	3,312	7,160	25,129
At 31 December 2022							
Cost	5,871	1,398	34,222	1,148	3,531	7,160	53,330
Accumulated depreciation	(3,637)	(1,155)	(22,582)	(608)	(219)	—	(28,201)
Net book amount	2,234	243	11,640	540	3,312	7,160	25,129
At 1 January 2023							
Cost	5,871	1,398	34,222	1,148	3,531	7,160	53,330
Accumulated depreciation	(3,637)	(1,155)	(22,582)	(608)	(219)	—	(28,201)
Net book amount	2,234	243	11,640	540	3,312	7,160	25,129
Period ended 30 June 2023							
Opening net book amount	2,234	243	11,640	540	3,312	7,160	25,129
Additions	—	66	550	14	—	1,028	1,658
Transfer from CIP	—	—	4,835	—	—	(4,835)	—
Disposals	—	—	(258)	—	—	—	(258)
Depreciation	(372)	(35)	(719)	(184)	(560)	—	(1,870)
Exchange differences	(75)	(12)	(718)	(16)	—	(138)	(959)
Closing net book amount	1,787	262	15,330	354	2,752	3,215	23,700
At 30 June 2023							
Cost	5,647	1,399	37,406	1,111	3,519	3,215	52,297
Accumulated depreciation	(3,860)	(1,137)	(22,076)	(757)	(767)	—	(28,597)
Net book amount	1,787	262	15,330	354	2,752	3,215	23,700

The right-of-use assets represents the lease on production factory in the PRC, and office and carpark in Hong Kong.

During the Track Record Period, the amounts of depreciation expense charged to cost of sales and administrative expenses are as follows:

	Year ended 31 December,			Six months ended 30 June,	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cost of sales	1,357	1,194	1,561	581	1,045
Administrative expenses	377	641	620	141	825
	1,734	1,835	2,181	722	1,870

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include the following:

	As at 31 December,			As at 30 June,
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised costs:				
Trade receivables	22,028	38,895	41,707	47,161
Deposits and other receivables	54	493	178	281
Cash and cash equivalents	43,130	56,387	51,003	75,954
	65,212	95,775	92,888	123,396
Financial liabilities at amortised costs:				
Trade payables	4,465	8,343	1,034	10,889
Lease liabilities	180	79	180	130
Accruals and other payables	1,275	1,139	2,616	4,440
Dividend payable	—	—	—	16,000
	5,920	9,561	3,830	31,459

17 TRADE RECEIVABLES

	As at 31 December,			As at 30 June,
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	22,028	38,895	41,707	47,161

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amounts of trade receivables approximated their fair values.

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

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

	As at 31 December,			As at 30 June,
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 30 days	3,174	20,499	14,762	19,273
31–60 days	4,290	9,768	5,353	13,955
61–90 days	5,259	4,890	11,235	6,799
Over 3 months	9,305	3,738	10,357	7,134
	22,028	38,895	41,707	47,161

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

	As at 31 December,			As at 30 June,
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	16,846	37,181	31,462	31,099
RMB	303	268	403	293
JPY	16	—	—	—
HK$	4,863	1,446	9,842	15,769
	22,028	38,895	41,707	47,161

The maximum exposure to credit risk as at 31 December 2020, 2021 and 2022 and 30 June 2023 was the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, no provision of impairment for trade receivables was made as the expected loss rate were minimal.

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December,			As at 30 June,
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Prepayments for purchase of property, plant and equipment	4,243	5,032	—	—
Prepayments for purchase of computer software	—	800	800	800
Rental deposits	18	18	18	137
	4,261	5,850	818	937
Current				
Deposits and other receivables	36	475	160	144
Prepayments for inventories	5,528	3,823	9,262	2,254
Prepayments for listing expenses	—	—	—	975
	5,564	4,298	9,422	3,373
Total prepayments, deposits and other receivables	9,825	10,148	10,240	4,310

The carrying amounts of the Group's prepayments, deposits and other receivables were denominated in the following currencies:

	As at 31 December,			As at 30 June,
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	5,798	6,240	1,105	1,570
HK$	4,027	1,107	3,990	1,912
USD	—	1,569	640	59
JPY	—	1,232	4,505	769
	9,825	10,148	10,240	4,310

19 INVENTORIES

	As at 31 December,			As at 30 June,
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	6,736	8,287	8,817	9,125
Work in progress	2,773	2,418	2,453	4,790
Finished goods	14,687	15,230	9,801	7,477
	24,196	25,935	21,071	21,392
Less: provision for slow moving inventories	(329)	(360)	(437)	(324)
	23,867	25,575	20,634	21,068

The raw materials and consumable used and changes in inventories of finished goods and work in progress were recognised as expense and included in cost of sales during the years ended 31 December 2020, 2021 and 2022 and the six months ended 31 June 2023, totalling amounted to HK$36,865,000, HK$69,982,000, HK$61,484,000 and HK$40,374,000, respectively (Note 6).

Movements on the provision for slow moving inventories are as follows:

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
At 1 January	311	329	360	360	437
Reversal of provision for slow moving inventories *(Note 6)*	(116)	(50)	(258)	—	(218)
Provision for slow moving inventories *(Note 6)*	113	72	367	—	119
Exchange differences	21	9	(32)	(16)	(14)
At 31 December	329	360	437	344	324

The Group reversed provision for slow moving inventories and included in cost of sales amounted to HK$116,000, HK$50,000, HK$258,000, nil and HK$218,000 as the relevant inventories were sold during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively (Note 6).

20 CASH AND CASH EQUIVALENTS

	Group				Company			
	As at 31 December,			As at 30 June,	As at 31 December,			As at 30 June,
	2020	2021	2022	2023	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks	43,082	56,347	50,951	75,908	24,954	15,995	5,173	23,386
Cash on hand	48	40	52	46	—	—	—	—
Cash and cash equivalents	43,130	56,387	51,003	75,954	24,954	15,995	5,173	23,386
Maximum exposure to credit risk	43,082	56,347	50,951	75,908	24,954	15,995	5,173	23,386

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group				Company			
	As at 31 December,			As at 30 June,	As at 31 December,			As at 30 June,
	2020	2021	2022	2023	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HK$	34,328	32,280	27,446	47,373	24,954	15,995	5,170	21,267
USD	8,263	22,212	22,823	22,951	—	—	3	2,119
RMB	419	1,895	734	5,630	—	—	—	—
JPY	120	—	—	—	—	—	—	—
	43,130	56,387	51,003	75,954	24,954	15,995	5,173	23,386

Cash at banks earned interest at floating rates based on daily bank deposits rate. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amounts of cash and cash equivalents approximated their fair values.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, approximately HK$3,236,000, HK$10,631,000, HK$18,647,000 and HK$25,466,000 of the Group's cash and cash equivalents were placed with banks in the PRC denominated in RMB or USD, which is subject to foreign exchange control regulations of the PRC.

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary share *HK$'000*
Authorised:		
At 31 December 2020, 2021 and 2022 and 30 June 2023	10,000,000,000	100,000

	Note	Number of ordinary shares	Nominal value of ordinary share *HK$'000*	Share premium *HK$'000*
Issued and paid:				
At 1 January 2020		400,000,000	4,000	42,511
Dividend paid	*(a)*	—	—	(8,000)
At 31 December 2020 and 1 January 2021		400,000,000	4,000	34,511
Dividend paid	*(b)*	—	—	(8,000)
At 31 December 2021 and 1 January 2022		400,000,000	4,000	26,511
Dividend paid	*(c), (d)*	—	—	(16,000)
At 31 December 2022 and 1 January 2023		400,000,000	4,000	10,511
Dividend declared	*(e)*	—	—	(10,511)
At 30 June 2023		400,000,000	4,000	—

Notes:

(a) On 29 May 2020, the proposed final dividend of HK2.0 cents per share, amounted to HK$8,000,000 for the year ended 31 December 2019 was approved. Such dividend was recorded for as a reduction of share premium of the Group pursuant to the Article of Association and the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The final dividend was paid on 30 June 2020.

