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溫嶺浙江工量刃具交易中心股份有限公司

Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited\*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1379)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**FINANCIAL HIGHLIGHTS**

	For the six months ended 30 June		
	2022	2021	Change %
Revenue (RMB'000)	<b>28,973</b>	29,150	(0.6)
Gross profit (RMB'000)	<b>24,407</b>	24,339	0.3
Gross profit margin	<b>84.2%</b>	83.5%	0.7
Profit for the period (RMB'000)	<b>13,179</b>	24,246	(45.6)
Net profit margin	<b>45.5%</b>	83.2%	(37.7)
Basic and diluted earnings per share (RMB)	<b>0.16</b>	0.30	(46.7)

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2022.

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited\* (温岭浙江工量刃具交易中心股份有限公司) (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited  
(Expressed in Renminbi)

		Six months ended 30 June	
		2022	2021
	Note	RMB'000	RMB'000
<b>Revenue</b>	4	<b>28,973</b>	29,150
Cost of services		<u>(4,566)</u>	<u>(4,811)</u>
<b>Gross profit</b>		<b>24,407</b>	24,339
Valuation (losses)/gains on investment properties	9	(819)	5,336
Other net income	5	429	8,203
Selling and marketing expenses		(307)	(475)
Administrative expenses		<u>(7,464)</u>	<u>(4,728)</u>
<b>Profit from operations</b>		<b>16,246</b>	32,675
Finance costs	6(a)	(9)	(345)
Share of losses of associates	10	<u>(7)</u>	<u>–</u>
<b>Profit before taxation</b>	6	<b>16,230</b>	32,330
Income tax	7	<u>(3,051)</u>	<u>(8,084)</u>
<b>Profit for the period</b>		<b>13,179</b>	24,246
<b>Other comprehensive income for the period</b>		<u>–</u>	<u>–</u>
<b>Total comprehensive income for the period</b>		<b>13,179</b>	24,246
<b>Earnings per share</b>	8		
Basic and diluted (RMB)		<u><b>0.16</b></u>	<u>0.30</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited

(Expressed in Renminbi)

		At 30 June 2022	At 31 December 2021
	Note	RMB'000	RMB'000
<b>Non-current assets</b>			
Investment properties	9	1,031,200	1,014,600
Property, plant and equipment		6,502	6,676
Lease prepayments		547	559
Interest in associates	10	7,993	–
Other non-current assets		<u>3,666</u>	<u>3,392</u>
<b>Total non-current assets</b>		<u>1,049,908</u>	<u>1,025,227</u>
<b>Current assets</b>			
Properties under development for sale	12	138,570	121,747
Other receivables and prepayments	13	7,498	10,163
Land appreciation tax and income tax prepaid		6,091	2,970
Restricted cash		1,386	270
Cash and cash equivalents		<u>69,148</u>	<u>78,734</u>
<b>Total current assets</b>		<u>222,693</u>	<u>213,884</u>
<b>Current liabilities</b>			
Short-term loans	14	–	15,000
Other payables and accruals	15	58,080	53,594
Contract liabilities	16	180,339	95,786
Receipts-in-advance, current		27,201	50,999
Current taxation		<u>7,092</u>	<u>9,677</u>
<b>Total current liabilities</b>		<u>272,712</u>	<u>225,056</u>
<b>Net current liabilities</b>		<u>(50,019)</u>	<u>(11,172)</u>
<b>Total assets less current liabilities</b>		<u>999,889</u>	<u>1,014,055</u>

	<b>At 30 June</b> <b>2022</b> <b>RMB'000</b>	At 31 December 2021 RMB'000
<b>Non-current liabilities</b>		
Receipts-in-advance, non-current	71,595	73,757
Deferred tax liabilities	<u>178,695</u>	<u>178,278</u>
<b>Total non-current liabilities</b>	<u><u>250,290</u></u>	<u><u>252,035</u></u>
<b>Net assets</b>	<u><u>749,599</u></u>	<u><u>762,020</u></u>
<b>Capital and reserves</b>		
Share capital	80,000	80,000
Reserves	<u>669,599</u>	<u>682,020</u>
<b>Total equity</b>	<u><u>749,599</u></u>	<u><u>762,020</u></u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

### 1 GENERAL INFORMATION

The Company was established as a limited liability company incorporated in Wenling City, Zhejiang Province in the People's Republic of China (the "PRC") on 14 May 2003, and was converted into a joint stock limited liability company on 3 May 2018. The Company completed its initial public offering and was listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 30 December 2020.

