温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 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Revenue *(RMB'000)*	**62,074**	28,973
Gross profit *(RMB'000)*	**35,073**	24,407
Gross profit margin	**56.5%**	84.2%
Profit for the period *(RMB'000)*	**15,703**	13,179
Net profit margin	**25.3%**	45.5%
Basic and diluted earnings per share *(RMB)*	**0.20**	0.16

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2023.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited* (温嶺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 2023, together with the comparative figures for the six months ended 30 June 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 − unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**62,074**	28,973
Cost of services		**(27,001)**	(4,566)
Gross profit		**35,073**	24,407
Valuation losses on investment properties	*9*	**(10,387)**	(819)
Other net income	*5*	**111**	429
Selling and marketing expenses		**(397)**	(307)
Administrative expenses		**(3,724)**	(7,464)
Profit from operations		**20,676**	16,246
Finance costs	*6(a)*	**–**	(9)
Share of losses of associates	*10*	**(397)**	(7)
Profit before taxation	*6*	**20,279**	16,230
Income tax	*7*	**(4,576)**	(3,051)
Profit for the period		**15,703**	13,179
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**15,703**	13,179
Earnings per share	*8*		
Basic and diluted *(RMB)*		**0.20**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2023** *RMB'000*	At 31 December 2022 *RMB'000*
Non-current assets			
Investment properties	*9*	**1,041,200**	1,047,500
Property, plant and equipment		**7,041**	6,373
Lease prepayments		**525**	536
Interest in associates	*10*	**7,343**	7,740
Other non-current assets		**5,551**	5,692
Total non-current assets		**1,061,660**	1,067,841
Current assets			
Completed properties held for sale	*12*	**–**	21,023
Amounts due from associate		**–**	116
Other receivables and prepayments	*13*	**2,060**	1,554
Land appreciation tax and income tax prepaid		**–**	6,578
Cash and cash equivalents		**37,944**	72,826
Total current assets		**40,004**	102,097
Current liabilities			
Other payables and accruals	*14*	**18,096**	55,361
Contract liabilities	*15*	**669**	10,331
Receipts-in-advance, current		**31,714**	52,631
Current taxation		**11,293**	9,091
Total current liabilities		**61,772**	127,414
Net current liabilities		**(21,768)**	(25,317)
Total assets less current liabilities		**1,039,892**	1,042,524

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Non-current liabilities		
Receipts-in-advance, non-current	**66,551**	68,863
Deferred income	**2,500**	–
Deferred tax liabilities	**177,209**	179,732
Total non-current liabilities	**246,260**	248,595
Net assets	**793,632**	793,929
Capital and reserves		
Share capital	**80,000**	80,000
Reserves	**713,632**	713,929
Total equity	**793,632**	793,929

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 23 August 2023.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 RMB21,768,000 as at 30 June 2023. As at 30 June 2023, 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 2023 to 30 June 2024, 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 2022 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 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 2022 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 2022 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2023.

3 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. The amendments do not have a material impact on these financial statements as the Group does not have leases and decommissioning liabilities.

Amendments to HKAS 12, *Income taxes: International tax reform − Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements.

4 REVENUE

Disaggregation of revenue

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

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Sales of completed properties	*(i)*	**28,195**	–
Property leasing	*(i)*	**32,465**	27,986
Others	*(ii)*	**1,414**	987
Total		**62,074**	28,973

(i) The Group's revenue mainly consists of sales of completed properties and revenue from property leasing. Sales of completed properties are recognised in accordance with HKFRS 15, Revenue from Contracts with Customers.

(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.

For the six months ended 30 June 2023, revenue from one customer (six months ended 30 June 2022: nil) of the property development has exceeded 10% of the Group's revenue. Approximately 45% of the Group's total revenue was attributable to the customer (six months ended 30 June 2022: nil).