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

(c) On 22 March 2022, the proposed final dividend of HK2.0 cents per share, amounted to HK$8,000,000 for the year ended 31 December 2021 was approved. Such dividend was recorded for as a reduction of share premium of the Group pursuant to the Article of Association and the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The final dividend was paid on 6 July 2022.

(d) On 7 November 2022, the proposed interim dividend of HK2.0 cents per share, amounted to HK$8,000,000 for the year ended 31 December 2022 was approved. Such dividend was recorded for as a reduction of share premium of the Group pursuant to the Article of Association and the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The interim dividend was paid on 12 December 2022.

(e) On 16 June 2023, the proposed final dividend of HK4.0 cents per share, amounted to HK$16,000,000 for the year ended 31 December 2022 was approved. Such dividend was recorded for as a reduction of share premium and retained earnings of the Group pursuant to the Article of Association and the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The final dividend was unpaid but recorded as dividend payables on the consolidated balance sheets as at 30 June 2023. The final dividend was paid on 5 July 2023.

22 RESERVES

(a) Capital reserve

Capital reserves of the Group represented the difference between the net asset value of the subsidiaries acquired pursuant to the reorganisation on 21 December 2018, over the nominal value of the share capital of the Company issued in exchange thereof.

(b) Statutory reserve

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC incorporated company is required to appropriate an amount of not less than 10% of statutory profit after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operation, or to increase the capital of the company. In addition, a company may make further contribution to the discretional 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.

23 RESERVE MOVEMENTS OF THE COMPANY

	Share capital	Other reserve	Accumulated losses	Reserves subtotal	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2020	4,000	84,399	(19,036)	65,363	69,363
Loss for the year	—	—	(2,369)	(2,369)	(2,369)
Total comprehensive income	—	—	(2,369)	(2,369)	(2,369)
Transactions with equity holders:					
Dividend paid	—	(8,000)	—	(8,000)	(8,000)
Total transactions with equity holders	—	(8,000)	—	(8,000)	(8,000)
Balance at 31 December 2020	4,000	76,399	(21,405)	54,994	58,994
Balance at 1 January 2021	4,000	76,399	(21,405)	54,994	58,994
Loss for the year	—	—	(2,421)	(2,421)	(2,421)
Total comprehensive income	—	—	(2,421)	(2,421)	(2,421)
Transactions with equity holders:					
Dividend paid	—	(8,000)	—	(8,000)	(8,000)
Total transactions with equity holders	—	(8,000)	—	(8,000)	(8,000)
Balance at 31 December 2021	4,000	68,399	(23,826)	44,573	48,573

	Share capital	Other reserve	Accumulated losses	Reserves subtotal	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2022	4,000	68,399	(23,826)	44,573	48,573
Loss for the year	—	—	(5,939)	(5,939)	(5,939)
Total comprehensive income	—	—	(5,939)	(5,939)	(5,939)
Transactions with equity holders:					
Dividend paid	—	(16,000)	—	(16,000)	(16,000)
Total transactions with equity holders	—	(16,000)	—	(16,000)	(16,000)
Balance at 31 December 2022	4,000	52,399	(29,765)	22,634	26,634
Balance at 1 January 2023	4,000	52,399	(29,765)	22,634	26,634
Profit for the period	—	—	8,009	8,009	8,009
Total comprehensive income	—	—	8,009	8,009	8,009
Transactions with equity holders:					
Dividend declared	—	(16,000)	—	(16,000)	(16,000)
Total transactions with equity holders	—	(16,000)	—	(16,000)	(16,000)
Balance at 30 June 2023	4,000	36,399	(21,756)	14,643	18,643

24 LEASE LIABILITIES

(a) Amounts recognised in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

	As at 31 December,			As at 30 June,
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Right-of-use assets*				
Properties	3,565	2,930	2,234	1,787

* The balances were included in the Note 15 "Properties, plant and equipment".

	As at 31 December,			As at 30 June,
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lease liabilities				
Non-current portion	79	—	79	27
Current portion	101	79	101	103
	180	79	180	130

Additions to the right-of-use assets amounted to approximately HK$1,305,000, HK$62,000, HK$268,000 and nil during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively.

(b) Amounts recognised in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Depreciation charge of right-of-use assets					
Properties	649	780	760	392	372
Finance costs on leases *(Note 11)*	113	7	4	2	4

The total cash outflow for lease:

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Payment of principal elements of lease liabilities	3,757	101	104	52	50
Payment of interest elements of lease liabilities	113	7	4	2	4
	3,870	108	108	54	54

The Group leases production factory in the PRC and office and carpark in Hong Kong. These lease liabilities were measured at net present value of the lease payments for the lease terms that are not yet paid. On 25 June 2020, the Company and the landlord of the production factory in the PRC has entered into a new contract, superseding the original rental contract. The rental agreement has the same scope of lease with revised monthly rental, totalling HK$3,644,000 for 72 months, which was fully paid during the year ended 31 December 2020.

25 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.

	As at 31 December,			As at 30 June,
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	4,465	8,343	1,034	10,889

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the ageing analysis of the trade payables, based on invoice date, are as follows:

	As at 31 December,			As at 30 June,
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 30 days	3,012	7,057	774	6,085
31–60 days	1,144	1,271	106	684
61–90 days	210	—	121	3,231
Over 3 months	99	15	33	889
	4,465	8,343	1,034	10,889

	As at 31 December,			As at 30 June,
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	2,057	622	889	1,646
HK$	2,406	7,719	145	7,586
USD	2	2	—	1,657
	4,465	8,343	1,034	10,889

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amounts of trade payables approximate their fair values.

26 ACCRUALS AND OTHER PAYABLES

	Group				Company			
	As at 31 December,			As at 30 June,	As at 31 December,			As at 30 June,
	2020	2021	2022	2023	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accrued auditors' remuneration	1,000	822	1,050	1,050	1,000	722	950	950
Accrued listing expenses	—	—	775	2,085	—	—	775	2,085
Accrued employee benefit expenses	585	759	869	785	—	—	—	—
Other accruals	157	199	241	215	—	31	90	60
Other payables	4	—	10	9	—	—	—	—
Payable for purchase of property, plant and equipment	114	117	540	1,081	—	—	—	—
Contract liabilities *(Note 5(c))*	8	4	—	—	—	—	—	—
	1,868	1,901	3,485	5,225	1,000	753	1,815	3,095

The carrying amounts of the Group's contract liabilities, accruals and other payables were denominated in the following currencies:

	Group				Company			
	As at 31 December,			As at 30 June,	As at 31 December,			As at 30 June,
	2020	2021	2022	2023	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RMB	843	1,030	1,349	2,005	—	—	—	—
HK$	1,025	871	2,136	3,220	1,000	753	1,815	3,095
	1,868	1,901	3,485	5,225	1,000	753	1,815	3,095

27 DIVIDENDS

(a) Dividends declared and paid during the year/period

	Year ended 31 December,			Six months ended 30 June,	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interim dividends declared and paid in respect of 2021 and 2022 of HK2.0 cents per share	—	8,000	8,000	—	—
Final dividends declared in respect of 2021 and 2022 of HK$2.0 cent and HK4.0 cent per share, respectively	—	—	—	8,000	16,000
Final dividends declared and paid in respect of 2019 and 2021 of HK2.0 cents per share	8,000	—	8,000	—	—

(b) Dividends for the year/period

	Year ended 31 December,			Six months ended 30 June,	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interim dividends of HK2.0 cents per share	—	8,000	8,000	—	—
Proposed final dividends of HK4.0 cents per share (2021: HK2.0 cents) *(Note)*	—	8,000	16,000	—	—
	—	16,000	24,000	—	—

Note:

The proposed 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 payables as at 31 December 2021 and 2022.