### 2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 19 August 2022.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The interim financial information has been prepared assuming the Group will continue as a going concern notwithstanding the fact that the Group had net current liabilities of RMB50,019,000 as at 30 June 2022. As at 30 June 2022, the Group had banking facilities of RMB333,000,000 from third-party banks, of which the unutilized amount was RMB333,000,000. The drawdown of the credit facilities is subject to the terms and conditions of each agreement. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the twelve-month period from 1 July 2022 to 30 June 2023, the Group will take necessary measures, including drawdown of additional loans from the presently available banking facilities, to ensure the Group will have necessary liquid funds to repay its debts as and when they fall due, and to finance its working capital and capital expenditure requirements.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial report prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial information is unaudited, but has been reviewed by the audit committee of the Company.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory annual consolidated financial statements for the year ended 31 December 2021 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2022.

### 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial information for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts—cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

#### ***Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use***

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

#### ***Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts—cost of fulfilling a contract***

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

### 4 REVENUE

#### **Disaggregation of revenue**

The amount of each significant category of revenue is as follows:

		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Property leasing	<i>(i)</i>	<b>27,986</b>	28,089
Others	<i>(ii)</i>	<b>987</b>	1,061
Total		<b>28,973</b>	29,150

- (i) The Group's revenue mainly consists of revenue from property leasing and provision of property management services. Rental refunds are recognized in the profit and loss when the Group has an obligation for the refunds.
- (ii) Others mainly represent revenue for provision of property management services and is recognized over time in accordance with HKFRS 15, Revenue from Contracts with Customers.

The Group's customer base is diversified and no single customer with whom transactions have exceeded 10% of the Group's revenues during the period presented.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its provision of property management services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for provision of property management services that have an original expected duration of one year or less.

**Transaction price allocated to the remaining performance obligation for contracts with customers**

The transaction price allocated to the remaining performance obligations (unsatisfied) as at 30 June 2022 and the expected timing of recognizing revenue are as follows:

	<b>Sales of properties RMB'000</b>	<b>Property management services RMB'000</b>
Within one year	<u><u>179,796</u></u>	<u><u>543</u></u>

**5 OTHER NET INCOME**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest income from bank deposits	472	164
Government grants	61	8,200
Net exchange loss	<u>(104)</u>	<u>(161)</u>
Total	<u><u>429</u></u>	<u><u>8,203</u></u>

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest expenses	9	2,200
Less: Interest expenses capitalised into an investment property under development	—	(1,855)
	<u>9</u>	<u>345</u>

No borrowing costs have been capitalised during the six months ended 30 June 2022 (six months ended 30 June 2021: capitalised at a rate of 5.16% per annum).

### (b) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Depreciation and amortisation	<u>186</u>	<u>602</u>

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### (a) Taxation in the consolidated statement of profit or loss and other comprehensive income

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
<b>Current tax</b>		
– PRC CIT	3,641	5,708
– Over-provision in respect of prior years	(1,007)	—
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>417</u>	<u>2,376</u>
	<u>3,051</u>	<u>8,084</u>



(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Profit before taxation		<b>16,230</b>	32,330
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(i)	<b>4,058</b>	8,083
Over-provision in respect of prior years		<b>(1,007)</b>	–
Tax effect of non-deductible expenses		<b>–</b>	<b>1</b>
Actual tax expense		<b><u>3,051</u></b>	<b><u>8,084</u></b>

(i) The Company and its subsidiaries in the PRC are subject to PRC statutory income tax at 25%.

## 8 EARNINGS PER SHARE

(a) **Basic earnings per share**

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2022 of RMB13,179,000 (six months ended 30 June 2021: RMB24,246,000) and the weighted average of 80,000,000 ordinary shares in issue during the six months ended 30 June 2022 (six months ended 30 June 2021: 80,000,000 shares).

(b) **Diluted earnings per share**

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2022. Diluted earnings per share are equal to basic earnings per share.

## 9 INVESTMENT PROPERTIES

The valuations of investment properties were updated at 30 June 2022 by the same independent valuer of the Group using the same valuation techniques when carrying out the valuation as at 31 December 2021.

As a result of the update, a net fair value loss of RMB819,000 (six months ended 30 June 2021: a net fair value gain of RMB5,336,000), and deferred tax thereon of RMB205,000 (six months ended 30 June 2021: RMB1,334,000), has been recognised in profit or loss for the period in respect of investment properties.

