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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2023	2022	Change
Revenue (RMB'000)	96,802	230,860	58.1%
Gross profit (RMB'000)	63,747	88,234	28.6%
Gross profit margin	65.9%	38.7%	27.2
Profit for the year (RMB'000)	27,210	57,509	52.7%
Net profit margin	28.1%	24.9%	3.2
Basic and diluted earnings per share (RMB)	0.34	0.72	52.8%

The Board has recommended the payment of a final dividend of RMB0.23 (before tax) per share for the year ended 31 December 2023 (2022: RMB0.20 per share).

ANNUAL 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 consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	3	96,802	230,860
Cost of sales		<u>(33,055)</u>	<u>(141,626)</u>
Gross profit		63,747	89,234
Valuation (losses)/gains on investment properties	9	(20,867)	1,706
Other net income	4	2,818	754
Selling and marketing expenses		(822)	(641)
Administrative expenses		<u>(9,886)</u>	<u>(11,805)</u>
Profit from operations		32,460	79,248
Finance costs	5(a)	–	(8)
Share of losses of an associate		<u>(497)</u>	<u>(260)</u>
Profit before taxation	5	34,493	78,980
Income tax	6	<u>(7,283)</u>	<u>(21,471)</u>
Profit for the year		<u>27,210</u>	<u>57,509</u>
Other comprehensive income for the year		<u>–</u>	<u>–</u>
Total comprehensive income for the year		<u>27,210</u>	<u>57,509</u>
Earnings per share	8		
Basic and diluted (RMB)		<u>0.34</u>	<u>0.72</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Investment properties	9	1,031,600	1,047,500
Property, plant and equipment		7,320	6,373
Lease prepayments		513	536
Interest in associates		7,243	7,740
Other non-current assets		<u>5,746</u>	<u>5,692</u>
		<u>1,052,422</u>	<u>1,067,841</u>
Current assets			
Completed properties held for sale		–	21,023
Amounts due from associate		201	116
Trade and other receivables		1,038	829
Prepayments		952	725
Land appreciation tax and income tax prepaid		1,134	6,578
Cash and cash equivalents		<u>74,437</u>	<u>72,826</u>
		<u>77,762</u>	<u>102,097</u>
Current liabilities			
Other payables and accruals		18,970	55,361
Contract liabilities		1,472	10,331
Receipts-in-advance, current		52,400	52,631
Current taxation		<u>11,507</u>	<u>9,091</u>
		<u>84,349</u>	<u>127,414</u>
Net current liabilities		<u>(6,587)</u>	<u>(25,317)</u>
Total assets less current liabilities		<u>1,045,835</u>	<u>1,042,524</u>

	2023 RMB'000	2022 <i>RMB'000</i>
Non-current liabilities		
Receipts-in-advance, non-current	63,939	68,863
Deferred tax liabilities	176,757	179,732
	<u>240,696</u>	<u>248,595</u>
NET ASSETS	<u>805,139</u>	<u>793,929</u>
CAPITAL AND RESERVES		
Share capital	80,000	80,000
Reserves	725,139	713,929
TOTAL EQUITY	<u>805,139</u>	<u>793,929</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was formerly named as Wenling City Wenxi Measuring and Cutting Tools Trading Centre Company Limited. (溫嶺市西工量刀具交易中心有限公司, “the Company”), which 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. The principal activity of the Company and its subsidiaries (together, the “Group”) is property leasing.

On 3 May 2018, the Company was converted into a joint stock limited liability company with a registered capital of RMB60,000,000 in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited. Upon completion of this conversion, the Company changed its name to Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited (溫嶺浙江工量刀具交易中心股份有限公司).

On 30 December 2020, the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited and issued 20,000,000 new ordinary shares.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties which are stated at its fair value.

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the fact that the Group had net current liabilities of RMB6,587,000 as at 31 December 2023. In January 2024, the Group obtained a banking facility of RMB233,000,000 from a third-party bank, of which the unutilized amount was RMB233,000,000. 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 January 2024 to 31 December 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 financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements 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 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- 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 new and 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 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it 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.