28 DEFERRED INCOME TAX

The movement in deferred income tax assets during the years ended 31 December 2020, 2021 and 2022 and 30 June 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follow:

	Lease	Provision for inventories	Decelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	17	47	—	64
Credited to consolidated statement of comprehensive income *(Note 12)*	14	—	—	14
As at 31 December 2020	31	47	—	78
At 1 January 2021	31	47	—	78
Credited to consolidated statement of comprehensive income *(Note 12)*	22	7	—	29
As at 31 December 2021	53	54	—	107
At 1 January 2022	53	54	—	107
(Charged)/credited to consolidated statement of comprehensive income *(Note 12)*	(30)	11	387	368
As at 31 December 2022	23	65	387	475
At 1 January 2023	23	65	387	475
Credited/(charged) to consolidated statement of comprehensive income *(Note 12)*	2	12	(63)	(49)
As at 30 June 2023	25	77	324	426

As at 31 December 2020, 2021 and 2022 and 30 June 2023, deferred income tax liabilities of approximately HK$2,413,000, HK$2,881,000, HK$4,289,000 and HK$5,245,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC of approximately HK$24,129,000, HK$28,808,000, HK$42,886,000 and HK$52,452,000, respectively, as our directors considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed and will not be taxable in the foreseeable future.

29 RELATED PARTIES TRANSACTIONS

(a) For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control. The director is of the view that the following individual were related parties that had transactions or balances with the Group during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023:

Name	Relationship with the Group
Mr. YP Chan	Shareholder and Executive Director
Ms. Leung Tak Yee	Shareholder and the spouse of Mr. YP Chan

(b) Key management compensation

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

	Year ended 31 December, 2020	2021	2022	Six months ended 30 June, 2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, allowances and benefits in kind	1,715	1,862	2,263	1,148	1,123
Discretionary bonuses	—	—	278	87	—
Retirement benefit costs — defined contribution plans	62	68	67	32	34
	1,777	1,930	2,608	1,267	1,157

30 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 December, 2020	2021	2022	Six months ended 30 June, 2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cash flows from operating activities					
Profit before income tax	16,252	41,866	41,432	25,755	18,685
Adjustments for:					
Amortisation	76	—	—	—	—
Depreciation	1,734	1,835	2,181	722	1,870
(Reversal of provision)/provision for slow moving inventories, net	(3)	22	109	—	(99)
Gain on disposal of right-of-use assets	(1)	—	—	—	—
Loss on written off/disposal of property, plant and equipment *(Note c)*	—	—	3	—	218
Finance income	(69)	(24)	(190)	(24)	(346)
Finance cost	113	7	4	49	4
Changes in working capital	18,102	43,706	43,539	26,502	20,332
Trade receivables	(4,380)	(16,526)	(4,263)	(18,596)	(6,603)
Prepayments, deposits and other receivables	(934)	1,366	6	(1,549)	(1,228)
Inventories	825	(1,061)	(2,617)	2,820	5,724
Trade payables	2,840	3,846	(7,250)	(6,373)	9,937
Accruals and other payables	(490)	7	1,678	92	1,041
Net cash generated from operations	15,963	31,338	31,093	2,896	29,203

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Lease Liabilities
	HK$'000
Net debt as at 1 January 2020	(2,715)
Cash flows	3,870
Other non-cash movements	
— Additions	(1,206)
— Accrued interest	(113)
— Foreign exchange adjustments	(16)
Net debt as at 31 December 2020	(180)
Net debt as at 1 January 2021	(180)
Cash flows	108
Other non-cash movements	
— Accrued interest	(7)
Net debt as at 31 December 2021	(79)
Net debt as at 1 January 2022	(79)
Cash flows	108
Other non-cash movements	
— Additions	(205)
— Accrued interest	(4)
Net debt as at 31 December 2022	(180)
Net debt as at 1 January 2023	(180)
Cash flows	54
Other non-cash movements	
— Additions	—
— Accrued interest	(4)
Net debt as at 30 June 2023	(130)

(c) Proceeds from disposal of property, plant and equipment comprise:

	Six months ended 30 June, 2023
	HK$'000
Net book amount *(Note 15)*	258
Loss on disposal of property, plant and equipment	(218)
Proceeds from disposal of property, plant and equipment	40

31 INVESTMENT IN SUBSIDIARIES

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment in unlisted shares, at cost	41,888	41,888	41,888	41,888

32 LOAN TO A SUBSIDIARY

As at 31 December 2020, 2021 and 2022, loan to a subsidiary were unsecured, interest-free and not expect demand for repayment within 12 months. As at 30 June 2023, except for the loan to a subsidiary amounting to HK$6,368,000 was unsecured, interest-free and repayable within a year, the remaining balances were unsecured, interest-free and not expected demand for repayment within 12 months. Their carrying amounts approximated their fair values, non-trade nature and were denominated in US$.

33 AMOUNTS DUE TO SUBSIDIARIES

As at 31 December 2020, 2021 and 2022 and 30 June 2023, amounts due to subsidiaries were non-trade in nature, unsecured, interest-free and repayable on demand. Their carrying amounts approximated their fair values and were denominated in HK$.

34 CAPITAL COMMITMENTS

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

	Year ended 31 December,			Six months ended 30 June,	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Property, plant and equipment and intangible assets					
— Not later than one year	5,125	8,251	1,999	6,579	678
— Later than one year but not later than five years	405	822	288	47	—
	5,530	9,073	2,287	6,626	678

35 CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group did not have any significant contingent liabilities.

36 SUBSEQUENT EVENT

There were no significant events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with HKFRSs.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2023. Except as disclosed in Note 27 in Section II, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2023.

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this listing document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this listing document and the Accountant's Report set out in Appendix I to this listing document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the "**Unaudited Pro Forma Financial Information**") which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose to illustrate the effect of the transfer of listing (the "**Transfer of Listing**") on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 as if the Transfer of Listing had taken place on 30 June 2023.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company had the Transfer of Listing been completed as at 30 June 2023 or at any future dates following the Transfer of Listing. The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this listing document, after incorporating the unaudited pro forma adjustments described in the accompanying notes below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023	**Estimated Listing expenses**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on 400,000,000 ordinary shares	138,900	(5,258)	133,642	0.33

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 is extracted from the Accountant's Report set out in Appendix I to this listing document which is based on the audited consolidated net assets of our Group attributable to the owners of the Company as at 30 June 2023 of approximately HK$138,900,000.

