



温岭浙江工量刀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



2022
INTERIM REPORT

* for identification purposes only

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. PAN Haihong (*Chief executive officer*)
Mr. ZHOU Guilin

Non-executive Directors

Mr. HUANG Qun (*Chairman of the Board*)
Mr. WANG Wenming
Mr. CHENG Jinyun
Mr. YE Yunzhi

Independent Non-executive Directors

Mr. XU Wei
Mr. JIN Hongqing
Mr. WONG Ka Wai (appointed on 6 May 2022)
Mr. TSOI Ka Shing (retired on 6 May 2022)

AUDIT COMMITTEE

Mr. WONG Ka Wai (*Chairman*)
Mr. HUANG Qun
Mr. XU Wei

REMUNERATION COMMITTEE

Mr. JIN Hongqing (*Chairman*)
Mr. PAN Haihong
Mr. WONG Ka Wai

NOMINATION COMMITTEE

Mr. HUANG Qun (*Chairman*)
Mr. XU Wei
Mr. JIN Hongqing

JOINT COMPANY SECRETARIES

Mr. XU Yi
Mr. LAI Wai Leuk (appointed on 31 July 2022)
Ms. CHAN Tsz Yu (resigned on 31 July 2022)

AUTHORISED REPRESENTATIVES

Mr. PAN Haihong
Mr. XU Yi

LEGAL REPRESENTATIVE

Mr. PAN Haihong

SUPERVISORY COMMITTEE

Ms. XIE Yanli
Mr. ZHOU Jiashen (appointed on 6 May 2022)
Mr. XIE Huihui
Ms. YANG Mengjie (resigned on 6 May 2022)

LEGAL ADVISER

As to the PRC Law
L&H Law Firm

As to the HK Law
Chungs Lawyers
In association with DeHeng Law Offices

CORPORATE INFORMATION

AUDITOR

KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation
Wenling Wenqiao Sub-branch
Industrial Bank Co., Ltd.
Taizhou Wenling Sub-branch

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

Qianyangxia Village
Wenqiao Town
Wenling City
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 920, 9/F
Chevalier Commercial Centre
No. 8 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

1379

WEBSITE

<http://cnglj.com>

FINANCIAL SUMMARY

For the six months ended 30 June
2022 2021

Major Items of Consolidated Statement of Profit or Loss and Other Comprehensive Income

Revenue (RMB'000)	28,973	29,150
Gross profit (RMB'000)	24,407	24,339
Gross profit margin	84.2%	83.5%
Profit for the period (RMB'000)	13,179	24,246
Net profit margin	45.5%	83.2%
Basic and diluted earnings per share (RMB)	0.16	0.30

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Trading Centre

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Informatisation Service

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

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

Science and Technology Innovation Park

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of Sales

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

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

Valuation (Losses)/Gains on Investment Properties

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

Other Net Income

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

Administrative Expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

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

Profit for the Period and Net Profit Margin

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Funding and Treasury Policy

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

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Currency Exchange Risk

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

Bank Loans and Charge on Assets

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

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

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Repayment Schedule		
Bank loans		
Within 1 year	–	15,000

Gearing Ratio

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

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

Capital Expenditure

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

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

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

Contingent Liabilities

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

SIGNIFICANT INVESTMENTS HELD, AND MATERIAL ACQUISITIONS AND DISPOSALS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EMPLOYEE AND REMUNERATION POLICIES

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

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

SHARE CAPITAL

The share capital structure of the Company as at 30 June 2022 is set out as follows:

Class of shares	Number of shares	Proportion (%)
Domestic Shares	60,000,000	75.00
H Shares	20,000,000	25.00
Total	80,000,000	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The Group expects that the measuring and cutting tools industry will continue to grow. Therefore, the Group has proactively planned to construct the phase II of the Innovation Park project. The Group will conduct construction works and attract investment based on the successful mode of the phase I of the Innovation Park, so as to build a more centralised high-end industrial park, promote the quality development of the industry, and achieve positive interaction between the Trading Centre and the Innovation Park, thus forming a regional cluster economy of “market + industry” and building a comprehensive industrial cluster area integrating sales, research and development, production and service.

In addition, we are planning to cooperate with the vertical e-commerce operators (Tools Union* (刀具聯盟), etc.) in the measuring and cutting tools industry to integrate the resources of the market tenants and build a large-scale e-commerce platform for the measuring and cutting tools, as well as provide financial services, so as to create a supply chain financial revenue system that integrates loan, credit guarantee and mortgage registration, venture capital appraisal, financing consultation, finance and taxation consultation, accounting agency and other source base matching services. The management team will be trained to integrate the construction, operation and management services of the measuring and cutting tools industrial park into a mature park property management system. The Group is also identifying start-ups and established companies that provide services and technical support to the industry, such as e-commerce and industry-university-institute projects, for collaboration or merger and acquisition, in order to assist the Group in diversifying its development and expanding its businesses and revenue base, and transform the Company into a comprehensive services provider in the measuring and cutting tools industry towards the direction of manufacturing and research.