3 REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follow:

	Note	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15			
– Sales of completed properties	(i)	28,195	171,239
– Others	(ii)	<u>3,632</u>	<u>2,935</u>
		<u>31,827</u>	<u>174,174</u>
Revenue from other sources			
– Property leasing	(i)	<u>64,975</u>	<u>56,686</u>
Total		<u>96,802</u>	<u>230,860</u>

Disaggregation of revenue from contracts with customers by timing of revenue recognition is as follows:

	2023 RMB'000	2022 RMB'000
– Point in time		
Sales of completed properties	28,195	171,239
– Overtime		
Others	<u>3,632</u>	<u>2,935</u>
Total	<u>31,827</u>	<u>174,174</u>

(i) During the year, the Group's revenue mainly consists of sales of completed properties and revenue from property leasing. Sales of completed properties are recognized 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 year ended 31 December 2023, revenue from one customer (2022: three) of the property development has exceeded 10% of the Group's revenue. Approximately 29.13% of the Group's total revenue was attributable to one customer.

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 31 December 2023 and the expected timing of recognizing revenue are as follows:

	Property management services RMB'000
Within one year	<u>1,472</u>

4 OTHER NET INCOME

	2023 RMB'000	2022 RMB'000
Interest income from bank deposits	234	774
Government grants	2,688	84
Net exchange loss	<u>(104)</u>	<u>(104)</u>
Total	<u>2,818</u>	<u>754</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses	<u>–</u>	<u>8</u>

(b) Staff costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries, wages and other benefits	3,652	2,869
Contributions to the PRC local retirement schemes	<u>857</u>	<u>617</u>
	<u>4,509</u>	<u>3,486</u>
Included in:		
Cost of services	2,288	1,457
Administrative expenses	<u>2,221</u>	<u>2,029</u>
	<u>4,509</u>	<u>3,486</u>

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the “**Defined Contribution Schemes**”) organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee’s salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other obligation for the payment of retirement and other post-retirement benefits of employees other than the contributions described above.

The Group’s contributions to the Defined Contribution Scheme vest fully with the employees upon such contributions being made and there are no forfeited contributions under the Defined Contribution Scheme that would be used by the Group to reduce the existing level of contributions.

(c) **Other items**

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation		
– owned property, plant and equipment	382	319
– lease prepayments	<u>23</u>	<u>23</u>
	<u>405</u>	<u>342</u>
Expenses related to short-term leases	<u>381</u>	<u>–</u>
Auditor's remuneration	<u>1,000</u>	<u>1,000</u>
Cost of inventories	<u>21,023</u>	<u>127,093</u>

6 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 represents:**

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– PRC CIT	11,634	17,655
– Over-provision in respect of prior years	(1,248)	(1,007)
– PRC LAT	–	3,369
– Over provision in PRC LAT	<u>(128)</u>	<u>–</u>
	10,258	20,017
Deferred tax		
– PRC CIT	(3,148)	1,343
– PRC LAT	<u>173</u>	<u>111</u>
	<u>(2,975)</u>	<u>1,454</u>
	<u>7,283</u>	<u>21,471</u>

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	34,493	78,980
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	8,623	19,745
Over-provision in respect of prior years	(1,248)	(1,007)
Tax effect of non-deductible expenses	4	206
LAT	(128)	3,369
Tax effect of LAT	32	(842)
Actual tax expense	<u>7,283</u>	<u>21,471</u>

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

7 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend proposed after the statement of financial position date of RMB0.23 (2022: RMB0.20) per ordinary share	<u>18,400</u>	<u>16,000</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year	<u>16,000</u>	<u>25,600</u>

The directors consider that the dividends declared and approved during the year ended 31 December 2023 are not indicative of the future dividend policy of the Group.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of RMB27,210,000 (2022: RMB57,509,000) and the weighted average of 80,000,000 ordinary shares in issue (2022: 80,000,000 shares) during the year.