2. The estimated listing expenses include the professional fees and other related expenses (excluding listing expenses of approximately HK$10,742,000 which have been accounted for in the consolidated statements of comprehensive income of the Group prior to 30 June 2023) paid/payable by the Company in relation to the Transfer of Listing, and takes no account of any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment or repurchase of Shares as described in the section headed ''Share Capital'' in this listing document.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming the Transfer of Listing have been completed on 30 June 2023.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets per Share to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2023.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Best Linking Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Best Linking Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2023, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's listing document dated 22 September 2023, in connection with the proposed transfer of listing from GEM to the Main Board of The Stock Exchange of Hong Kong Limited (the "**Transfer of Listing**") (the "**Listing Document**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Listing Document.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transfer of Listing on the Group's financial position as at 30 June 2023 as if the Transfer of Listing had taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended 30 June 2023, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a listing document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transfer of Listing at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 22 September 2023

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 October 2018 under the Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on and with effect from 16 June 2023. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him. Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as our Board may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as our Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as our Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the "**Listing Rules**") that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that our Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

Our Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Our Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register may be closed on giving notice by announcement or by electronic communication or by advertisement in any newspapers or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as our Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by the members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange. Our Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

Our Board may from time to time make such calls upon the members in respect of any moneys unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as our Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the moneys so advanced our Company may pay interest at such rate (if any) as our Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, our Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board to that effect. Such forfeiture will include all dividend and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if our Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as our Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one-third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to our Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of our Board for six (6) consecutive months, and our Board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

Our Board may appoint any one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine and our Board may revoke or terminate any of such appointments. Our Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as our Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Board may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

Our Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of our Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor our Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of our Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Act to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of our Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such extra remuneration as our Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as our Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

Our Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's moneys to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

Our Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as our Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Our Board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including Directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our

Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) Financial assistance to purchase Shares

Subject to compliance with the Listing Rules and the rules and regulations of any other competent regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(ix) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as our Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may continue to be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intending Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of our Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to our Directors, his close associate(s) and employee(s) of our Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(c) Proceedings of our Board

Our Board may meet for the despatch of business, adjourn or postpone and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that in the case of a physical meeting, the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as our Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of our Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)), being a corporation, is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

Our Company must hold an annual general meeting of our Company every financial year and such general meeting must be held within six (6) months after the end of our Company's financial year unless a longer period would not infringe the Listing Rules, if any.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of our Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to our Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, our Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place (as defined below), and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by our Board pursuant to the Articles, the principal place of the meeting (the "**Principal Meeting Place**"), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by our Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, to the auditors for the time being of our Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding up of a member of our Company and to each of our Directors.

Any notice to be given to or by any person pursuant to the Articles may be given or issued by the following means:

(aa) by serving it personally on the relevant person;

(bb) by sending it through the post to such member's registered address;

(cc) by delivering or leaving it at such member's registered address;

(dd) by placing an advertisement in newspapers or other publication and where applicable, in accordance with the requirements of the Stock Exchange;

(ee) by sending or transmitting it as an electronic communication to the relevant person at such electronic address as he may provide under the Articles, subject to our Company complying with the Cayman Islands laws and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person;

(ff) by publishing it on our Company's website to which the relevant person may have access, subject to our Company complying with the Cayman Islands law and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person and/or for giving notification to any such person stating that the notice, document or publication is available on our Company's computer network website; or

(gg) by sending or otherwise making it available to such person through such other means to the extent permitted by and in accordance with the Cayman Islands law and other applicable laws, rules and regulations.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aaa) the declaration and sanctioning of dividend;

(bbb) the consideration and adoption of the accounts and balance sheet and the reports of our Directors and the auditors;

(ccc) the election of Directors in place of those retiring;

(ddd) the appointment of auditors and other officers; and

(eee) the fixing of the remuneration of our Directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorised representative or proxy, and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

Our Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as our Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by our Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the Directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by our Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividend and other methods of distribution

Our Company in general meeting may declare dividend in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board.

The Articles provide dividend may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividend may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividend shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividend shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other moneys payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, our Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof if our Board so determines) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Our Company may also upon the recommendation of our Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividend or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividend or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividend or bonuses unclaimed for six years after having been declared may be forfeited by our Board and shall revert to our Company.

No dividend or other moneys payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by our Board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by our Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to member of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of properties of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if so long as any of the rights attached to any warrants to subscribe for shares of our Company shall remain exercisable and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, our Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 2 November 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of our Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the board may, from time to time, think fit. The register of members shall contain such particulars as required by section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

Our Company is required to maintain at its registered office a register of Directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such Directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent us a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents Available on Display" in Appendix V to this listing document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Act as an exempted company with limited liability on 26 October 2018. Our Company has established a place of business in Hong Kong at Unit No. 1119, 11th Floor, The Metropolis Tower, No. 10 Metropolis Drive, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 11 January 2019. In connection with such registration, Mr. Chan Ho Chee Gilbert has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Islands Companies Act, the common law of the Cayman Islands and its constitution, which comprises of a memorandum of association and the articles of association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands Companies Act and common law are set out in Appendix III to this listing document.

2. Changes in authorised and issued share capital of our Company

As at the Latest Practicable Date, the authorised share capital of our Company was HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each. Assuming that no Shares will be allotted and issued prior to the Transfer of Listing, immediately following completion of the Transfer of Listing, the issued share capital of our Company will remain to be HK$4,000,000 divided into 400,000,000 Shares fully paid or credited as fully paid, and 600,000,000 Shares remained unissued. The following sets out the changes in the share capital of our Company since the date of incorporation.

On 26 October 2018 when our Company was incorporated in the Cayman Islands, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On incorporation of our Company, the Subscriber Share was allotted and issued to the initial subscriber and subsequently transferred to C Centrum on the same date at par.

On 21 December 2018, in consideration of the transfer of the entire issued shares of Wing Fung from Mr. YP Chan to our nominee, Kyoei Seiki Holdings, our Company (i) allotted and issued 49 Shares to C Centrum (as nominee of Mr. YP Chan, the beneficial owner), credited as fully paid; and (ii) credited the Subscriber Share as fully paid and registered in the name of C Centrum.

On 21 December 2018, in consideration of the transfer of the entire issued share of Best Linking from Mr. HT Chen (being the legal owner), under the direction of Mr. YP Chan (being the beneficial owner), to our nominee, Best Linking Holdings, our Company allotted and issued 50 Shares to C Centrum (as nominee of Mr. YP Chan, the beneficial owner), credited as fully paid.

On 21 October 2019, pursuant to the written resolutions of our then sole Shareholder passed on the even date, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of par value HK$0.01 each by the creation of an additional 9,962,000,000 Shares of par value HK$0.01 each which rank *pari passu* in all respects with the existing Shares.

Immediately following completion of the GEM Share Offer and the capitalisation issue for the purpose of the GEM Listing (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), 400,000,000 Shares were allotted and issued as fully paid or credited as fully paid, and 600,000,000 Shares remained unissued.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation up to the Latest Practicable Date.

3. Resolutions of our Board in respect of the Transfer of Listing

Pursuant to the resolutions passed by our Directors on 20 March 2023, *inter alia*:

(a) subject to the grant of approval from the Listing Committee of the Stock Exchange for the Transfer of Listing, our Shares shall be transferred to be listed on the Main Board; and

(b) conditional on the Listing Committee granting the approval for the Transfer of Listing, the Share Option Scheme remains valid and effective, subject to changes in relation to the Transfer of Listing including but not limited to all references to the GEM Listing Rules therein shall mean the Listing Rules and the specific reference to any rule of the GEM Listing Rules shall be deemed to refer to the corresponding rule in the Listing Rules with the equivalent content.

4. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I to this listing document.

There was no change in the share capital or registered capital of our subsidiaries during the two years preceding the date of this listing document.

5. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this listing document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the annual general meeting of our Company on 16 June 2023, our Shareholders have granted a repurchase mandate (the "**Repurchase Mandate**") to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all the applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange, an aggregate number of Shares not exceeding 10% of the aggregate number of Shares in issue as at the date of passing of the resolutions.

The Repurchase Mandate will continue to be valid and remain in effect until the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by our Articles or any applicable Cayman Islands law; or (iii) the date on which such authority given to our Directors is revoked or varied by an ordinary resolution of our Shareholders in a general meeting of our Company.

(ii) Source of funds

Any repurchase by our Company must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum and Articles of Association and the applicable laws, rules and regulations of the Cayman Islands and the Listing Rules. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under Cayman Islands law, any repurchase by our Company may only be made out of profits of our Company, or from sums standing to the credit of our share premium account, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the provisions of the Companies Act, out of our share capital. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of profits of our Company or from sums standing to the credit of our Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Act, out of our share capital.