## 10 INTEREST IN ASSOCIATES

The Company entered into an agreement with a third-party company to subscribe for 20% of its equity interest with a consideration of RMB8,000,000 in December 2021, and fully paid the consideration on 11 January 2022. During the six months ended 30 June 2022, the share of losses of associates amounted to RMB7,000.

## 11 DIVIDENDS

### (i) Dividends payable to equity shareholders attributable to the interim period

The directors do not recommend any interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

### (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB0.32 per share (six months ended 30 June 2021: Nil)	<u>25,600</u>	<u>–</u>

## 12 PROPERTIES UNDER DEVELOPMENT FOR SALES

After obtained the pre-sale certificate of properties on 22 September 2021, the Group entered into pre-sales contracts with third-party customers. The consideration was approximately RMB217,488,000 (VAT inclusive) in aggregate. Advance payments received by the Group amounting to RMB179,796,000 are recognised as contract liabilities as disclosed in Note 16. The remaining consideration is expected to be received within six months.

The Group provided mortgage loan guarantees to banks in favour of customers of these pre-sold properties.

The Group's properties under development for sale is located in the PRC, and is stated at the lower of cost and net realizable value.

## 13 OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June	At 31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for services	762	689
Value-added tax ("VAT") recoverable	5,777	9,112
Prepaid business tax	282	282
Others	<u>677</u>	<u>80</u>
	<u>7,498</u>	<u>10,163</u>

All of the other receivables and prepayments are expected to be recovered or recognised as expenses within one year.

## 14 SHORT-TERM LOANS

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Short-term loans, secured	<u>–</u>	<u>15,000</u>

The loan of RMB15,000,000 as of 31 December 2021 was repaid on 4 January 2022.

## 15 OTHER PAYABLES AND ACCRUALS

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Payable for purchase of property, plant and equipment, investment properties and properties under development for sale	<b>37,989</b>	38,868
Accrued payroll	<b>78</b>	220
Other taxes payable	<b>18,206</b>	11,236
Accrued interests	–	23
Deposits	<b>956</b>	1,002
Payable for professional fees	<b>420</b>	1,601
Payable for property management fees and utilities	<b>57</b>	221
Others	<u><b>374</b></u>	<u>423</u>
	<u><b>58,080</b></u>	<u>53,594</u>

## 16 CONTRACT LIABILITIES

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Property services	<b>543</b>	1,403
Property development – Advance payments received	<u><b>179,796</b></u>	<u>94,383</u>
	<u><b>180,339</b></u>	<u>95,786</u>

For property development, the Group receives deposits and prepayments from customers based on billing schedule as established in contracts. These deposits and prepayments are recognised as contract liabilities until the properties are completed and legally assigned to the customer.

For property management services, the Group recognises revenue as the services are provided and recognises to which the Group has a right to invoice.

Movements in contract liabilities during the period are as follows:

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
At the beginning of the period/year	95,786	–
Decrease in contract liabilities as a result of recognising revenue during the period/year that was included in the contract liabilities at the beginning of the period	(893)	–
Increase in contract liabilities as a result of receiving advance payments during the year in respect of properties still under construction as at the period/year end	85,413	94,383
Increase in contract liabilities as a result of receipts in advances of provision of property management services	<u>33</u>	<u>1,403</u>
At the end of the period/year	<u><b>180,339</b></u>	<u>95,786</u>

## 17 COMMITMENTS

**Capital commitments outstanding at 30 June 2022 not provided for in the interim financial information**

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Contracted for	3,427	76,112
Authorised but not contracted for	<u>19,379</u>	<u>26,294</u>
	<u><b>22,806</b></u>	<u>102,406</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

Measuring and cutting tools refer to those tools or products which are used in the machine manufacturing process for measuring and cutting or as auxiliaries for measuring and cutting. They mainly include measuring tools, cutting tools, and other tools. For the purpose of improving production efficiency and reducing the probability of systematic error, high-quality measuring and cutting functioning are important for manufacturing process.

With the accelerated implementation of economic stabilization policies, in the first half of 2022, the gross domestic product (GDP) of China increased by 2.5% year-on-year with the economy improving amidst stabilization. According to the National Bureau of Statistics, in the first half of 2022, the added value of China's industries of designated size increased by 3.4% year-on-year and the recovery of key industrial chains accelerated, which strongly supported the steady growth of the industrial economy. Wenling City, where the Company is located, strengthened its industrial upgrading, and the GDP of Wenling City for the first half of 2022 successfully achieved a breakthrough, amounting to RMB60.69 billion. Wenling City is a "China Famous City for Tools (中國工具名城)", and machine tool is one of the traditional industries in Wenling City. Therefore, maintaining the stable development of such industry is of great significance to the economic and social development of the region.

