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 2024

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Revenue *(RMB'000)*	**33,887**	62,074
Gross profit *(RMB'000)*	**27,393**	35,073
Gross profit margin	**80.8%**	56.5%
Profit for the period *(RMB'000)*	**3,307**	15,703
Net profit margin	**9.8%**	25.3%
Basic and diluted earnings per share *(RMB)*	**0.04**	0.20

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2024.

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 2024, together with the comparative figures for the six months ended 30 June 2023, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**33,887**	62,074
Cost of services		**(6,494)**	(27,001)
Gross profit		**27,393**	35,073
Valuation losses on investment properties	*9*	**(20,465)**	(10,387)
Other net income	*5*	**38**	111
Selling and marketing expenses		**(236)**	(397)
Administrative expenses		**(3,839)**	(3,724)
Profit from operations		**2,891**	20,676
Share of losses of associates	*10*	**(67)**	(397)
Profit before taxation	*6*	**2,824**	20,279
Income tax	*7*	**483**	(4,576)
Profit for the period		**3,307**	15,703
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**3,307**	15,703
Earnings per share	*8*		
Basic and diluted *(RMB)*		**0.04**	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 − unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2024** *RMB'000*	At 31 December 2023 *RMB'000*
Non-current assets			
Investment properties	*9*	**1,011,200**	1,031,600
Property, plant and equipment		**7,363**	7,320
Lease prepayments		**502**	513
Interest in associates	*10*	**7,176**	7,243
Other non-current assets		**5,604**	5,746
Total non-current assets		**1,031,845**	1,052,422
Current assets			
Amounts due from associate		**895**	201
Trade receivables		**598**	495
Other receivables and prepayments	*12*	**1,062**	1,495
Land appreciation tax and income tax prepaid		**751**	1,134
Cash and cash equivalents		**44,024**	74,437
Total current assets		**47,330**	77,762
Current liabilities			
Other payables and accruals	*13*	**16,233**	18,970
Contract liabilities	*14*	**611**	1,472
Receipts-in-advance, current		**31,518**	52,400
Current taxation		**6,800**	11,507
Total current liabilities		**55,162**	84,349
Net current liabilities		**(7,832)**	(6,587)
Total assets less current liabilities		**1,024,013**	1,045,835

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Non-current liabilities		
Receipts-in-advance, non-current	**61,497**	63,939
Deferred tax liabilities	**172,470**	176,757
Total non-current liabilities	**233,967**	240,696
Net assets	**790,046**	801,367
Capital and reserves		
Share capital	**80,000**	80,000
Reserves	**710,046**	725,139
Total equity	**790,046**	805,139

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 2024.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 RMB7,832,000 as at 30 June 2024. As at 30 June 2024, the Group had banking facilities 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 July 2024 to 30 June 2025, 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 2023 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 2023 that is included in the interim financial report 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 2023 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2024.

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:

- Amendments to HKAS 1, *presentation of financial statements: Classification of liabilities as current or non-current* ("**2020 amendments**")
- Amendments to HKAS 1, *presentation of financial statements: Non-current liabilities with covenants* ("**2022 amendments**")
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures − Supplier finance arrangements*

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

Amendments to HKAS 1, *Presentation of financial statements* ("2020 and 2022 amendments", or collectively the "HKAS 1 amendments")

The HKAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures − Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments do not have a material impact on these financial statements as the Group has not entered into such arrangements.

4 REVENUE

Disaggregation of revenue

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

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15			
– Sales of completed properties	*(i)*	**–**	28,195
– Others	*(ii)*	**1,644**	1,414
		1,644	29,609
Revenue from other sources			
– Property leasing	*(i)*	**32,243**	32,465
Total		**33,887**	62,074

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
– Point in time		
Sales of completed properties	**–**	28,195
– Overtime		
Others	**1,644**	1,414
Total	**1,644**	29,609

(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 recognised over time in accordance with HKFRS 15, Revenue from Contracts with Customers.

For the six months ended 30 June 2024, no customer has contributed more than 10% of the Group's revenue.

For the six months ended 30 June 2023, revenue from one 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.