The Company did not have any potential ordinary shares outstanding during the year. Diluted earnings per share is equal to basic earnings per share.

9 INVESTMENT PROPERTIES

	Completed investment property <i>RMB'000</i>	Investment property under development <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	866,000	148,600	1,014,600
Additions	–	31,194	31,194
Transfer	179,794	(179,794)	–
Fair value adjustments	<u>1,706</u>	<u>–</u>	<u>1,706</u>
At 31 December 2022 and 1 January 2023	1,047,500	–	1,047,500
Additions	4,967	–	4,967
Fair value adjustments	<u>(20,867)</u>	<u>–</u>	<u>(20,867)</u>
At 31 December 2023	<u><u>1,031,600</u></u>	<u><u>–</u></u>	<u><u>1,031,600</u></u>

Fair value adjustments of investment properties are recognised in the line item “Valuation (losses)/gains on investment properties” on the face of the consolidated statement of profit or loss and other comprehensive income.

10 COMMITMENTS

Capital commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Authorised but not contracted for	–	88
Contracted for	<u>824</u>	<u>2,034</u>
	<u><u>824</u></u>	<u><u>2,122</u></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. 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 National Bureau of Statistics of China, the gross domestic product (GDP) of China in 2023 increased by 5.2% as compared to the previous year, with a growth rate that is 2.2% higher than that in 2022, showing a positive rebound. After the lifting of the pandemic prevention and control measures in 2023, China experienced a significant rebound in its economic activities. This recovery was primarily driven by several factors, including an increased demand for services, the resilience of manufacturing investment, and the implementation of public infrastructure stimulating measures. However, the economic performance remained volatile, the pressure of deflation continued, the property market was weak and consumer confidence remained low.

In 2023, the added value of China's industries of designated size increased by 4.6% over the previous year, of which the added value of the manufacturing industry increased by 4.4% over the previous year. In particular, the manufacturing industry has achieved significant progress in upgrading towards high-end, intelligent and green directions, achieving an increase in both quantity and quality, and the continuously gathering and boosting new driving force has strongly promoted the high-quality development of the manufacturing industry.

In 2023, the GDP of Wenzhou City was RMB873.06 billion, representing a year-on-year increase of 6.9% at comparable prices. The Government of Wenling focuses on the high-quality development of the measuring and cutting tools industry and has adopted a series of measures to promote the development of the industry. Overall, the measuring and cutting tools industry showed a trend of "up-down-up" in 2023, where in the first half of the year, the industry surged and subsequently returned, and in the second half of the year, with the introduction of economic policies, strengthening of market confidence and the "Golden September, Silver October" effect, the industry recovered from a low point.

Cutting and processing accounts for approximately 90% of the machining workload. Cutting and processing refers to a machining method that removes excess material from the surface of the workpiece to ensure that the geometry, dimensional precision, surface quality and other aspects of the workpiece meet the design requirements. Cutting and processing is normally done by cutting machine tools. Cutting tools are key consumables and core of industrial machine tools, which quality directly affects the technology standards, production efficiency and product quality of the machinery manufacturing industry.

With brand recognition, capital support and technical advantages, domestic brand enterprises have gradually expanded to the mid-to-high-end and wholistic solutions market with a broader development space, and are expected to occupy a larger market share. According to information from the China Machine Tool Industry Association, the export of cutting tools in China showed an increasing trend, while the import showed a downward trend, resulting in a significant overall surplus, and a year-on-year decrease in the import-to-export ratio. In 2023, the export amount of cutting tools in China was RMB23.365 billion. In addition, with the increase in the CNC rate of machine tools, traditional cutting tools are gradually replaced by CNC cutting tools, and small enterprises with lower competitiveness face the risk of being eliminated or acquired, and the industry concentration is steadily increasing.