The machine tool industry is the foundation of industrial manufacturing. All parts and components requiring higher processing precision and finer surface roughness are required to be processed by machine tools, and the measuring and cutting tools are the key components of machine tools. According to the data of China Machine Tool & Tool Builders' Association, since 2020, benefiting from multiple favorable factors, including the strong recovery of China's manufacturing industry after the epidemic, the support of the equipment updating demands in machine tool industry together with the domestic substitution of machine tools, the machine tool industry of China has begun to rebound, with the production volume of metal cutting machine tools for 2021 amounting to 602,000 units, representing an increase of 34.98% year-on-year.

The development of machine tool industry directly influences the progress of the transformation and upgrading of China's manufacturing industry, and is of strategic significance to develop China into a powerful manufacturing country. Over the years, China has maintained great support for the machine tool industry and has constantly issued related policies to guide the development of the industry, including the Made in China 2025 (《中國製造2025》), the Outlines on National Strategy for Innovation-driven Development (《國家創新驅動發展戰略綱要》), the Development Plan of Intelligent Manufacturing (2016–2020) (《智能製造發展規劃(2016–2020年)》). The machine tool industry of China is relatively cyclical with the new upward cycle reflected as the developing progress of the industry transfer, industry upgrading and demand upgrading in China's manufacturing industry, and the update and upgrade as well as the import substitution of machine tools will become the major growth momentum of such industry in the future. Driven by the policies, the development potential of the machine tool industry is huge and will drive the growth of the demand of the measuring and cutting tools in the upstream of the industrial chain.

## **BUSINESS REVIEW**

The Group is an established measuring and cutting tools trading centre operator in China. The Company was founded in 2003 and owns, operates and manages the four-storey trading centre located in Qianyangxia Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC\* (中國浙江省溫嶺市溫嶠鎮前洋下村) (the “**Trading Centre**”), which is essentially for product displaying and trading purposes, such that it primarily targets to provide units for use as shops for the tenants to display, trade and promote their measuring and cutting tools products to their downstream customers. The principal activity and source of revenue of the Group were derived from property leasing business through our operation of the Trading Centre for the measuring and cutting tools industry. In addition, in order to further strengthen our advantages in the measuring and cutting tools industry, the Group is constructing a science and technology innovation park (the “**Innovation Park**”) on the land in Chenshan Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC\* (中國浙江省溫嶺市溫嶠鎮琛山村) (the “**Land**”) with a saleable area of approximately 55,425 sq.m., aiming to expand the property leasing business in the measuring and cutting tools industry and provide more value-added services. The Group is committed to leveraging the advantages of “market + industry”, grasping the “dual engines” of smart manufacturing and digital economy to promote the iterative upgrade of professional markets and accelerate the transformation and rise of the measuring and cutting tools industry.

For the six months ended 30 June 2022, there is no material changes in the business of the Group, while our revenue and profit for the period decreased by approximately 0.6% and 45.6% respectively as compared with the corresponding period of last year. The decrease in profit for the period was due to a decrease in government grants in relation to the listing on the Stock Exchange and valuation losses on investment properties for the six months ended 30 June 2022 as compared with the corresponding period of last year.

## **Trading Centre**

Our Trading Centre is a four-storey commercial complex with basement with a total gross floor area (“GFA”) of approximately 74,204.7 sq.m., of which a total GFA of approximately 71,817.5 sq.m. is held for leasing to our tenants for their trading and products displaying purpose and a total GFA of approximately 2,387.2 sq.m. is held for our own offices. The land use rights of the Trading Centre were granted for a term expiring on 15 November 2046, which is a long-term lease, for commercial uses. As at 30 June 2022, the value of the Trading Centre was RMB863.0 million (31 December 2021: RMB866.0 million), the interest of which is wholly owned by the Group.

We lease the units on the first and the second floors to corporations and individuals selling measuring and cutting tools. We designate part of the third floor as the electronic business park for leasing to the measuring and cutting tools e-commerce business operators. We use the fourth floor as our office, and the basement as the car park. We also provide property management service and support services, namely the Wenling•China Measuring and Cutting Tools index (溫嶺•中國工量刃具指數) and the measuring and cutting tools financing service, to the tenants. As at 30 June 2022, our Trading Centre had 621 tenants (31 December 2021: 595 tenants).