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied) as at 30 June 2024 and the expected timing of recognizing revenue are as follows:

	Property management services
	RMB'000
Within one year	**611**

5 OTHER NET INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest income from bank deposits	**69**	115
Government grants	**–**	100
Net exchange loss	**(87)**	(104)
Others	**56**	–
Total	**38**	111

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Depreciation and amortisation	**274**	168

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	
	2024	2023
	RMB'000	*RMB'000*
Current tax		
− PRC CIT	**4,899**	7,341
− Over-provision in respect of prior years	**(1,478)**	(1,248)
− PRC LAT	**383**	1,006
Deferred tax		
− PRC CIT	**(4,191)**	(2,412)
− PRC LAT	**(96)**	(111)
	(483)	4,576

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

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Profit before taxation		**2,824**	20,279
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	*(i)*	**706**	5,069
Over-provision in respect of prior years		**(1,478)**	(1,248)
Tax effect of non-deductible expenses		**2**	–
LAT		**383**	1,006
Tax effect of LAT		**(96)**	(251)
Actual tax (credit)/expense		**(483)**	4,576

(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 2024 attributable to ordinary equity shareholders of the parent of RMB3,307,000 (six months ended 30 June 2023: RMB15,703,000) and the weighted average of 80,000,000 ordinary shares in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2024. Diluted earnings per share are equal to basic earnings per share.

9 INVESTMENT PROPERTIES

The valuations of investment properties were updated at 30 June 2024 by the same independent valuer of the Group using the same valuation techniques when carrying out the valuation as at 31 December 2023.

As a result of the update, a net fair value loss of RMB20,465,000 (six months ended 30 June 2023: RMB10,387,000), and deferred tax thereon of RMB5,116,000 (six months ended 30 June 2023: RMB2,597,000), has been recognised in profit or loss for the period in respect of investment properties.

10 INTEREST IN ASSOCIATES

During the six months ended 30 June 2024, the share of losses of associates amounted to RMB67,000 (six months ended 30 June 2023: RMB397,000).

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 2024 (six months ended 30 June 2023: 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	
	2024	2023
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB0.23 per share (six months ended 30 June 2023: RMB0.20)	**18,400**	16,000

12 OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Prepayments for service	**665**	670
Prepaid business tax	**282**	282
Payments on behalf of the third parties	**84**	527
Others	**31**	16
	1,062	1,495

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

13 OTHER PAYABLES AND ACCRUALS

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Payable for purchase of property, plant and equipment and investment properties	**6,709**	6,897
Accrued payroll	**412**	822
Other taxes payable	**6,019**	7,400
Deposits	**1,133**	1,192
Payable for professional fees	**192**	1,068
Payable for property management fees and utilities	**1,097**	961
Others	**671**	630
	16,233	18,970

14 CONTRACT LIABILITIES

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Property services	**611**	1,472

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 2024	At 31 December 2023
	RMB'000	*RMB'000*
At the beginning of the period/year	**1,472**	10,331
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	**(1,472)**	(10,331)
Increase in contract liabilities as a result of receipts in advances of provision of property management services	**611**	1,472
At the end of the period/year	**611**	1,472

15 COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial report:

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Contracted for	**752**	–
Authorised but not contracted for	**–**	824
	752	824

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.

In the first half of 2024, the overall trend of economic recovery and improvement in China remained unchanged, supporting the stable operation of the machinery industry. According to the latest data published by the National Bureau of Statistics of China, the economic growth (GDP) of China in the first half of the year reached 5.0%, with the national economy operating smoothly and making progress amidst stability. Among the increase, in the first half of 2024, the added value of industries of designated size increased year-on-year by 6.0%, maintaining a good recovery trend of industrial growth. According to the data from the China Machinery Industry Federation, in the first half of 2024, the added value of enterprises above designated size in the machinery industry increased by 6.1% year-on-year, with growth rate slightly higher than that of the national industry by 0.1%.

In the first half of 2024, the prices of raw materials for measuring and cutting tools fluctuated. The rapid increase in upstream raw material prices would exert certain upward pressure on the prices of finished measuring and cutting tools products in the long term, thereby further compressing the future profit margins of merchants. This has led merchants to hold a pessimistic outlook on future revenues, which, coupled with the impact of relatively weak overall demand, causing the measuring and cutting tools industry to continue its downward trend.