(iii) Core connected parties

A company is prohibited from knowingly repurchasing securities from a "core connected person", which includes a Director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or their respective close associates, and a core connected person shall not knowingly sell his securities to our Company on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the interests of our Company and our Shareholders as a whole for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchase will benefit our Company and our Shareholders as a whole.

(c) Funding of repurchase

The repurchases of securities would be funded entirely from our Company's funds legally available in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands for such purpose.

On the basis of the current financial position of our Group as disclosed in this listing document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this listing document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Transfer of Listing, would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force. As at the Latest Practicable Date, the Repurchase Mandate had not been utilised and will be lapsed at the conclusion of the next annual general meeting of our Company.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

6. Summary of material contract

Other than the Supplemental Deed of Indemnity executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), there is no other contract (not being contracts in the ordinary course of business) entered into by members of our Group within the two years preceding the date of this listing document and is or may be material.

7. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks which are material to our business:

No.	Trademark	Registration number	Name of registered owner	Class	Place of registration	Expiry date/ Renewal due date
1	EUSC	9729454	Kyoei Seiki	7	The PRC	6 September 2032
2	JSG	9729453	Kyoei Seiki	7	The PRC	13 November 2032
3	JSG	304310171	Wing Fung	7	Hong Kong	22 October 2027
4	KANGWON PARTS	26963691	Wing Fung	6	The PRC	6 December 2028
5	KANGWON PARTS	26967022	Wing Fung	7	The PRC	6 December 2028
6	KWP	26963913	Wing Fung	6	The PRC	6 October 2028
7	KWP	304310199	Wing Fung	6	Hong Kong	22 October 2027
8	KWP	26963937	Wing Fung	7	The PRC	6 December 2028
9	KWP	304315923	Wing Fung	7	Hong Kong	26 October 2027
10	KYOEI	6398500	Kyoei Seiki	7	The PRC	6 March 2030
11	KYOEI	304310153	Wing Fung	7	Hong Kong	22 October 2027
12	KYOEI SEIKI	305042538	Kyoei Seiki	6, 7	Hong Kong	29 August 2029
13	KYOEI SEIKI	40668244	Kyoei Seiki	6	The PRC	13 April 2030
14	KYOEI SEIKI	40665195	Kyoei Seiki	7	The PRC	13 April 2030
15	KYONSK	9891543	Kyoei Seiki	7	The PRC	27 October 2032
16	NISSHO SEIKO	7838370	Kyoei Seiki	7	The PRC	13 April 2031
17	NISSHO	304310180	Wing Fung	7	Hong Kong	22 October 2027
18	NISSHONSK	9891578	Kyoei Seiki	7	The PRC	27 October 2032

No.	Trademark	Registration number	Name of registered owner	Class	Place of registration	Expiry date/ Renewal due date
19	NISSHO	9003792	Kyoei Seiki	7	The PRC	20 February 2032
20	日昭	7838368	Kyoei Seiki	7	The PRC	27 June 2031
21	共榮	6398499	Kyoei Seiki	7	The PRC	6 March 2030
22	共 荣 精 机	23476819	Kyoei Seiki	7	The PRC	6 April 2028
23		6398501	Kyoei Seiki	7	The PRC	6 March 2030
24		304758535	Best Linking	7, 12	Hong Kong	4 December 2028

As at Latest Practicable Date, the Group has applied for the following trademarks which are material to our business:

No.	Trademark	Trade mark number	Name of registered owner	Class	Place of registration	Application date
1	NISSHO SEIKO	306315804	Kyoei Seiki	7	Hong Kong	7 August 2023
2	日昭	306315787	Kyoei Seiki	7	Hong Kong	7 August 2023
3	日昭精工	306315796	Kyoei Seiki	7	Hong Kong	7 August 2023
4	日昭精工	N/A	Kyoei Seiki	7	The PRC	8 August 2023
5	日昭精工	N/A	Kyoei Seiki	7	The PRC	8 August 2023
6		306315813	Kyoei Seiki	7	Hong Kong	7 August 2023
7		N/A	Kyoei Seiki	7	The PRC	8 August 2023

(b) Patents

As at the Latest Practicable Date, our Group has registered the following patents which are material to our business:

No.	Patent	Patentee	Jurisdiction	Patent Number	Expiry Date
1	Adjustable numerical control length measuring instrument (一種可調數控測長儀)	Kyoei Seiki	The PRC	ZL 2016 2 1175518. X	27 October 2026
2	Driving maintenance lifting mechanism (一種行車維修升降機構)	Kyoei Seiki	The PRC	ZL 2016 2 1175510.3	27 October 2026
3	High efficiency quenching sensor (高效淬火感應器)	Kyoei Seiki	The PRC	ZL 2016 2 1181584.8	27 October 2026

No.	Patent	Patentee	Jurisdiction	Patent Number	Expiry Date
4	Numerical control length measuring instrument (一種數控測長儀)	Kyoei Seiki	The PRC	ZL 2016 2 1175543.8	27 October 2026
5	Ring shape quenching sensor (一種環狀淬火感應器)	Kyoei Seiki	The PRC	ZL 2016 2 1175380.3	27 October 2026
6	Ring spreader (一種環件吊具)	Kyoei Seiki	The PRC	ZL 2016 2 1175541.9	27 October 2026
7	Single gear quenching sensor (一種單齒淬火感應器)	Kyoei Seiki	The PRC	ZL 2016 2 1175554.6	27 October 2026
8	Slewing ring automatic clamping device (一種迴轉支承自動夾持設備)	Kyoei Seiki	The PRC	ZL 2016 2 1178366.9	27 October 2026
9	Slewing ring automatic oil filling device (一種迴轉支承自動注油裝置)	Kyoei Seiki	The PRC	ZL 2016 2 1176918.2	27 October 2026
10	Slewing ring measuring rod (迴轉支承測量杆)	Kyoei Seiki	The PRC	ZL 2018 2 0103483.1	22 January 2028
11	Slewing ring measuring rod (迴轉支承測量杆)	Kyoei Seiki	The PRC	ZL 2018 2 0103484.6	22 January 2028
12	Slewing ring for large heavy loader in the port (一種港口大型重載裝卸機的迴轉支承)	Kyoei Seiki	The PRC	ZL 2018 2 0104183.5	22 January 2028
13	Slewing ring for large loader (大型裝載車的迴轉支承)	Kyoei Seiki	The PRC	ZL 2018 2 0103481.2	22 January 2028
14	Automatic coolant circulation system (一種冷卻液自動循環系統)	Kyoei Seiki	The PRC	ZL 2019 2 1017533.5	2 July 2029
15	Slewing ring for mixing truck (一種攪拌自卸車的迴轉支承)	Kyoei Seiki	The PRC	ZL 2019 2 1017532.0	2 July 2029
16	Slewing ring for forklift (一種叉車用的迴轉支承)	Kyoei Seiki	The PRC	ZL 2019 2 1018463.5	2 July 2029
17	Taper reamer clamp (一種錐度鉸刀刀夾)	Kyoei Seiki	The PRC	ZL 2019 2 1017057.7	2 July 2029
18	Slewing ring radial measuring platform (一種迴轉支承徑向檢測台)	Kyoei Seiki	The PRC	ZL 2020 2 1266912.0	2 July 2030
19	Slewing ring for logging machine (一種伐木機械用迴轉支承)	Kyoei Seiki	The PRC	ZL 2020 2 1269336.5	2 July 2030
20	Slewing ring for container mobile equipment in the port (一種港口集裝箱移動設備用迴轉支承)	Kyoei Seiki	The PRC	ZL 2020 2 1266869.8	2 July 2030
21	Slewing ring for log grabber (一種抓木器用迴轉支承)	Kyoei Seiki	The PRC	ZL 2020 2 1269601.X	2 July 2030