The Group has applied the practical expedient in paragraph 121(a) 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 2023 and the expected timing of recognizing revenue are as follows:

	Sales of properties	**Property management services**
	RMB'000	***RMB'000***
Within one year	**–**	**669**

5 OTHER NET INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest income from bank deposits	**115**	472
Government grants	**100**	61
Net exchange loss	**(104)**	(104)
Total	**111**	429

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest expenses	**–**	9

(b) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Depreciation and amortisation	**168**	186

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax		
− PRC CIT	**7,341**	3,641
− Over-provision in respect of prior years	**(1,248)**	(1,007)
− PRC LAT	**1,006**	−
Deferred tax		
− PRC-CIT	**(2,412)**	417
− PRC-LAT	**(111)**	−
	4,576	3,051

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

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Profit before taxation		**20,279**	16,230
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	*(i)*	**5,069**	4,058
Over-provision in respect of prior years		**(1,248)**	(1,007)
LAT		**1,006**	−
Tax effect of LAT		**(251)**	−
Actual tax expense		**4,576**	3,051

(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 2023 attributable to ordinary equity shareholders of the parent of RMB15,703,000 (six months ended 30 June 2022: RMB13,179,000) and the weighted average of 80,000,000 ordinary shares in issue during the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023. Diluted earnings per share are equal to basic earnings per share.

9 INVESTMENT PROPERTIES

The valuations of investment properties were updated at 30 June 2023 by the same independent valuer of the Group using the same valuation techniques when carrying out the valuation as at 31 December 2022.

As a result of the update, a net fair value loss of RMB10,387,000 (six months ended 30 June 2022: RMB819,000), and deferred tax thereon of RMB2,597,000 (six months ended 30 June 2022: RMB205,000), 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 buy its 20% shares 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 2023, the share of losses of associates amounted to RMB397,000 (six months ended 30 June 2022: RMB7,000).

11 DIVIDENDS

(a) 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 2023 (six months ended 30 June 2022: Nil).

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB0.20 per share (six months ended 30 June 2022: RMB0.32)	**16,000**	25,600

12 COMPLETED PROPERTIES HELD FOR SALE

In February 2023, the remaining completed properties held for sale with a carrying amount of approximately RMB21,023,000 were transferred to the customer, and the corresponding amount was recognised as cost of sales.

The Group provided mortgage loan guarantees to banks in favour of the customer of these properties.

The Group's completed properties 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 2023	At 31 December 2022
	RMB'000	*RMB'000*
Prepayments for service	**591**	107
Prepayments for intangible asset	**336**	336
Prepaid business tax	**282**	282
Deposits and guarantees	**14**	167
Others	**837**	662
	2,060	1,554

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

14 OTHER PAYABLES AND ACCRUALS

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Payable for purchase of property, plant and equipment, investment properties and properties for sale	**8,685**	41,041
Accrued payroll	**285**	201
Other taxes payable	**6,663**	10,874
Deposits	**1,178**	1,167
Payable for professional fees	**210**	1,276
Payable for property management fees and utilities	**673**	355
Others	**402**	447
	18,096	55,361

15 CONTRACT LIABILITIES

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Property services	**669**	1,852
Property development		
– Advance payments received	**–**	8,479
	669	10,331

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:

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
At the beginning of the period/year	**10,331**	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/year	**(9,703)**	(87,307)
Increase in contract liabilities as a result of receipts in advances of provision of property management services	**41**	1,852
At the end of the period/year	**669**	10,331

16 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Contracted for	**126**	2,034
Authorised but not contracted for	**290**	88
	416	2,122

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. High-quality measuring and cutting functioning are important for manufacturing process for improving production efficiency and reducing the probability of systematic error.

According to the latest data released by the National Bureau of Statistics of China, the gross domestic product (GDP) of China grew by 6.3% year-on-year in the second quarter and 5.5% in the first half of 2023, exceeding the annual growth target of around 5% set at the National People's Congress and the National People's Political Consultative Conference in March 2023. In particular, in the first half of 2023, the added value of industries of designated size increased by 3.8% year-on-year, with industrial growth maintaining a positive recovery trend. The industrial investment continued to expand, recording a year-on-year increase of 8.9% in the first half of 2023, which was 0.3 percentage point higher than the growth in the first quarter of 2023. The recovery and growth of industrial activities have driven the demand for measuring and cutting tools, which is conducive to the development of the measuring and cutting tools industry.