At present, China's industrial system is already well-developed, but fields such as precision machine tools, core components and key materials, still largely rely on international imported products. As a key consumable in high-end manufacturing and intelligent manufacturing, Computer Numerical Control (CNC) cutting tools have enormous growth potential in the future. At the same time, enterprises with brand influence, capital strength and technological advantages will gain more development opportunities in the high-end market sector, thereby increasing their market share and promoting the market concentration of the entire industry.

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.

In the first half of the year, with project construction and refined management as the means, the Group continues to take advantage from the "market + industry" concept, driving the orderly progression of various tasks. 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 2024, there is no material changes in the business of the Group, while our revenue and profit for the period decreased by approximately 45.4% and 78.9% respectively as compared with the corresponding period of last year, mainly because of (i) a decrease in revenue from sales of completed properties as the Group did not sell property for the six months ended 30 June 2024 as compared with the revenue from sales of completed properties of approximately RMB28.2 million for the six months ended 30 June 2023, and (ii) an increase in valuation losses on investment properties from approximately RMB10.4 million for the six months ended 30 June 2023 to approximately RMB20.5 million for the six months ended 30 June 2024 as a result of the decrease in the comparable market rents and land use rights terms.

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 product displaying purposes 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 2024, the value of the Trading Centre was RMB829.2 million (31 December 2023: RMB845.7 million), the interest of which is wholly owned by the Group.

In the first half of 2024, the Trading Centre has been listed as the "2024 National Intellectual Property Rights Protection Standardised Market Nurturing Target", and has been awarded with titles such as the "2023 Commodity Market Innovation Work Pioneer Unit" and the "2023 Taizhou City Commodity Market Outstanding Management".

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 2024, our Trading Centre had 626 tenants (31 December 2023: 617 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 each of the periods.

	For the six months ended 30 June	
	2024	2023
	Average monthly effective rent ***(in RMB per sq.m.)***	Average monthly effective rent *(in RMB per sq.m.)*
First floor	**373.4**	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 for reference during the periods indicated.

For the six months ended 30 June 2024, the total lease floor area ("**LFA**") of the Trading Centre and the percentage of LFA leased to our tenants are 25,528.80 sq.m. and 98.64% (for the year ended 31 December 2023: 25,230.9 sq.m. and 98.11%), respectively. 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, with the planning concept of "Product-Trade Integration, Platform services, Ecosystem Innovation" in mind, laying out innovation chains, capital chains and service chains revolving around the industry chain, boosting characteristic industries and nurturing upcoming enterprises. In addition, we facilitate financing service as well as professional support to the tenants' manufacturing business.

As at 30 June 2024, the fair value of the Science and Technology Innovation Park for leasing, which was wholly owned by the Group, was approximately RMB182.0 million (31 December 2023: RMB185.9 million).

As at 30 June 2024, we have introduced a total of 13 (31 December 2023: 14) enterprises to 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	
	2024	2023
	Average monthly effective rent ***(in RMB per sq.m.)***	Average monthly effective rent *(in RMB per sq.m.)*
Factories	**15.5**	15.5
Dormitories	**21.5**	23.6
Basement	**20.9**	20.9

Note: Average monthly effective rent is calculated by total rental income divided by the weighted average leased LFA during the period indicated.

For the six months ended 30 June 2024, the LFA of the Science and Technology Innovation Park and the percentage of LFA leased to our tenants are 39,231.02 sq.m. and 68.3% (for the year ended 31 December 2023: 37,877.82 sq.m. and 64.8%), respectively. 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.

Measuring and Cutting Tools Industry Innovation Service Complex

The Group has comprehensively utilised the advantages of industrial investment platforms such as the Zhejiang Measuring and Cutting Tools Trading Centre and the Wenling City Measuring and Cutting Tools Science and Technology Innovation Park to establish an innovation service complex for the measuring and cutting tools industry centered on research and development. The complex is a one-stop service platform integrating elements and resources such as new coating material research and development, results transformation, entrepreneurship incubation, talent introduction and cultivation, and technological transformation.