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**”). 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* (中國浙江省溫嶺市溫嶠鎮琛山村) has been officially put into service, and expanded the property leasing business in the measuring and cutting tools industry to provide more value-added services.

The Group is committed to leveraging the advantages of “market + industry” to accelerate the transformation and rise of the measuring and cutting tools industry. The Group’s principal business activities and sources of revenue are from the operation of the property leasing business of the Trading Centre and the Science and Technology Innovation Park and the disposal of part of the Science and Technology Innovation Park units. For the year ended 31 December 2023, the revenue and profit for the period decreased by approximately 58.1% and 52.7% respectively as compared with the corresponding period of last year, mainly attributable to (i) a decrease in sales of properties for the year ended 31 December 2023, and (ii) a change from valuation gains on investment properties for the year ended 31 December 2022 to valuation loss on investment properties for the year ended 31 December 2023.

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 31 December 2023, the value of the Trading Centre was RMB845.7 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 (溫嶺•中國工量刃具指數) and the measuring and cutting tools financing service, to the tenants. As at 31 December 2023, our Trading Centre had 617 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 years.

	For the year ended 31	
	December	
	2023	2022
	Average	Average
	monthly	monthly
	effective rent	effective rent
	(in RMB	(in RMB
	per sq.m.)	per sq.m.)
First floor	372.9	372.2
Second floor	193.6	193.4
Third floor	65.0	72.3
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 year ended 31 December 2023, the LFA of the Trading Centre and the percentage of LFA leased to our tenants are 25,390.6 sq.m. and 98.11%, 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. 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 has built the Science and Technology Innovation Park into a comprehensive industrial cluster area that integrates research and development, production and services, forming a regional cluster economy of “industry + market”. In addition, we facilitate financing service as well as professional support to the tenants’ manufacturing business.

As at 31 December 2023, the Group have sold certain units with a gross floor area of approximately 55,395.68 sq.m. in aggregate, and recorded revenue of approximately RMB28.2 million for the years ended 31 December 2023 (For the year ended 31 December 2022: RMB171.2 million) floor area of approximately 58,421.51 sq.m. of the Science and Technology Innovation Park is designated for rental purposes. As at 31 December 2023, the fair value of the Science and Technology Innovation Park was approximately RMB185.9 million (31 December 2022: RMB188.4 million), the interest of which was wholly owned by the Group.

As at 31 December 2023, we have introduced a total of 14 enterprises for the Science and Technology Innovation Park (31 December 2022: 18). 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 for the periods.

	For the year ended	
	31 December	
	2023	2022
	Average	Average
	monthly	monthly
	effective rent	effective rent
	(in RMB	(in RMB
	per sq.m.)	per sq.m.)
Factories	15.5	12.2
Dormitories	34.9	28.2
Basement	20.9	19.7
	<u>20.9</u>	<u>19.7</u>

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 year ended 31 December 2023, the LFA of the Science and Technology Innovation Park and the percentage of LFA leased to our tenants are approximately 37,877.82 sq.m. and 64.8%, respectively (For the year ended 31 December 2022: 8,108.5 sq.m. and 13.9%). 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.

E-commerce Platform

In June 2023, the Group officially launched the cross-border e-commerce brand overseas project of the measuring and cutting tools industry cluster. Using the market of Zhejiang measuring and cutting tools trading centre as a foundation, the Company cooperated with the Municipal Bureau of Commerce to build a cross-border e-commerce brand for the industry clusters, establishing independent stations and Ali International stations for the measuring and cutting tools industry belt, and conducted Google advertisement placing and SEO search engine optimisation. The project has been selected as the third prize of the cross-border e-commerce section of the “Zhijiang Entrepreneur” 2023 International E-commerce Entrepreneurship & Innovation Competition.