OTHER INFORMATION

INTERIM DIVIDEND

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

DIRECTORS' AND SUPERVISORS' COMPETING INTERESTS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, none of the Directors, Supervisors or the chief executives of the Company has any interests or short positions in any Shares, underlying shares of the Company (the "Shares") and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which will be required: (i) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register required to be kept therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, the interests and short positions of the persons (other than a Director, Supervisor or chief executive of the Company) in the Shares and underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO or as otherwise notified to the Company and the Stock Exchange, and based on the information available were as follows:

Name of Shareholders	Capacity/ Nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Approximate percentage of shareholding in total share capital of the Company <i>(Note 3)</i>
Wenling City Market Group Company Limited* (溫嶺市市場集團有限公司) ("Market Group")	Beneficial owner <i>(Note 4)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling State Owned Assets Investment Group, Ltd. (溫嶺市國有資產投資集團有限公司) ("Wenling State Owned Assets Investment")	Interest in controlled corporation <i>(Note 5)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%

OTHER INFORMATION

Name of Shareholders	Capacity/ Nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Approximate percentage of shareholding in total share capital of the Company <i>(Note 3)</i>
Wenling City Qiaoling Investment Development Company Limited* (溫嶺市嶠嶠投資發展有限公司) ("Qiaoling Investment")	Beneficial owner <i>(Note 4)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town People's Government* (溫嶺市溫嶠鎮人民政府) ("Wenqiao Town People's Government")	Interest in controlled corporation <i>(Notes 4 & 6)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Maowei Investment Company Limited* (溫嶺市茅威投資有限公司) ("Maowei Investment")	Beneficial owner <i>(Note 4)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Maoyang Village Share Economic Cooperative* (溫嶺市溫嶠鎮茅洋村股份經濟合作社) ("Maoyang Village Share Economic Cooperative")	Interest in controlled corporation <i>(Note 7)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Maoyang Village Villagers Committee* (溫嶺市溫嶠鎮茅洋村村民委員會) ("Maoyang Village Committee")	Interest in controlled corporation <i>(Notes 4 & 7)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Qianyang Investment Company Limited* (溫嶺市前洋投資有限公司) ("Qianyang Investment")	Beneficial owner <i>(Note 4)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Qianyangxia Village Share Economic Cooperative* (溫嶺市溫嶠鎮前洋下村股份經濟合作社) ("Qianyangxia Village Share Economic Cooperative")	Interest in controlled corporation <i>(Note 8)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Qianyangxia Village Villagers Committee* (溫嶺市溫嶠鎮前洋下村村民委員會) ("Qianyangxia Village Committee")	Interest in controlled corporation <i>(Notes 4 & 8)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Shangyu Investment Company Limited* (溫嶺市上宇投資有限公司) ("Shangyu Investment")	Beneficial owner <i>(Note 4)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%

OTHER INFORMATION

Name of Shareholders	Capacity/ Nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Approximate percentage of shareholding in total share capital of the Company <i>(Note 3)</i>
Wenling City Wenqiao Town Shangjie Village Share Economic Cooperative* (溫嶺市溫嶠鎮上街村股份經濟合作社) ("Shangjie Village Share Economic Cooperative")	Interest in controlled corporation <i>(Note 9)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Shangjie Village Villagers Committee* (溫嶺市溫嶠鎮上街村村民委員會) ("Shangjie Village Committee")	Interest in controlled corporation <i>(Notes 4 & 9)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Zhongjie Hede Investment Company Limited* (溫嶺市中街和德投資有限公司) ("Zhongjie Hede Investment")	Beneficial owner <i>(Note 4)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Zhongjie Village Share Economic Cooperative* (溫嶺市溫嶠鎮中街村股份經濟合作社) ("Zhongjie Village Share Economic Cooperative")	Interest in controlled corporation <i>(Note 10)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Zhongjie Village Villagers Committee* (溫嶺市溫嶠鎮中街村村民委員會) ("Zhongjie Village Committee")	Interest in controlled corporation <i>(Notes 4 & 10)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Botao Investment Company Limited* (溫嶺市博濤投資有限公司) ("Botao Investment")	Beneficial owner <i>(Note 4)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Xuzhai Village Share Economic Cooperative* (溫嶺市溫嶠鎮許宅村股份經濟合作社) ("Xuzhai Village Share Economic Cooperative")	Interest in controlled corporation <i>(Note 11)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao Town Xuzhai Village Villagers Committee* (溫嶺市溫嶠鎮許宅村村民委員會) ("Xuzhai Village Committee")	Interest in controlled corporation <i>(Notes 4 & 11)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%