The Group has successfully established a cutting tool quality inspection centre comprised mainly of material inspection centre, cutting tool inspection centre, and cutting test centre, gathering 16 technology innovation service institutions including patent offices, law firms, accounting firms, tax offices and banks, providing innovation services such as intellectual property rights, brand building, financial services, and legal consultation for measuring and cutting tools enterprises.

In terms of scientific research cooperation, the Group actively responds to the national Belt and Road Initiative by jointly establishing an advanced coating technology joint laboratory with Taizhou University Wenling Research Institute and foreign universities and research institutions with advantages in related fields, namely European universities or research institutes, with a focus on advanced coating technology and new materials, high-end equipment and other areas, aiming to solve a number of key common technical problems; the Group has successfully signed the "Joint Training of Measuring and Cutting Tools Industry Technical Talents" project agreement with the School of Materials Science and Engineering of Taizhou University; the Group continues to deepen its strategic cooperation with 9 renowned universities in China, including Tsinghua University, Sichuan University, Tianjin University, Zhejiang University of Technology, and 16 research institutes including the National CNC System Engineering Technology Research Centre.

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.

Since the launch of the brand overseas project of the measuring and cutting tools industry up till now, the individual station has an exposure count of 16.5061 million, with a click rate of 0.1333 million, close to 15,000 overseas social media followers, over 300 enquiries received, and over 20 sample orders shipped. 6 measuring and cutting tools project cross-boarder trainings have commenced, nurturing 50 cross-boarder E-commerce talents, and there were 7 cross-boarder E-commerce related events.

FINANCIAL REVIEW

Revenue

Total revenue decreased by approximately 45.4% from approximately RMB62.1 million for the six months ended 30 June 2023 to approximately RMB33.9 million for the six months ended 30 June 2024, mainly because the revenue from the sales of completed properties was nil for the six months ended 30 June 2024 as compared with the revenue from sales of completed properties amounting to approximately RMB28.2 million for the six months ended 30 June 2023. The revenue from property leasing remained stable at approximately RMB32.5 million and approximately RMB32.2 million for the six months ended 30 June 2023 and 2024, respectively.

Cost of Sales

Cost of sales decreased by approximately 75.9% from approximately RMB27.0 million for the six months ended 30 June 2023 to approximately RMB6.5 million for the six months ended 30 June 2024, mainly because the Group incurred the costs for sales of completed properties amounting to approximately RMB21.0 million for the six months ended 30 June 2023, while no such costs was recorded for the six months ended 30 June 2024.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 21.9% from approximately RMB35.1 million for the six months ended 30 June 2023 to approximately RMB27.4 million for the six months ended 30 June 2024, mainly because no profit was generated from the sales of the properties for the period. However, the gross profit margin increased from approximately 56.5% for the six months ended 30 June 2023 to approximately 80.8% for the six months ended 30 June 2024, mainly because of the gross profit margin of sales of completed properties was lower than the gross profit margin of the Group's leasing business.

Valuation Losses on Investment Properties

The valuation losses on investment properties increased by approximately RMB10.1 million from approximately RMB10.4 million for the six months ended 30 June 2023 to approximately RMB20.5 million for the six months ended 30 June 2024, mainly because of the decrease in the comparable market rents and land use rights terms.

Administrative Expenses

Administrative expenses remained stable at approximately RMB3.7 million and approximately RMB3.8 million for the six months ended 30 June 2023 and 2024, respectively.

Income Tax Expenses

Income tax expenses changed from expenses of approximately RMB4.6 million for the six months ended 30 June 2023 to credits of approximately RMB0.5 million for the six months ended 30 June 2024. Such change was primarily due to a decrease in current income tax of approximately RMB3.3 million and an increase in deferred tax of approximately RMB1.8 million for the six months ended 30 June 2024. The effective tax rate changed from approximately 22.6% for the six months ended 30 June 2023 to approximately 17.1% for the six months ended 30 June 2024. Such change was mainly due to a decrease in assessable profits which was fully absorbed by the over-provision of income tax in respect of prior years for the six months ended 30 June 2024.

Profit for the Period and Net Profit Margin

As a result of the foregoing, profit for the period decreased by approximately 78.9% from approximately RMB15.7 million for the six months ended 30 June 2023 to approximately RMB3.3 million for the six months ended 30 June 2024. The Group's net profit margin decreased from approximately 25.3% for the six months ended 30 June 2023 to approximately 9.8% for the six months ended 30 June 2024, mainly due to an increase in valuation losses on investment properties which was partly offset by an increase in gross profit margin for the six months ended 30 June 2024.