In the first half of 2022, the Trading Centre and the Economy and Information Technology Bureau of the Wenling Municipal People’s Government (溫嶺市人民政府經濟和信息化局) jointly operated a supply and demand platform, which is positioned as the most authoritative industrial development resource and service platform in China, thereby promoting the formation of an advanced manufacturing cluster with distinctive leading industries such as machine tools, high concentration of innovation elements, close networked collaboration and complete industrial ecosystems.

The following table sets forth the information regarding the average monthly effective rent per square meter for the leased area in the Company’s Trading Centre for the years.

	<b>For six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>Average monthly effective rent (in RMB per sq.m.)</b>	Average monthly effective rent (in RMB per sq.m.)
First floor	<b>383.6</b>	423.9
Second floor	<b>158.5</b>	193.7
Third floor	<b>57.2</b>	26.2
Basement	<b>17.1</b>	17.1

*Note:* average monthly effective rent is calculated by total rental income dividend by the weighted average leased leaseable gross floor area (“LFA”) during the periods indicated.

For the six months ended 30 June 2022, the LFA of the Trading Centre and the percentage of LFA leased to our tenants are 26,474.4 sq.m. and 98.57%, respectively (year ended 31 December 2021: 25,474.8 sq.m. and 98.18%). LFA leased is calculated as the percentage of LFA retained and leased by the Company to the tenants comparing to the LFA for each of the periods.

### **Informatisation Service**

With the rapid development of e-commerce in the PRC, the measuring and cutting tools online shops have been gaining popularity in recent years. Since the first half of 2021, the Company has launched the “measuring and cutting tools + Internet” training programme and the measuring and cutting tools “livestreaming representative” skills related training programme to provide relevant training for tenants, bringing the measuring and cutting tools industry into the digital world. Meanwhile, the Company also launched the “Qilin programme” which aimed to transform the Trading Centre into an internet-enabled Trading Centre through cross-border e-commerce training and cooperation agreements, etc.

In order to fully implement the digital economy, accelerate the industrial digital transformation and the development of digital industrialization, and create a new engine for high-quality economic development, the Group has created the Xuri Measuring and Cutting Tools Science and Technology Innovation Park and Measuring and Cutting Tools Industrial Internet Platform Project\* (旭日工量刀具科創園工量刀具工業互聯網平台項目) to build an industrial digital exhibition hall. It will provide digital empowerment for the production and operation of enterprises, digital services for industrial ecological construction and digital means for economic governance.



## **Science and Technology Innovation Park**

According to the F&S Report, the measuring and cutting tools industry has a demand for industrial parks, primarily because (1) there is a strong governmental support to develop measuring and cutting tools industrial parks; and (2) the existing measuring and cutting tools industrial park in Wenling City, Zhejiang Province, the PRC is immaturely developed. Considering the above and leveraging the Company's experience, knowledge and network through years of being an active market player in the measuring and cutting tools industry, the Company believes that the development of the Innovation Park is an excellent opportunity to expand our business and to capitalise on our market position in the measuring and cutting tools industry.

In December 2018, the Group successfully won the bid for the Land at the bid price of RMB63.5 million for the construction of the Innovation Park. The land use rights of the Innovation Park were granted for a term expiring on 27 January 2069, which is a long-term lease. The Group estimates that the gross floor area of the Innovation Park shall be approximately 116,000 sq.m., including a factory gross floor area of approximately 78,000 sq.m. and involving 13 standard factories and 2 integrated administration buildings. The Group will invest an aggregate of approximately RMB330.0 million to the Innovation Park (including acquisition of the Land). The Innovation Park is mainly for manufacturing purpose that it targets to provide units for use as factories and workshops, where upstream manufacturers would conduct manufacturing and production of measuring and cutting tools (as compared with our Trading Centre where tenants therein primarily use the units as shops to conduct product display, trading and promotion).

The construction of the Innovation Park was commenced in February 2020 and it is expected to commence operation around the end of September 2022. In September 2021, the Group obtained the pre-sale certificates of certain properties in the Innovation Park and as of 30 June 2022, the Group has pre-sold 33 units with areas of approximately 54,000 sq.m. to 10 enterprises, accounting for approximately 98.28% of the saleable area. Such pre-sale units have been transferred from the investment properties to properties under development for sale and recorded at cost of approximately RMB138.6 million (31 December 2021: RMB121.7 million) as at 30 June 2022. The Group believes that the Innovation Park will become a cluster area for measuring and cutting tools innovative enterprises after its official opening, serving as a key carrier for regional economic growth, opening up and attracting investment. Moreover, we expect to facilitate financing service as well as professional support to the tenants' manufacturing business.