No.	Patent	Patentee	Jurisdiction	Patent Number	Expiry Date
22	Slewing ring for crawler crane (一種履帶吊機用的迴轉支承)	Kyoei Seiki	The PRC	ZL 2021 2 0946679.9	6 May 2031
23	Slewing ring for crusher (一種破碎機用的迴轉支承)	Kyoei Seiki	The PRC	ZL 2021 2 0946686.9	6 May 2031
24	Slewing ring for multi-function excavator (一種多功能挖掘機用的迴轉支承)	Kyoei Seiki	The PRC	ZL 2021 2 0947403.2	6 May 2031
25	Slewing ring for steel grabber (一種抓鋼機用迴轉支承)	Kyoei Seiki	The PRC	ZL 2021 2 0946678.4	6 May 2031
26	Slewing ring for agricultural multi-function harvester (一種農用多功能收穫機用迴轉支承)	Kyoei Seiki	The PRC	ZL 2022 2 0900739.8	19 April 2032
27	Slewing ring for lifting machinery (一種隨車起重機用迴轉支承)	Kyoei Seiki	The PRC	ZL 2022 2 0901073.8	19 April 2032
28	Raceway grinding machine clamp (一種滾道床用刀夾)	Kyoei Seiki	The PRC	ZL 2022 2 0900609.4	19 April 2032
29	Slewing ring for train track crane (一種火車軌道吊機用迴轉支承)	Kyoei Seiki	The PRC	ZL 2022 2 0900777.3	19 April 2032

(c) Domain name

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Date of registration	Expiry date
www.kyoei.asia	1 February 2012	1 February 2024
www.blg.hk	5 January 2019	5 January 2024
www.wfm.com.hk	31 May 2017	31 May 2024
www.bestlinking.hk	6 April 2011	6 April 2026

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

8. Directors

(a) Particulars of service contracts and letters of appointment

Each of Mr. YP Chan and Mr. LP Chan, being all our executive Directors, has entered into a service contract with our Company on 21 October 2019. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

(i) each service contract is of three years commencing from the GEM Listing Date and will continue thereafter until terminated in accordance with the terms of the service contracts;

(ii) the current annual salary for each of our executive Directors is set out below, such salary may be reviewed annually by the Board and the Remuneration Committee; and

(iii) each of our executive Directors is entitled to such discretionary bonus by reference to the consolidated net profits of our Group after taxation and minority interests but before extraordinary items as the Board and the Remuneration Committee may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, discretionary bonus and other benefits payable to him.

Under the service contracts, the current basic annual salaries of our executive Directors (including director's fee) are as follows:

Name	**Amount**
	HK$'000
Mr. YP Chan	862
Mr. LP Chan	420

Each of our independent non-executive Directors has entered into a letter of appointment with our Company on 21 October 2019. Each letter of appointment is for an initial term of one year commencing from the GEM Listing Date and shall be automatically renewed for another year, until terminated by either party giving at least one month's notice in writing. Under the letters of appointment, the annual director's fees payable to our independent non-executive Directors are as follows:

Name	**Amount**
	HK$'000
Mr. Adrian Chan	180
Ms. Tsang	144
Ms. Tam	144

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(b) Directors' remuneration

For FY2020, FY2021, FY2022 and 6M2023, the aggregate of the remuneration (including salaries, employer's contribution to pension fund scheme and allowance, if any) paid by our Group to our Directors was approximately HK$1.6 million, HK$1.8 million, HK$2.0 million and HK$0.9 million, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to our Directors) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 December 2023 is estimated to be approximately HK$2.0 million.

None of our Directors or any past director of any member of our Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emolument for the Track Record Period.

(c) Interests and short positions of our Directors and the chief executives of our Company in the shares, underlying shares or debentures of our Company and its associated corporations

So far as our Directors are aware, immediately upon completion of Transfer of Listing, and without taking into account of any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, the interests or short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our 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) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules will be as follows:

Name	**Capacity/Nature of interest**	**Number of Shares held**	**Percentage of shareholding**
Mr. YP Chan	Interest in controlled corporation *(Note 2)*	300,000,000 Shares (L) *(Note 1)*	75%

Notes:

(1) The letter "L" denotes the person's long position in the relevant Shares.

(2) Mr. YP Chan legally and beneficially owns the entire issued share of C Centrum and is its sole director. Accordingly, Mr. YP Chan is deemed to be interested in the Share held by C Centrum by virtue of the SFO.

9. Interests discloseable under the SFO and Substantial Shareholders

So far as our Directors are aware, immediately upon the Transfer of Listing, and without taking into account of any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the following persons/entities not being a Director or chief executive of our Company will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding
C Centrum	Beneficial owner *(Note 2)*	300,000,000 Shares (L) *(Note 1)*	75%
Ms. Leung Tak Yee	Interest of spouse *(Note 3)*	300,000,000 Shares (L) *(Note 1)*	75%

Notes:

(1) The letter "L" denotes the person/entity's long position in the relevant Shares.

(2) The entire issued shares of C Centrum are 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.

(3) 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.

10. Related party transactions

During the Track Record Period, our Group was engaged in the related party transactions as mentioned in Note 29 of the Accountant's Report set out in Appendix I to this listing document.

11. Disclaimers

Save as disclosed in this listing document:

(a) and without taking into account of any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, our Directors are not aware of any person or entity who immediately upon the Transfer of Listing will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any member of our Group;

(b) so far as our Directors are aware, without taking into account of any Share that may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Share or debenture of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules;

(c) none of our Directors nor the experts named in the paragraphs headed "18. Qualifications and consents of experts" in this appendix has been interested in the promotion of, or has any direct or indirect interest in any asset acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this listing document, or which are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors nor the experts named in the paragraphs headed "18. Qualifications and consents of the experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of our Group taken as a whole;

(e) none of the experts named in "18. Qualifications and consents of experts" in this appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group; and

(f) none of our Directors has entered or has proposed to enter into any service agreement with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

SHARE OPTION SCHEME

12. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme adopted on 21 October 2019 (the "**Adoption Date**"), which shall remain valid and effective following the completion of the Transfer of Listing and subject to full compliance with Chapter 17 of the Listing Rules.

(a) Summary of terms

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The basis of eligibility of any participant to the grant of any option to subscribe for Shares pursuant to the Share Option Scheme and for the time being subsisting (the "**Option**") shall be determined by our Board (or as the case may be, where required under the Listing Rules, the independent non-executive Directors) from time to time on the basis of the contribution or potential contribution of (a) any full-time or part-time employee of any member of our Group; (b) any consultant or adviser of any member of our Group; (c) any Director (including executive, non-executive or independent non-executive Directors) of any member of our Group; (d) any Substantial Shareholder of our Group; (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of our Group, to be determined absolutely by our Board (the "**Participant**") to the development and growth of our Group.

Note:

Pursuant to the amendment of Chapter 17 of the Listing Rules which took effect on 1 January 2023, eligible participants to the Share Option Scheme shall comprise one or more of the following:

(a) Directors and employees of our Company or any of our subsidiaries (including persons who are granted options or awards under the scheme as an inducement to enter into employment contracts with us;

(b) Directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company; and

(c) Persons who provide services to us on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of our Group ("**Service Providers**"). Service Providers may include, for example, persons who work for the issuer as independent contractors where the continuity and frequency of their services are akin to those of employees. For the avoidance of doubt, Service Providers should exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions. Service Providers should also exclude professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

(iii) Subscription Price

The price per Share at which a Participant accepting the offer of the grant of an Option in accordance with the terms of the Share Option Scheme (the "**Grantee**") shall be a price solely determined by our Board and notified to a Participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is offered to a Participant (the "**Offer Date**"), which must be a business day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent (the "**Subscription Price**").