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**") and the net proceeds received from the global offering of the Company completed on 30 December 2020 (the "**Global Offering**"). As at 31 December 2023 and 30 June 2024, the Group had cash and cash equivalents of approximately RMB74.4 million and RMB44.0 million, respectively. The decrease in cash and cash equivalents is mainly attributable to payment of income tax and dividend of approximately RMB8.1 million and approximately RMB18.5 million, respectively, during the six months ended 30 June 2024.

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 2024, the Group did not use any financial instrument for hedging the foreign currency risk.

Bank Loans and Charge on Assets

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

As at 30 June 2024, certain general banking facilities of RMB233 million (31 December 2023: nil) were secured by the investment properties of approximately RMB829.2 million.

Capital Expenditure

For the six months ended 30 June 2024, the capital expenditure of the Group was approximately RMB0.6 million (30 June 2023: approximately RMB20.8 million). The decrease in the capital expenditure incurred for the six months ended 30 June 2024 was primarily due to the completion of the construction and decoration works of the Science and Technology Innovation Park in 2023.

Capital Commitments

As at 30 June 2024, the capital commitments of the Group in respect of investment properties amounted to approximately RMB0.8 million (31 December 2023: approximately RMB0.8 million).

Contingent Liabilities

As at 30 June 2024, the contingent liabilities of the Group amounted to approximately RMB97.5 million (31 December 2023: RMB103.4 million) in relation to the mortgage loan guarantees provided by the Group to the banks in favour of its customers. The Group provides mortgage loan guarantees to banks in favour of its customers for security to the mortgage loans granted, and the property ownership certificates of the respective properties were pledged for such mortgage loans and will be released upon satisfaction of conditions. 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 liabilities has been recognised at the inception of the guarantee contracts as at 30 June 2024 and 31 December 2023.

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 2024.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, as at 30 June 2024, the Group did not have any immediate plans for material investments and capital assets.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of 38 employees (31 December 2023: 39 employees). For the six months ended 30 June 2024, the Group incurred total staff costs of approximately RMB2.2 million (30 June 2023: RMB2.1 million), representing an increase of approximately 6.5% as compared with those for the six months ended 30 June 2023.

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 2020 (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 2024, 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 2024, the Group has applied the net proceeds as follows:

Usage		Budgeted amount as set out in the Prospectus	Proceeds brought forward from 31 December 2023	Actual usage up to 30 June 2024	Remaining balance as at 30 June 2024	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 2024
– 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 2024, the unused balance of the net proceeds from the Global Offering of approximately RMB9.7 million was placed into short-term demand. It is expected that timeline of utilisation of the remaining balance for financing further development of the Third Floor, including refurbishment and renovation of the Third Floor would be utilised by December 2024.

Save as disclosed above, as 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 2024 (2023: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2024 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 (including sale of treasury shares (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")). As at 30 June 2024, the Company did not hold any treasury shares.

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, three 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 C1 to the Listing Rules. Throughout the six months ended 30 June 2024 and up to the date of this announcement, the Company has fully complied with the Code Provisions, except for the following deviation.

Pursuant to Code Provisions C.2.1, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, Mr. Pan Haihong ("**Mr. Pan**"), who is currently an executive Director, was appointed as the chairman of the Board on 27 March 2024. As a result, the Company does not have a separate chairman and chief executive officer and Mr. Pan currently assumed both roles. 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 for the six months ended 30 June 2024. 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 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 2024 and up to the date of this announcement.

EVENT AFTER THE REPORTING PERIOD

There are no major events subsequent to 30 June 2024 which would materially affect the Group's operating and financial performance as at the date of this announcement.

PUBLICATION OF 2024 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 2024 Interim Report containing all the information required by the Listing Rules will be 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 2024.

By order of the Board
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
Pan Haihong
Chairman

Wenling City, the PRC, 23 August 2024

As at the date of this announcement, the Board comprises Mr. Pan Haihong and Mr. Xu Yi 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*