As at 30 June 2022, the Group has incurred a total of approximately RMB302.3 million (31 December 2021: RMB264.8 million) for the acquisition of the Land and construction works, representing completion of 91.2% (31 December 2021: 80.2%) of construction works.

As at 30 June 2022, the fair value of the Innovation Park as investment property under development was approximately RMB168.2 million (31 December 2021: RMB148.6 million), the interest of which is wholly-owned by the Group.

## **FINANCIAL REVIEW**

### **Revenue**

Total revenue decreased by approximately 0.6% from approximately RMB29.2 million for the six months ended 30 June 2021 to approximately RMB29.0 million for the six months ended 30 June 2022, mainly because of the slight decrease in occupancy rates for the six months ended 30 June 2022 as compared with the corresponding period in 2021. The percentage of LFA leased to the tenants in the Trading Centre decreased from 99.94% as at 30 June 2021 to 98.57% as at 30 June 2022.

### **Cost of Sales**

Cost of sales decreased by approximately 5.1% from approximately RMB4.8 million for the six months ended 30 June 2021 to approximately RMB4.6 million for the six months ended 30 June 2022, mainly because of a decrease in repair and maintenance costs resulting from the completion of the major renovation and repair work in the Trading Centre for the six months ended 30 June 2021. No such work was incurred for the six months ended 30 June 2022.

### **Gross Profit and Gross Profit Margin**

Gross profit increased slightly by approximately 0.3% from approximately RMB24.3 million for the six months ended 30 June 2021 to approximately RMB24.4 million for the six months ended 30 June 2022, mainly because of a decrease in costs of sales which offset by a decrease in revenue as mentioned above. As such, gross profit margin increased from approximately 83.5% for the six months ended 30 June 2021 to approximately 84.2% for the six months ended 30 June 2022.

## **Valuation (Losses)/Gains on Investment Properties**

The Group recorded valuation losses on investment properties of approximately RMB0.8 million for the six months ended 30 June 2022 as compared to the valuation gains on investment properties of approximately RMB5.3 million for the six months ended 30 June 2021. Such change was mainly because of the decrease in comparable market rent of Trading Centre during the six months ended 30 June 2022.

## **Other Net Income**

Other net income decreased by approximately RMB7.8 million from approximately RMB8.2 million for the six months ended 30 June 2021 to approximately RMB0.4 million for the six months ended 30 June 2022, primarily due to the reduction of government subsidies to the Group for the listing on the Stock Exchange from approximately RMB8.0 million for the six month ended 30 June 2021 to RMB50,000 for the six months ended 30 June 2022, which was partially offset by an increase in interest income from bank deposits of RMB0.3 million for the six months ended 30 June 2022 as compared with the corresponding period in 2021.

## **Administrative Expenses**

Administrative expenses increased by approximately 57.9% from approximately RMB4.7 million for the six months ended 30 June 2021 to approximately RMB7.5 million for the six months ended 30 June 2022, primarily due to an increase in professional fees after the listing on the Stock Exchange and tax levies in relation to non-deductible value-added tax.

## **Income Tax Expenses**

Income tax expenses decreased by approximately 62.3% from approximately RMB8.1 million for the six months ended 30 June 2021 to approximately RMB3.1 million for the six months ended 30 June 2022, primarily due to a decrease in the Group's taxable profits and deferred tax in relation to fair value change in investment properties and over-provision of the PRC Corporate Income Tax ("CIT") in respect of prior years. The effective tax rate decreased from approximately 25.0% for the six months ended 30 June 2021 to approximately 18.8% for the six months ended 30 June 2022. Such decrease was mainly due to the over-provision of the PRC CIT in respect of prior years.