(iv) Grant of Options and acceptance of offers

An offer of the grant of an Option must be accepted in its entirety within seven days inclusive of the day on which such offer was made. The amount payable by the Grantee to our Company on acceptance of the offer of the grant of an Option is HK$1.00.

(v) Maximum number of Shares

(aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 40,000,000 Shares, being 10% of the Shares in issue as at the time dealings in the Shares first commence on the Stock Exchange upon GEM Listing.

(bb) The 10% limit as mentioned in sub-paragraph (aa) above may be refreshed at any time by approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.

(cc) Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit as mentioned in sub-paragraphs (aa) and (bb) above provided the options in excess of the 10% limit are granted only to Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of the specified persons who may be granted such Options, the number and terms of such Options to be granted and the purpose of granting such Options to the specified persons with an explanation of how the terms of the Options will serve such purpose and all other information required under the Listing Rules.

(dd) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in the limit being exceeded.

(ee) If our Company conducts a share consolidation or subdivision after the 10% limit has been approved in the general meeting, the maximum number of securities that may be issued upon exercise of all options to be granted under the Share Option

Scheme under the 10% limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon the exercise of Options granted and to be granted to each Participant (including both exercised and outstanding Options) under the Share Option Scheme in any 12-month period up to the date of grant must not exceed 1% of the Shares in issue from time to time. Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his close associates (or his associate if such Participant is a connected person) abstaining from voting, and the number and terms (including the Subscription Price) of Options to be granted to such Participant must be fixed before Shareholders' approval. In such event, our Company must send a circular to our Shareholders containing the identity of the Participant and his close associates, the number and terms of the Options to be granted (and options previously granted to such Participant), and all other information required under the Listing Rules. The date of the meeting of our Board proposing such further grant should be taken as the date when an offer of the grant of an Option is made to a Participant for the purpose of calculating the Subscription Price under (iii) above.

(vii) Grant of options to certain connected persons

(aa) Each grant of Options to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors of our Company (excluding any independent non-executive Director who is the Grantee).

(bb) Where any grant of Options to a Substantial Shareholder or an independent non-executive Director of our Company or any of their respective associates would result in the total number of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) under the Share Option Scheme and any other share option schemes of our Company to such person in any 12-month period up to and including the date of grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of Options must be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. The grantee, his associate and all core connected persons of our Company shall abstain from voting (except where any of such person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a Substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of Options

(aa) No offer of the grant of an Option may be made after any inside information has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. No Option may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of our results for any year, half-year, quarterly period or any other interim period (whether or not required under the Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period for the exercise of an Option to be notified by our Board to the Grantee, but in any event shall not exceed 10 years from the date on which an Option is offered to a Participant.

(x) Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any Option shall not carry any voting rights until the name of the Grantee has been duly entered on the register of members of our Company as the holder thereof.

(xi) Rights are personal to grantee

An Option shall be personal to the Grantee and shall not be transferable or assignable and shall be personal to the Grantee of the Option. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option (where the Grantee is a company, any change of its major Shareholder or any substantial change in its management as determined by our Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by our Board at its sole discretion). Any breach of these restrictions will automatically render the Options lapsed.

(xii) Rights on cessation of employment by death

In the event that the Grantee (being an individual) dies before exercising the Option in full, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement (to the extent which has become exercisable and not already exercised) within the period of 12 months following his death provided that where any of the events set out in (xvi), (xvii) and (xviii) below occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the Option within such of the various periods respectively set out in such clauses and provided further that if within a period of 3 years prior to the Grantee's death, the Grantee had committed any of the acts as specified in (xiii) below which would have entitled our Company to terminate his employment prior to his death, our Board may at any time forthwith terminate the Option of the Grantee (to the extent not already exercised) by written notice to his legal personal representatives.

(xiii) Rights on cessation of employment by dismissal

In the event that the Grantee is an employee of our Group when an offer is made to him and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable law or under the Grantee's service contract with our Group, his option will lapse automatically and not be exercisable (to the extent not already exercised) on the date of cessation of his employment with our Group. A resolution of our Board or our board of Directors of the relevant member of our Group to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee.

(xiv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group when an offer is made to him and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiii) above, the Option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xv) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made in: (a) the number of Shares subject to the Option so far as unexercised; and/or (b) the Subscription Prices for the Shares subject to the Option so far as unexercised, as the auditors shall certify in writing or the independent financial adviser of our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a Grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvi) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the Grantee (or, where permitted under (xii) above, his legal personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xvii) Rights on winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or, where permitted under (xii) above, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(xviii) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Act, our Company shall give notice thereof to all the Grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors of our Company to consider such a compromise or arrangement and the Options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the "**Suspension Date**"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the Grantee credited as fully paid. With effect from the Suspension Date, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that the Shares issued as a result of the exercise of Options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

(xix) Lapse of Options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (ix) above;

(bb) the date on which the Grantee commits a breach of paragraph (xi);

(cc) the expiry of any of the periods or the occurrence of the relevant events referred to in paragraphs (xii), (xiv), (xvi), (xvii) or (xviii) above;

(dd) subject to paragraph (xvii) above, the date of the commencement of the winding up of our Company;

(ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangement or composition with his creditors generally by the Grantee, or conviction of the Grantee of any criminal offence involving his integrity or honesty;

(ff) where the Grantee is only a Substantial Shareholder of any member of our Group, the date on which the Grantee ceases to be a Substantial Shareholder of such member of our Group; or

(gg) the occurrence of the relevant events referred to in paragraph (xiii) above.

(xx) Cancellation of options granted but not yet exercised

Any cancellation of Options granted but not exercised may be effected on such terms as may be agreed with the relevant Participant, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxi) Period of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof, after which period no further Options shall be granted. All options granted and accepted and remaining unexercised immediately prior to expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(xxii) Alteration to the Share Option Scheme

(aa) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme as to:

(i) the definitions of "Participant", "Grantee" and "Option Period"; and

(ii) the following provisions of the Share Option Scheme:

(aa) the purpose of the Share Option Scheme;

(bb) determination of eligibility;

(cc) duration and administration;

(dd) grant of Option;

(ee) Subscription Price;

(ff) exercise of Options;

(gg) lapse of Option;

(hh) maximum number of Shares available for subscription;

(ii) reorganisation of capital structure;

(jj) termination; and

(kk) cancellation;

shall not be altered to the advantage of the Grantees or prospective Grantees except with the prior sanction of our Shareholders by a resolution in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles of our Company for a variation of the rights attached to the Shares.

(bb) Any alternation to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme, must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any term of the Share Option Scheme or the option granted shall comply with the relevant requirements of the Listing Rules.

(xxiii) Termination of the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but Options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxiv) Conditions of the Share Option Scheme

The Share Option Scheme took effect upon the passing of our then Shareholder's resolution on 21 October 2019 to adopt the Share Option Scheme and was conditional upon the Listing Division granting the listing of, and permission to deal in, the Shares in issue, the Shares which may fall to be issued pursuant to the exercise of any Options granted or which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on GEM. The aforementioned conditions have been fulfilled.

(b) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted or agreed to be granted by our Company under the Share Option Scheme. A total number of 40,000,000 Shares, representing 10% of the share capital of our Company in issue as at the date of the Transfer of Listing, may fall to be issued upon exercise of the share options that may be but have not yet been granted under the Share Option Scheme.