OTHER INFORMATION

Name of Shareholders	Capacity/ Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Approximate percentage of shareholding in total share capital of the Company (Note 3)
Wenling City Zhang Laoqiao Investment Company Limited* (溫嶺市張老橋投資有限公司) ("Zhang Laoqiao Investment")	Beneficial owner (Note 4)	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wengqiao Town Zhang Laoqiao Village Share Economic Cooperative* (溫嶺市溫嶠鎮張老橋村股份經濟合作社) ("Zhang Laoqiao Village Share Economic Cooperative")	Interest in controlled corporation (Note 12)	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wengqiao Town Zhang Laoqiao Village Villagers Committee* (溫嶺市溫嶠鎮張老橋村村民委員會) ("Zhang Laoqiao Village Committee")	Interest in controlled corporation (Notes 4 & 12)	58,200,000 Domestic Shares (L)	97.00%	72.75%
Jiaxing Yuantai Equity Investment Partnership (Limited Partnership)* (嘉興元泰股權投資合夥企業(有限合夥))	Interest in controlled corporation (Note 13)	5,980,000 H Shares (L)	29.90%	7.48%
Hongkong Regan Investment Center Co., Limited* (香港雷根投資中心有限公司)	Beneficial owner (Note 13)	5,980,000 H Shares (L)	29.90%	7.48%
Zhejiang QJmotor Co., Ltd. (浙江錢江摩托股份有限公司)	Beneficial owner	3,275,813 H Shares (L)	16.38%	4.09%
Wanbangde (Hangzhou) Investment and Management Co., Ltd. (萬邦德(杭州)投資管理有限公司)	Beneficial owner	1,605,151 H Shares (L)	8.03%	2.01%
Wenling Longxi Corporate Management Centre (Limited Partnership) (溫嶺龍溪企業管理中心(有限合夥))	Interest in controlled corporation (Note 14)	1,266,000 H Shares (L)	6.33%	1.58%

OTHER INFORMATION

Name of Shareholders	Capacity/ Nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding in the relevant class of Shares <i>(Note 2)</i>	Approximate percentage of shareholding in total share capital of the Company <i>(Note 3)</i>
Shimge Pump Industry (Zhejiang) Co., Ltd. (新界泵業(浙江)有限公司)	Interest in controlled corporation <i>(Note 14)</i>	1,266,000 H Shares (L)	6.33%	1.58%
Shimge (HongKong) Co., Limited (新界泵業(香港)有限公司)	Beneficial owner <i>(Note 14)</i>	1,266,000 H Shares (L)	6.33%	1.58%
Zhejiang Zomax Transmission Co., Ltd. (浙江中馬傳動股份有限公司)	Beneficial owner	1,097,395 H Shares (L)	5.49%	1.37%
Han Yi (韓軼)	Beneficial owner	1,024,500 H Shares (L)	5.12%	1.28%

Notes:

- The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares or H Shares.
- The calculation is based on the percentage of shareholding in the relevant class of Shares.
- The calculation is based on the total number of 80,000,000 Shares in issue comprising 60,000,000 Domestic Shares and 20,000,000 H Shares as at 30 June 2022.
- Pursuant to the Concert Party Agreement and Concert Party Supplemental Agreement, details of which are set out in paragraph headed "History, Development and Reorganisation – Concert Party Arrangement" of the Prospectus, immediately following completion of the Global Offering (without taking into account any H Shares to be issued upon exercise of the Over-allotment Option), Wenqiao Town People's Government, Qianyangxia Village Committee, Maoyang Village Committee, Zhongjie Village Committee, Shangjie Village Committee, Xuzhai Village Committee and Zhang Laoqiao Village Committee are acting in concert with one another and each of them is deemed to exercise or control the exercise of 72.75% of the voting power at general meetings of the Company, and is therefore deemed to be interested under the SFO.