## **Profit for the Period and Net Profit Margin**

As a result of the foregoing, profit for the period decreased by approximately 45.6% from approximately RMB24.2 million for the six months ended 30 June 2021 to approximately RMB13.2 million for the six months ended 30 June 2022, and the Group's net profit margin decreased from approximately 83.2% for the six months ended 30 June 2021 to approximately 45.5% for the six months ended 30 June 2022.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group's operations are primarily financed by cash generated from operating activities, the proceeds of capital contributions from the shareholders of the Company (the "Shareholders"), the net proceeds received from the global offering of the Company completed on 30 December 2021 (the "Global Offering") and the bank borrowings. As at 31 December 2021 and 30 June 2022, the Group had cash and cash equivalents of approximately RMB78.7 million and RMB69.1 million, respectively. Decrease in cash and cash equivalents is mainly attributing to payment for purchase of investment properties and payment of dividend during the six months ended 30 June 2022.

### **Funding and Treasury Policy**

The Group monitors its cash flows and cash balance on a regular basis and seeks to maintain an optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business operation and its various growth strategies. In the future, the Group will continue to rely on cash flows from operation and other debt and equity financing to fund its working capital needs and finance part of its business expansion.

### **Foreign Currency Exchange Risk**

The transactions of the Group are denominated in RMB and most of the assets and all liabilities are denominated in RMB. The foreign exchange risk of the Group is low. For the six months ended 30 June 2022, the Group did not use any financial instrument for hedging the foreign currency risk.

## Bank Loans and Charge on Assets

As at 30 June 2022, the Group have repaid all the bank loans (31 December 2021: RMB15.0 million) which were pledged by an investment property of the Group with a carrying amount of approximately RMB866.0 million as at 31 December 2021.

All bank loans as at 31 December 2021 were denominated in RMB at fixed interest rate of 5.5% per annum. The following table sets forth the amount of indebtedness of the Group as at the date indicated:

	<b>As at 30 June 2022 RMB'000</b>	<b>As at 31 December 2021 RMB'000</b>
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### Repayment Schedule

#### Bank loans

Within 1 year	<u>                    </u> - <u>                    </u>	<u>                    </u> 15,000 <u>                    </u>
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### Gearing Ratio

The gearing ratio decreased from approximately 2.0% as at 31 December 2021 to nil as at 30 June 2022 because the Group repaid all the bank loans on 4 January 2022.

Gearing ratio equals total debt divided by total equity as at the end of the year/period. Total debt includes all interest-bearing bank loans.

### Capital Expenditure

For the six months ended 30 June 2022, the capital expenditure of the Group was approximately RMB18.3 million (30 June 2021: approximately RMB27.9 million). The capital expenditure incurred for the six months ended 30 June 2022 primarily related to the construction of the Innovation Park.

### Capital Commitments

As at 30 June 2022, the capital commitments of the Group in respect of investment properties amounted to approximately RMB22.8 million (31 December 2021: approximately RMB102.4 million). The capital commitments decreased because around 91.2% of the construction works of the Innovation Park have been completed as at 30 June 2022.

## **Contingent Liabilities**

As at 30 June 2022, the contingent liabilities of the Group was approximately RMB116.8 million (31 December 2021: RMB37.5 million) in relation to the mortgage loan guarantees provided by the Group to the banks. The Group provided mortgage loan guarantees to banks in favour of customers of the pre-sold units of the Innovation Park in the range of RMB5.32 million to RMB16.67 million per pre-sold unit. These guarantees will be released upon receiving the property ownership certificate of the respective properties by the banks as a pledge of security to the mortgage loans granted. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group at initial recognition are insignificant and the Directors consider that the possibility of default of these financial guarantee contracts is remote.

## **SIGNIFICANT INVESTMENTS HELD, AND MATERIAL ACQUISITIONS AND DISPOSALS**

On 11 January 2022, the Company subscribed 20% equity interest in Wenling Industrial Association Measuring and Cutting Tools Technology Service Company Limited\* (溫嶺工聯工量刃具科技服務有限公司) (the “**Wenling Industrial Association**”), an independent third party company, at consideration of RMB8.0 million. The principal business of the Wenling Industrial Association is engaging in provision for a platform to provide one-stop services for the tenants of the Innovation Park, such as technical support services, equipment services and raw material supply services. The Company believes that this investment can enable and enhance the Group’s provision of value-added services and to benefit from the synergy created. In addition, the business collaboration will also bring more business opportunities to the Group.

Save as disclosed above, the Group did not hold any significant investments and did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in this announcement, as at 30 June 2022, the Group did not have any immediate plans for material investments and capital assets.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2022, the Group had a total of 37 employees (31 December 2021: 27 employees). For the six months ended 30 June 2022, the Group incurred total staff costs of approximately RMB1.6 million (30 June 2021: RMB1.5 million), representing an increase of approximately 5.1% as compared with those for the six months ended 30 June 2021, which was mainly resulted from the increase in staff numbers and an increment of the staff salaries during the period as compared with the corresponding period in 2021.