OTHER INFORMATION

13. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the "**Indemnifiers**") has entered into the Deed of Indemnity (as amended and supplemented by the Supplemental Deed of Indemnity, being the material contract referred to in the paragraph headed "6. Summary of material contract" in this appendix) with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries), to give certain indemnities in favour of the subsidiaries, together with our Company, our "**Group Members**" (each or any of them is referred to as our "**Group Member**"), jointly and severally, in respect of, among other matters, following:

(a) any and all expenses, payments, sums, outgoings, fees, demands, claims (including counterclaims), complaints, actions, proceedings, suits, litigations, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties (collectively the "**Costs**") which any Group Members may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) or any other applicable laws, rules and regulations by our Group Members subsisting prior to the GEM Listing Date (the "**Effective Date**");

(b) any alleged or actual violation or any breach or non-compliance incidents by any Group Member with any laws and regulations in the PRC, Hong Kong or other jurisdictions on or before the Effective Date in connection with any claim, counterclaim, assessment, notice, demand or other documents issued or action taken in any of Hong Kong, the PRC, the Cayman Islands, the BVI or in any part of the world whereby it appears that our Company and any of our Group Members are liable or are sought to be made liable for the legal consequences and potential liabilities as disclosed in the section headed "Business" of the GEM Prospectus;

(c) the restructuring and reorganisation undergone by our Group on or before the GEM Listing Date;

(d) any litigation, arbitrations, claims (including counterclaims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortious nature or otherwise instituted by or against any of our Group Members arising from any act, non-performance, omission or otherwise of our Company or any of our Group Members on or before the Effective Date;

(e) any irregularities in relation to any corporate documents of any of our Group Members on or before the Effective Date;

(f) any alleged or actual violation or non-compliance by any of our Group Members with any laws and regulations in the PRC, Hong Kong or other jurisdictions on or before the Effective Date;

(g) any failure to obtain or delay in obtaining the necessary licenses, consents or permits under the laws of the Cayman Islands, the BVI, Hong Kong and/or the PRC for any Group Member's valid and legal establishment and/or operation on or before the Effective Date; and/or

(h) any and all Costs which any of our Group Members may incur, suffer or accrue, directly or indirectly, as a result of or in connection with any matters referred to in paragraphs (b) to (g) above on or before the Effective Date.

Further, pursuant to the Deed of Indemnity (as amended and supplemented by the Supplemental Deed of Indemnity), the Indemnifiers have jointly and severally given indemnity in respect of, among other matters, any liability for Hong Kong estate duty, if any, which might be incurred by any of our Group Member by reason of transfer of any property to any of the members of our Group on or before the Effective Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the BVI and Hong Kong, being the jurisdictions in which the companies comprising our Group are incorporated.

The Deed of Indemnity and the Supplemental Deed of Indemnity do not cover any tax claim and the Indemnifiers shall be under no liability under the Deed of Indemnity or the Supplemental Deed of Indemnity in respect of any tax, tax claim or tax related liability:

(a) to the extent that full provision or allowance has been made for such taxation in the audited consolidated accounts of our Group Members as set out in Appendix I to the GEM Prospectus for the two financial years ended 31 December 2018 and four months ended 30 April 2019 and in Appendix I to this listing document for the three financial years ended 31 December 2022 and the six months ended 30 June 2023 (the "**Accounts**");

(b) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any Group Member which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Effective Date;

(c) to the extent that such taxation or liability would not have arisen but for any act or omission by any of our Group Members (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the Effective Date or carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date;

(d) to the extent that such taxation claim arises or is incurred as a consequence of any retrospective change in laws or regulations or practice by the Hong Kong Inland Revenue Department or any other tax or government authority in any part of the world coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; and

(e) to the extent of any provision or reserve made for taxation as set out in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such over-provision or excessive reserve provided that the amount of any such provision or reserve applied pursuant to this sub-paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess reserve shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity and the Supplemental Deed of Indemnity as aforesaid.

14. Litigation

Neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

15. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the Transfer of Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this listing document and any Shares which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor is entitled to a sponsor's fee in relation to the Transfer of Listing in the amount of HK$3.0 million.

16. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK$44,000 and were paid by our Company prior to the GEM Listing.

17. Promoters

Our Company does not have any promoter (as defined in the Listing Rules). No amount or benefit has been paid or given to the promoter in connection with the Transfer of Listing or intended to be paid or given to any promoter.

18. Qualifications and consents of experts

The qualifications of the experts who have given reports, letters or opinions (as the case may be) in this listing document are as follows:

Name	Qualification
Goldlink Capital (Corporate Finance) Limited	A licensed corporation under the SFO and permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50)
	Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jia Yuan Law Offices	PRC legal adviser to our Company
Frost & Sullivan International Limited	Industry consultant

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this listing document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

19. Binding effect

This listing document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

20. Taxation of holders of Shares

(a) Hong Kong

(i) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.26% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

(b) The Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Transfer of Listing can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

21. Miscellaneous

(a) Save as disclosed in this appendix and the section headed "History and Group Structure" in this listing document, within two years preceding the date of this listing document:

(i) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries; and

(iv) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(b) Save as disclosed in this listing document, no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(c) Our Directors confirm that, save as disclosed in the section headed "Financial Information" in this listing document, there has been no material adverse change in the financial or trading position or prospect of our Group since 30 June 2023 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this listing document;

(d) None of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;

(e) None of our Directors nor any of the persons whose names are listed in the paragraphs headed "18. Qualifications and consents of experts" in this appendix has received any commission, discount, agency fee, brokerage or other special term in connection with the issue or sale of any share or loan capital of any member of our Group;

(f) There has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this listing document;

(g) Subject to the provisions of the Companies Act, the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands;

(h) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement;

(i) There is no arrangement under which future dividends have been waived or agreed to be waived;

(j) No company within our Group is presently listed on any stock exchange or traded on any trading system (other than the Stock Exchange); and

(k) Our Company has no outstanding convertible debt securities.

22. Further information about our PRC establishment

We have interests in the registered capital of one PRC subsidiary. A summary of the corporate information of such PRC subsidiary as at the Latest Practicable Date is set out as follows:

(i)	Name of the enterprise:	東莞共榮精密機械有限公司 (Kyoei Seiki Co., Limited*)
(ii)	Date of establishment:	5 September 2007
(iii)	Nature:	Wholly foreign-owned enterprise
(iv)	Registered owner:	Wing Fung Machinery Company Limited
(v)	Total investment:	HK$20,000,000
(vi)	Registered capital:	HK$20,000,000
(vii)	Attributable interests to our Group:	100%
(viii)	Term of operation:	5 September 2007 to 5 September 2024

23. Bilingual listing document

The English language and Chinese language versions of this listing document are being published separately. In case of any discrepancies between the English language version and the Chinese language version of this listing document, the English language version shall prevail.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the websites of the Stock Exchange at ***www.hkexnews.hk*** and our Company at ***www.blg.hk*** up to and including the date which is 14 days from the date of this listing document:

(a) the Memorandum and Articles of Association;

(b) the Accountant's Report for the three years ended 31 December 2022 and six months ended 30 June 2023, the text of which is set out in Appendix I to this listing document;

(c) the annual reports of our Company for the three years ended 31 December 2022;

(d) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this listing document;

(e) the rules of our Share Option Scheme;

(f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands Companies Act referred to in Appendix III to this listing document;

(g) the Industry Report;

(h) the Cayman Islands Companies Act;

(i) the material contract referred to in the paragraph headed "Statutory and General Information — Further Information about the Business of our Group — 6. Summary of material contract" in Appendix IV to this listing document;

(j) the written consents referred to in the paragraphs headed "Statutory and General Information — Other Information — 18. Qualifications and consents of experts" in Appendix IV to this listing document;

(k) the service contracts and letters of appointment with each of our Directors referred to in the paragraphs headed "Statutory and General Information — Further Information about Directors, Management and Staff — 8. Directors — (a) Particulars of service contracts and letters of appointment" in Appendix IV to this listing document; and

(l) the legal opinions issued by the PRC Legal Adviser.

BEST LINKING GROUP HOLDINGS LIMITED
永聯豐集團控股有限公司