The consumption level of measuring and cutting tools in China has been relatively low. In 2020, the consumption of cutting tools in China accounted for 29% of the consumption of machine tools, compared with the proportion of approximately 50% in developed countries, indicating ample room for growth in consumption. In addition, the rise of the electric vehicle industry and the increase in the application of robots in China have also provided great opportunities for the development of the cutting tools industry.

As domestic measuring and cutting tools enterprises keep obtaining, developing and improving their technical strengths, the gap with the international advanced level has been gradually narrowing, and the product structure is constantly moving towards the mid-to-high end. It attracts more and more enterprises to opt for domestic measuring and cutting tools, which creates a great business opportunity for domestic measuring and cutting tools enterprises with strong technical strengths. The improvement of domestic products has also established a foundation for export to the growing markets overseas.

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* (中國浙江省温嶺市温嶠鎮前洋下村) (the "**Trading Centre**"). The Trading Centre 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. In October 2022, the Group's newly invested science and technology innovation park (the "**Science and Technology Innovation Park**") located in Chenshan Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC* (中國浙江省温嶺市温嶠鎮琛山村) has been officially put into service, which expands the property leasing business for the measuring and cutting tools industry, and provides more value-added services.

The principal activity and source of revenue of the Group were derived from the property leasing business through our operation of the Trading Centre and the Science and Technology Innovation Park and the sale of certain units in the Science and Technology Innovation Park. For the six months ended 30 June 2023, there is no material changes in the business of the Group, while our revenue and profit for the period increased by approximately 114.2% and 19.2% respectively as compared with the corresponding period of last year, mainly because the Group recognised sales of the properties in the Science and Technology Innovation Park for the period.

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 2023, the value of the Trading Centre was RMB854.1 million (31 December 2022: RMB859.1 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 (温嶺 • 中國工量刃具指數) and the measuring and cutting tools financing service, to the tenants. As at 30 June 2023, our Trading Centre had 626 tenants (31 December 2022: 631 tenants).

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 periods.

	For the six months ended 30 June	
	2023	2022
	Average monthly effective rent ***(in RMB per sq.m.)***	Average monthly effective rent *(in RMB per sq.m.)*
First floor	**372.2**	383.6
Second floor	**193.4**	158.5
Third floor	**72.3**	57.2
Basement	**17.1**	17.1

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

For the six months ended 30 June 2023, the LFA of the Trading Centre and the percentage of LFA leased to our tenants are 25,546.8 sq.m. and 98.71%, respectively (For the year ended 31 December 2022: 25,230.9 sq.m. and 97.51%). The percentage of 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.

Science and Technology Innovation Park

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 Science and Technology Innovation Park. The land use rights of the Science and Technology Innovation Park were granted for a term expiring on 27 January 2069, which is a long-term lease. The floor area of the Science and Technology Innovation Park shall be approximately 116,000 sq.m., including a factory floor area of approximately 78,000 sq.m. and involving 13 standard factories and 2 integrated administration buildings. As at 30 June 2023, the Group has invested an aggregate of approximately RMB330.0 million in the Science and Technology Innovation Park (including the acquisition of the Land). The Science and Technology 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 Science and Technology Innovation Park commenced operation in October 2022. The Group believes that the Science and Technology Innovation Park will become a cluster area for measuring and cutting tools innovative enterprises, serving as a key carrier for regional economic growth, opening up and attracting investment. The Group will continue to carry out the leasing business through self-building and operation, while further providing park operation services, ancillary service including assisting in sourcing financial resources and other professional services to the tenants, with an aim to build the Company into a comprehensive services provider for the leasing, operation and services of the measuring and cutting tools industrial park.