OUTLOOK

The Group's principal business is the measuring and cutting tools market and the operation and management of industrial parks, and plans to further provide park operation services and professional integrated services in addition to carrying out its leasing business through self-building and operation, 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 specific measures are as follows:

Construction plan of the phase II of the Science and Technology Innovation Park

In the context of the continuous boom in the measuring and cutting tools industry, it is imperative to plan and construct the phase II of the Science and Technology Innovation Park. The Group will draw upon the experience of success of the phase I of the Science and Technology Innovation Park, so as to build a centralised high-end industrial park and promote the quality development of the industry, thereby realizing the new situation where the measuring and cutting tools building and the two phases of Science and Technology Innovation Park project will go hand in hand. The Group will complete the construction of the park and commence operation within two to three years to secure rental income and increase the comprehensive service income of the park.

Enriching value-added services

In addition to self-building and operation to carry out leasing business, the Group plans to screen and recommend service providers, launch centralised procurement services for enterprises in the park, and at the same time integrate existing resources to provide customers with systematic ancillary value-added services. The Group intends to enhance the capacities of providing the market and park operation services and professional and comprehensive services, and establish ancillary value-added service segments such as logistics, property and e-commerce: to establish independent park logistics, smart park property management system, optimise the logistics and distribution channels and warehousing ancillary services in the park, and support the expansion construction and daily operation and management needs of the park.

At the same time, the Group trains the management team to integrate the construction, operation and management services of the measuring and cutting tools industrial park into a mature park property management system, and authorises the state-owned industrial parks in Wenling to be operated and managed by the Group, so as to realise the management income of each industrial park project.

Carrying out mergers and acquisitions of upstream and downstream of the industry

While focusing on its main business, the Group will also take advantage of its unique characteristics to participate in the manufacturing enterprises of designated scale in Wenling by means of cash contribution and “rent first, then transfer”, actively expand outwards, establishing a second main business, and carry out mergers and acquisitions of upstream and downstream of the industry.

Specifically, the Group plans to achieve the incremental development of the Group by merging with and acquiring related companies or teams in the measuring and cutting tools industry, relying on the land in the market and government background resources, innovate the external investment model, and invest in local manufacturing enterprises with potential in Wenling through various means such as land and capital, so as to assist the enterprise on the capital side, realise the diversification of the Group’s revenue structure, and transform the Group into a comprehensive services provider in the measuring and cutting tools industry towards the direction of manufacturing and research.

Establish a cross-border e-commerce overseas team

The Group plans to open up the fast lane of “brand going overseas” in the measuring and cutting tools industry belt through the connection of commercial and trade comprehensive services, and build a cross-border e-commerce ecosystem of Wenling measuring and cutting tools through enterprise incubation, talent introduction and nurturing, activity organisation and service matching, so as to achieve rapid growth in cross-border e-commerce sales of Wenling measuring and cutting tools.

In the future, the Group will remain based on the Trading Centre and the Science and Technology Innovation Park projects, strive to expand the scale of leased area through self-operation or the introduction of excellent external management teams, create ancillary service systems such as logistics, property, e-commerce, ancillary value-added services and investment management, and continue to consolidate the construction of the Phase II of the Science and Technology Innovation Park and the construction of the professional market 2.0 through diligent construction.

FINANCIAL REVIEW

Revenue

Total revenue decreased significantly by approximately 58.1% from approximately RMB230.9 million for the year ended 31 December 2022 to approximately RMB96.8 million for the year ended 31 December 2023, mainly because of a decrease in sales of the properties in the Science and Technology Innovation Park of approximately RMB143.0 million to approximately RMB28.2 million for the year ended 31 December 2023 as the saleable areas in the Science and Technology Innovation Park have been sold out as at 31 December 2023, such decrease was offset by an increase in revenue from the property leasing business of approximately RMB8.3 million to approximately RMB65.0 million for the year ended 31 December 2023 as the rental income contributed by the Science and Technology Innovation Park was increased.