The Group believes that its employees are one of the most valuable assets and have greatly contributed to its success. The Group provides training to its employees to enhance their business efficiency and conducts yearly reviews of their performance. The Group believes that these initiatives have contributed to stronger work incentive among the employees. The salaries of the Group's employees are mainly determined with reference to their seniority and performance, and the total compensation includes salaries, performance-based bonuses and special awards.

## **USE OF PROCEEDS FROM THE GLOBAL OFFERING**

The Company was listed on the main board of the Stock Exchange on 30 December 2021 (the “**Listing Date**”). The net proceeds from the Company's issue of a total of 20,000,000 new H Shares in the Global Offering, at a final offer price of HK\$6.25 per H Share, amounted to approximately HK\$61.9 million (after deducting underwriting commissions and related listing expenses which amounted to approximately RMB52.1 million). For the period from the Listing Date to 30 June 2022, the Company had utilised net proceeds from the Global Offering amounting to approximately RMB42.3 million. The Company intends to use the remaining net proceeds in the same manner and proportion as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 11 December 2020 (the “**Prospectus**”).

During the period from the Listing Date and up to 30 June 2022, the Group has applied the net proceeds as follows:

Usage	%	Budgeted amount as set out in the Prospectus <i>RMB'000</i>	Proceeds	Actual usage up to 30 June 2022 <i>RMB'000</i>	Remaining balance as at 30 June 2022 <i>RMB'000</i>	Expected timeline of full utilisation of the balance
			brought forward from 31 December 2021 <i>RMB'000</i>			
- Finance partly the costs and expenses for the establishment and construction of the Innovation Park	70.0	36,441	-	36,441	-	-
- Finance further development of the Third Floor, including refurbishment and renovation of the Third Floor	20.0	10,412	9,712	700	9,712	December 2022
- General working capital and other general corporate purposes	10.0	5,205	-	5,205	-	-
	<u>100.0</u>	<u>52,058</u>	<u>9,712</u>	<u>42,346</u>	<u>9,712</u>	

As at 30 June 2022, the unused balance of the net proceeds from the Global Offering of approximately RMB9.7 million was placed into short-term demand. The expected timeline of utilisation of the remaining balance for financing further development of the Third Floor, including refurbishment and renovation of the Third Floor was extended to December 2022 because the development plan was affected by the COVID-19 pandemic.

Save as disclosed above, as of the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds.



## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2022 and up to the date of this announcement, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

### **DIRECTORS' AND SUPERVISORS' COMPETING INTERESTS**

None of the controlling Shareholders, Directors and supervisors of the Company (the “**Supervisors**”) and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with the Group’s business.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Directors recognise the importance of incorporating elements of good corporate governance in the management structure and internal control procedures of the Group so as to achieve effective accountability. The Company is committed to maintaining high standards of corporate governance and protect the interests of the Shareholders in an open manner.

The Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (“**CG Code**”) set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Throughout the six months ended 30 June 2022 and up to the date of this announcement, the Company has fully complied with the Code Provisions.

The Company strictly complied with the CG Code. The Directors will review the corporate governance policies and compliance with the CG Code each financial year.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' and Supervisors' securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the six months ended 30 June 2022 and up to the date of this announcement.

## **EVENT AFTER THE REPORTING PERIOD**

There are no major events subsequent to 30 June 2022 which would materially affect the Group's operating and financial performance as at the date of this announcement.

## **PUBLICATION OF 2022 INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.cnglj.com>) and the 2022 Interim Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed together with the management of the Company about the accounting principles and policies adopted by the Group and discussed the internal control and financial reporting matters including a review of the interim results of the Group for the six months ended 30 June 2022.

By order of the Board  
**Wenling Zhejiang Measuring and  
Cutting Tools Trading Centre Company Limited\***  
**HUANG Qun**  
*Chairman*

Wenling City, the PRC, 19 August 2022

*As at the date of this announcement, the Board comprises Mr. Pan Haihong and Mr. Zhou Guilin as executive Directors; Mr. Huang Qun, Mr. Wang Wenming, Mr. Cheng Jinyun and Mr. Ye Yunzhi as non-executive Directors; and Mr. Xu Wei, Mr. Jin Hongqing and Mr. Wong Ka Wai as independent non-executive Directors.*

\* For identification purpose only