The Group have sold some units with an accumulated gross floor area of approximately 7,727.06 sq.m. and recorded an aggregated revenue of approximately RMB28.2 million as at the six months ended 30 June 2023, with the remaining floor area of approximately 954.02 sq.m. and approximately 60,481.19 sq.m. for available for sales and rental purposes, respectively, as at 30 June 2023. As at 30 June 2023, the fair value of the remaining portion of the Science and Technology Innovation Park which was wholly-owned by the Group was approximately RMB187.1 million (31 December 2022: RMB188.4 million).

As at 30 June 2023, we have introduced a total of 18 (31 December 2022: 18) enterprises for the Science and Technology Innovation Park. The following table sets forth the information regarding the average monthly effective rent per square metre for the leased area in the Science and Technology Innovation Park in the period.

	For the six months ended 30 June 2023 Average monthly effective rent ***(in RMB per sq.m.)***
Factories	**15.5**
Dormitories	**23.6**
Basement	**20.9**

Note: Average monthly effective rent is calculated by total rental income divided by the weighted average leased leaseable gross floor area ("**LFA**") during the period indicated.

For the six months ended 30 June 2023, the LFA of the Science and Technology Innovation Park and the percentage of LFA leased to our tenants are 39,893.5 sq.m. and 69.46% (for the year ended 31 December 2022: 8,108.5 sq.m. and 13.4%), respectively.

FINANCIAL REVIEW

Revenue

Total revenue increased by approximately 114.2% from approximately RMB29.0 million for the six months ended 30 June 2022 to approximately RMB62.1 million for the six months ended 30 June 2023, mainly because of (i) the increase in rental income contributed by the Science and Technology Innovation Park amounting to RMB4.2 million for the six months ended 30 June 2023 as compared with the corresponding period in 2022, and (ii) the recognition of sales of the properties in the Science and Technology Innovation Park with gross floor areas of approximately 7,727.06 sq. m. amounting to approximately RMB28.2 million for the six months ended 30 June 2023 as compared with nil revenue in the corresponding periods in 2022.

Cost of Sales

Cost of sales increased by approximately 491.3% from approximately RMB4.6 million for the six months ended 30 June 2022 to approximately RMB27.0 million for the six months ended 30 June 2023, mainly because of (i) the costs of sales of the properties amounting to approximately RMB21.0 million for the period compared with nil costs for the six months ended 30 June 2022, and (ii) an increase in staff costs, property management service and other costs in relation to commencement of the operations of the Science and Technology Innovation Park in October 2022.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 43.7% from approximately RMB24.4 million for the six months ended 30 June 2022 to approximately RMB35.1 million for the six months ended 30 June 2023, mainly because of the profit from the sales of the properties for the period. However, the gross profit margin decreased from approximately 84.2% for the six months ended 30 June 2022 to approximately 56.5% for the six months ended 30 June 2023, mainly because of the lower gross profit margin of sales of the properties of approximately 25.4% as compared to the gross profit margin of the Group's leasing business of 82.4% for the six months ended 30 June 2023.

Valuation Losses on Investment Properties

The valuation losses on investment properties increased by approximately RMB9.6 million from approximately RMB0.8 million for the six months ended 30 June 2022 to approximately RMB10.4 million for the six months ended 30 June 2023, mainly because of a decrease in leaseable years of the Trading Centre and a decrease in comparable market rent of the Science and Technology Innovation Park for the period.

Other Net Income

Other net income decreased by approximately RMB0.3 million from approximately RMB0.4 million for the six months ended 30 June 2022 to approximately RMB0.1 million for the six months ended 30 June 2023, primarily due to a decrease in interest income from bank deposits amounting to approximately RMB0.4 million for the six months ended 30 June 2023 compared with the corresponding period in 2022.

Administrative Expenses

Administrative expenses decreased by approximately 50.1% from approximately RMB7.5 million for the six months ended 30 June 2022 to approximately RMB3.7 million for the six months ended 30 June 2023, primarily due to a decrease in professional fees and the absent of tax levies in relation to non-deductible value-added tax for the six months ended 30 June 2023 compared with the corresponding period.