Cost of Sales

Cost of sales and services decreased significantly by approximately 76.7% from approximately RMB141.6 million for the year ended 31 December 2022 to approximately RMB33.1 million for the year ended 31 December 2023, mainly because of a decrease in the costs of sales of the properties from approximately RMB127.1 million for the year ended 31 December 2022 to approximately RMB18.5 million for the year ended 31 December 2023.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 28.6% from approximately RMB89.2 million for the year ended 31 December 2022 to approximately RMB63.7 million for the year ended 31 December 2023, mainly attributable to a decrease in the profit from the sales of the properties in 2023. However, gross profit margin increased from approximately 38.7% for the year ended 31 December 2022 to approximately 65.9% for the year ended 31 December 2023, mainly because of a decrease in the gross profit contributed by the sales of the properties as the gross profit margin of the sales of the properties is at 34.4% (2022: 25.8%) as compared to the gross profit margin of the Group's leasing business of 78.8% in 2023 (2022: 75.6%).

Valuation (Losses)/Gains on Investment Properties

The Group recorded a valuation loss on the investment properties amounting to approximately RMB20.9 million for the year ended 31 December 2023, which was mainly because of the reduction of remaining life and decrease in the comparable rent rate.

Other Net Income

Other net income increased by approximately 2.7 times from approximately RMB0.8 million for the year ended 31 December 2022 to approximately RMB2.8 million for the year ended 31 December 2023, primarily due to an increase in government grant of approximately RMB 2.6 million for the year ended 31 December 2023.

Administrative Expenses

Administrative expenses decreased by approximately 16.3% from approximately RMB11.8 million for the year ended 31 December 2022 to approximately RMB9.9 million for the year ended 31 December 2023, primarily due to no tax levies in relation to non-deductible value-added tax.

Income Tax Expenses

Income tax expenses decreased by approximately 66.1% from approximately RMB21.5 million for the year ended 31 December 2022 to approximately RMB7.3 million for the year ended 31 December 2023, primarily due to (i) the Group recorded a land appreciation tax of approximately RMB3.4 million in relation to the sales of properties for the year ended 31 December 2022 as absent of such tax for the year ended 31 December 2023; (ii) a decrease in taxable profits of the Group in 2023; and (iii) change from deferred tax expenses of approximately RMB1.5 million for the year ended 31 December 2022 to deferred tax credit of approximately RMB3.0 million for the year ended 31 December 2023. The effective tax rate decreased from approximately 27.2% for the year ended 31 December 2022 to approximately 21.1% for the year ended 31 December 2023, due to a decrease in land appreciation tax in 2023.

Profit for the Year and Net Profit Margin

As a result of the foregoing, profit for the year decreased by approximately 52.7% from approximately RMB57.5 million for the year ended 31 December 2022 to approximately RMB27.2 million for the year ended 31 December 2023, and the Group's net profit margin increased from approximately 24.9% for the year ended 31 December 2022 to approximately 28.1% for the year ended 31 December 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 and the bank borrowings. As at 31 December 2023 and 2022, the Group had cash and cash equivalents of approximately RMB74.4 million and RMB72.8 million, respectively. Increase in cash and cash equivalents is mainly attributing to sales of the properties during the year ended 31 December 2023.

Funding and Treasury Policy

The Group monitors its cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business and its various growth strategies. In the future, the Group will continue relying on cash flows from operation and other debt and equity financing to fund our working capital needs and finance part of our 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 that the Group has to bear is low. During the year, the Group did not use any financial instrument for hedging the foreign currency risk.

Bank Loans and Charge on Assets

As at 31 December 2023 and 2022, the Group's did not have any bank loan.

31 December 2023 no banking facility available.

Capital Expenditure

For the year ended 31 December 2023, the capital expenditure was approximately RMB24.3 million (2022: approximately RMB29.4 million). The capital expenditure incurred for the year ended 31 December 2023 primarily related to decoration work of the Science and Technology Innovation Park.

Capital Commitments

As at 31 December 2023, the capital commitments of the Group in respect of property, plant and equipment and investment properties contracted amounted for approximately RMB0.8 million (2022: approximately RMB2.1 million).