Income Tax Expenses

Income tax expenses increased by approximately 50.0% from approximately RMB3.1 million for the six months ended 30 June 2022 to approximately RMB4.6 million for the six months ended 30 June 2023, primarily due to (i) an increase in land appreciation tax of approximately RMB1.0 million in relation to the sales of properties and (ii) an increase in taxable profits of the Group, which was partially offset by credit of deferred tax of approximately RMB2.5 million, for the six months ended 30 June 2023 compared with the corresponding period in 2022. The effective tax rate increased from approximately 18.8% for the six months ended 30 June 2022 to approximately 22.6% for the six months ended 30 June 2023. Such increase was mainly due to an increase in land appreciation tax in 2023.

Profit for the Period and Net Profit Margin

As a result of the foregoing, profit for the period increased by approximately 19.2% from approximately RMB13.2 million for the six months ended 30 June 2022 to approximately RMB15.7 million for the six months ended 30 June 2023. However, the Group's net profit margin decreased from approximately 45.5% for the six months ended 30 June 2022 to approximately 25.3% for the six months ended 30 June 2023, mainly due to the lower profit margin contributed by sales of the properties and the valuation losses for the six months ended 30 June 2023.

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 2022 (the "**Global Offering**") and the bank borrowings. As at 31 December 2022 and 30 June 2023, the Group had cash and cash equivalents of approximately RMB72.8 million and RMB37.9 million, respectively. Decrease in cash and cash equivalents is mainly attributable to the payment in relation to payables for the purchase of investment properties and the construction for properties held for sale and payment of dividend during the six months ended 30 June 2023.

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 2023, the Group did not use any financial instrument for hedging the foreign currency risk.

Bank Loans and Charge on Assets

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

As at 30 June 2023, certain general banking facilities of RMB333.0 million (31 December 2022: RMB333.0 million) were secured by the buildings and investment properties of approximately RMB14.1 million and approximately RMB854.1 million, respectively (31 December 2022: approximately RMB14.2 million and approximately RMB859.1 million).

Capital Expenditure

For the six months ended 30 June 2023, the capital expenditure of the Group was approximately RMB20.8 million (30 June 2022: approximately RMB18.3 million). The capital expenditure incurred for the six months ended 30 June 2023 primarily related to payment for the purchase of investment properties.

Capital Commitments

As at 30 June 2023, the capital commitments of the Group in respect of investment properties amounted to approximately RMB0.4 million (31 December 2022: approximately RMB2.1 million).

Contingent Liabilities

As at 30 June 2023, the contingent liabilities of the Group amounted to approximately RMB111.2 million (31 December 2022: RMB101.3 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 Science and Technology 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

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 2023.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, as at 30 June 2023, the Group did not have any immediate plans for material investments and capital assets.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 40 employees (31 December 2022: 37 employees). For the six months ended 30 June 2023, the Group incurred total staff costs of approximately RMB2.1 million (30 June 2022: RMB1.6 million), representing an increase of approximately 35.0% as compared with those for the six months ended 30 June 2022, which was mainly attributable to the increase in number of staff to support the commencement of the operations of the Science and Technology Innovation Park since October 2022.

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 incentives 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 2022 (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 2023, 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 2023, the Group has applied the net proceeds as follows:

Usage		Budgeted amount as set out in the Prospectus	Proceeds brought forward from 31 December 2022	Actual usage up to 30 June 2023	Remaining balance as at 30 June 2023	Expected timeline of full utilisation of the balance
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
– Finance partly the costs and expenses for the establishment and construction of the Science and Technology 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 2023
– General working capital and other general corporate purposes	10.0	5,205	–	5,205	–	–
	100.0	52,058	9,712	42,346	9,712	

As at 30 June 2023, 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 2023.

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 2023 (2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023 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 2023 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 2023 and up to the date of this announcement.

EVENT AFTER THE REPORTING PERIOD

There are no major events subsequent to 30 June 2023 which would materially affect the Group's operating and financial performance as at the date of this announcement.

PUBLICATION OF 2023 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cnglj.com) and the 2023 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 2023.

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

Wenling City, the PRC, 23 August 2023

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*