Contingent Liabilities

As at 31 December 2023, the contingent liabilities of the Group was approximately RMB103.4 million (2022: RMB101.3 million) in relation to the mortgage loan guarantees provided by the Group to the banks. 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. Accordingly, no contingent liability has been recognised at the inception of the guarantee contracts as at 31 December 2023.

SIGNIFICANT INVESTMENTS HELD, AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group had total of 39 employees (2022: 37 employees). For the year ended 31 December 2023, the Group has incurred total staff costs of approximately RMB4.5 million (2022: RMB3.5 million), representing an increase of approximately 29.3% as compared with those for the year ended 31 December 2022 mainly resulted from the commencement of the operations of the Innovation Park in October 2022 as the Group hired new staff to run the new business.

The Group believe that its employees are one of the most valuable assets and have greatly contributed to its success. The Group provide training to its employees to enhance their business efficiency and conduct yearly reviews of their performance. The Group believes that these initiatives have contributed to stronger work incentive among the employees. In addition, the salaries of our 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 2020. The net proceeds from the Company's issue in a total of 20,000,000 new H Shares in the global offering of the Company completed on 30 December 2020 ("**Global Offering**") amounted to approximately HK\$61.9 million (after deducting underwriting commissions and related Listing expenses which equivalent to approximately RMB52.1 million) with the final offer price of HK\$6.25 per H Share. For the period from the listing date to 31 December 2023, the Company has utilised net proceeds from the Global Offering amounting to approximately RMB42.3 million. The Company intends to use the remaining net proceeds of approximately RMB9.7 million in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated 11 December 2020 (the "**Prospectus**").

During the year ended 31 December 2023, the Group has applied the net proceeds as follows:

Usage	%	Budgeted amount as set out in the Prospectus <i>RMB'000</i>	Actual usage up to 31 December 2023 <i>RMB'000</i>	Remaining balance as at 31 December 2023 <i>RMB'000</i>	Expected timeline of full utilisation of the balance
- 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	700	9,712	December 2024
- General working capital and other general corporate purposes	10.0	5,205	5,205	-	
	<u>100.0</u>	<u>52,058</u>	<u>42,346</u>	<u>9,712</u>	

As at 31 December 2023, the unused balanced 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 2024.

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

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 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 (as defined under the Listing Rules), Directors and 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 Board has adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (“**CG Code**”) set out in Appendix C1 to the Listing Rules. Throughout the year ended 31 December 2023 and up to the date of this announcement, the Company has fully complied with the Code Provisions except for the following deviations.

Pursuant to code provisions C.2.1 of the Appendix C1 Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company do not have a separate chairman and chief executive officer and Mr. Pan currently performs these two roles upon the resignation of Director of Mr. Huang Qun on 27 March 2024. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Save as disclosed above, the Company strictly complied with the CG Code. The Directors review the corporate governance policies and the compliance with the CG Code for each financial year. On 1 January 2023, the amendments to the CG Code (the “**New CG Code**”) came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2023. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix C3 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 for the year ended 31 December 2023 and up to the date of this announcement.

EVENT AFTER THE REPORTING PERIOD

On 18 January 2024, the Company obtained a new banking facility of RMB233,000,000 valid from 18 January 2024 to 18 January 2034 from a third party bank, which was pledged by the completed investment property with a carrying value of RMB845,700,000 (2022: RMB859,100,000) as at 31 December 2023. The drawdown of the credit facility is subject to the terms and conditions of the agreement.

FINAL DIVIDEND

Proposal for profit distribution of 2023

Audited profit available for distribution to shareholders of the Company as at 31 December 2023 calculated in accordance with PRC Accounting Standards for Business Enterprises amounted to approximately RMB75.1 million.

The Board of Directors of the Company has recommended profit distribution for 2023 of RMB18.4 million in cash (before tax) per share as the final dividend based on the number of shares held by shareholders registered as at the close of business on the record date for profit distribution and dividend payment. The dividend will be denominated and declared in RMB, and distributed to the domestic shareholders in RMB and to the overseas shareholders in Hong Kong Dollars. The exchange rate for the dividend calculation in Hong Kong Dollars is based on the average benchmark exchange rate of RMB against Hong Kong Dollar as published by the People's Bank of China one week preceding the date of the declaration of such dividend.

The Company expects to pay the dividend to holders of Domestic Shares on Monday, 27 May 2024, whereas the expected payment date of final dividend of the Company for 2023 to holders of H Shares is Tuesday 11 June 2024.

In respect of the Company's distribution of final Dividend to Shareholders whose names appear on the H share register of the Company on 24 May 2024, the Company will process income tax payable on dividends and profit distributions in accordance with relevant taxation laws and regulations of China. The details are as follow:

1. In connection with overseas non-resident corporate H shareholders, a 10% enterprise income tax to be withheld and paid on behalf of such shareholders by the Company shall apply in accordance with relevant provisions of the "Notice of the State Administration of Taxation on Issues Concerning the Withholding and Payment of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-Resident Corporate H shareholders" (Guo Shui Han 2008 No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函2008897號)). Any H shares registered in the name of non-resident corporate H shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident corporate H shareholders, and consequently will be subject to the withholding of the enterprise income tax.

2. Pursuant to relevant laws and regulations and regulatory documents such as the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》), the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Nonresidents under Tax Treaties (Tentative) (Guo Shui Fa 2009 No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發2009124號)) and the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa 1993 No. 45 (Guo Shui Han 2011 No. 348) (《國家稅務總局關於國稅發199345號文件廢止後有關個人所得稅徵管問題的通知》(國稅函2011348號)), dividends received by overseas resident individual shareholders from the stocks issued by domestic non-foreign investment enterprises in Hong Kong is subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of the stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau). For individual holders of H shares, dividends payable to them are subject to the individual income tax withheld at a tax rate of 10% in general unless otherwise specified by the tax regulations and the relevant tax agreements.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (“AGM”) will be held on Friday, 10 May 2024. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched to the Shareholders by the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 3 May 2024 to Friday, 10 May 2024, both days inclusive, during which period no transfer of H shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer of H shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 2 May, 2024, being the business day before the first day of closure of the register of members.

For the purpose of ascertaining shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Friday, 17 May 2024 to Friday, 24 May 2024, both days inclusive, during which period no transfer of H shares of the Company will be registered. In order to establish entitlements to the final dividend, all transfer of H shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 16 May 2024, being the business day before the first day of closure of the register of members. The members of the H shares whose names appear on the H share register of members on Friday, 24 May 2024 will be entitled to receive the final dividend.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.cnglj.com>) and the 2023 Annual Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

AUDIT COMMITTEE

The audit committee of the Company has reviewed together with the management and external auditor 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 annual results of the Group for the year ended 31 December 2023.

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

The Board proposed to amend the existing Articles of Association (the “**Article**”) of the Company (the “**Proposed Amendments**”) for the purpose of (i) updating and bringing the Articles in line with the amendments to the Listing Rules which mandate the electronic dissemination of corporate communications by listed issuers to their securities holders from 31 December 2023 onwards; and (ii) incorporate consequential and other housekeeping amendments.

The adoption of the Proposed Amendments and the adoption of the new Article is subject to the approval of the shareholders by way of a special resolution to be proposed at the AGM and, if approved, will become effective upon such approval. Prior to the passing of the relevant special resolution at the AGM, the Existing Article shall remain valid.

A circular containing, among other matters, details of the Proposed Amendments to the Articles, together with a notice convening the AGM will be published by the Company in due course.

By order of the Board
**Wenling Zhejiang Measuring and
Cutting Tools Trading Centre Company Limited***
溫嶺浙江工量刃具交易中心股份有限公司
PAN Haihong
Chairman

Wenling City, the PRC, 27 March 2024

As at the date of this announcement, the Board comprises Mr. Pan Haihong and Mr. Zhou Guilin as executive Directors; 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*