OTHER INFORMATION

5. Wenling State Owned Assets Investment holds the entire equity interest of Market Group. Therefore, under the SFO, Wenling State Owned Assets Investment is deemed or taken to be interested in all the Shares which are beneficially owned by Market Group.
6. Wenqiao Town People's Government holds the entire equity interest of Qiaoling Investment. Therefore, under the SFO, Wenqiao Town People's Government is deemed or taken to be interested in all the Shares which are beneficially owned by Qiaoling Investment.
7. Maoyang Village Committee holds the entire equity interest of Maoyang Village Share Economic Cooperative which holds the entire equity interests of Maowei Investment. Therefore, under the SFO, each of Maoyang Village Committee and Maoyang Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Maowei Investment.
8. Qianyangxia Village Committee holds the entire equity interest of Qianyangxia Village Share Economic Cooperative which holds the entire equity interests of Qianyang Investment. Therefore, under the SFO, each of Qianyangxia Village Committee and Qianyangxia Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Qianyang Investment.
9. Shangjie Village Committee holds the entire equity interest of Shangjie Village Share Economic Cooperative which holds the entire equity interests of Shangyu Investment. Therefore, under the SFO, each of Shangjie Village Committee and Shangjie Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Shangyu Investment.
10. Zhongjie Village Committee holds the entire equity interest of Zhongjie Village Share Economic Cooperative, which holds the entire equity interests of Zhongjie Hede Investment. Therefore, under the SFO, each of Zhongjie Village Committee and Zhongjie Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Zhongjie Hede Investment.
11. Xuzhai Village Committee holds the entire equity interest of Xuzhai Village Share Economic Cooperative which holds the entire equity interests of Botao Investment. Therefore, under the SFO, each of Xuzhai Village Committee and Xuzhai Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Botao Investment.
12. Zhang Laoqiao Village Committee holds the entire equity interest of Zhang Laoqiao Village Share Economic Cooperative which holds the entire equity interests of Zhang Laoqiao Investment. Therefore, under the SFO, each of Zhang Laoqiao Village Committee and Zhang Laoqiao Village Share Economic Cooperative is deemed or taken to be interested in all the Shares which are beneficially owned by Zhang Laoqiao Investment.
13. Jiaxing Yuantai Equity Investment Partnership (Limited Partnership) holds the entire equity interest of Hongkong Regan Investment Center Co., Limited. Therefore, under the SFO, Jiaxing Yuantai Equity Investment Partnership (Limited Partnership) is deemed or taken to be interested in all the Shares which are beneficially owned by Hongkong Regan Investment Center Co., Limited.
14. Wenling Longxi Corporate Management Centre (Limited Partnership) holds 40% equity interest of Shimge Pump Industry (Zhejiang) Co., Ltd. which holds the entire equity interest of Shimge (Hong Kong) Co., Limited. Therefore, under the SFO, each of Wenling Longxi Corporate Management Centre (Limited Partnership) and Shimge Pump Industry (Zhejiang) Co., Ltd. is deemed or taken to be interested in all the Shares which are beneficially owned by Shimge (HongKong) Co., Limited.

OTHER INFORMATION

Save as disclosed above, as at the date of this report, no person had interest or short position in the Shares or underlying Shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

EVENT AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

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

By order of the Board

Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited

HUANG Qun

Chairman

Wenling City, the PRC, 19 August 2022

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

The notes on pages 30 to 46 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 20.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 – unaudited
(Expressed in Renminbi)

		At 30 June 2022	At 31 December 2021
	Note	RMB'000	RMB'000
Non-current assets			
Investment properties	9	1,031,200	1,014,600
Property, plant and equipment		6,502	6,676
Lease prepayments		547	559
Interest in associates	10	7,993	–
Other non-current assets		3,666	3,392
Total non-current assets		1,049,908	1,025,227
Current assets			
Properties under development for sale	11	138,570	121,747
Other receivables and prepayments	12	7,498	10,163
Land appreciation tax and income tax prepaid	13	6,091	2,970
Restricted cash	14	1,386	270
Cash and cash equivalents	15	69,148	78,734
Total current assets		222,693	213,884
Current liabilities			
Short-term loans	16	–	15,000
Other payables and accruals	17	58,080	53,594
Contract liabilities	18	180,339	95,786
Receipts-in-advance, current	19	27,201	50,999
Current taxation		7,092	9,677
Total current liabilities		272,712	225,056
Net current liabilities		(50,019)	(11,172)
Total assets less current liabilities		999,889	1,014,055

The notes on pages 30 to 46 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current liabilities			
Receipts-in-advance, non-current	19	71,595	73,757
Deferred tax liabilities		178,695	178,278
Total non-current liabilities		250,290	252,035
Net assets		749,599	762,020
Capital and reserves			
Share capital		80,000	80,000
Reserves		669,599	682,020
Total equity		749,599	762,020

Approved and authorised for issue by the board of directors on 19 August 2022.

Pan Haihong
Director

Zhou Guilin
Director

The notes on pages 30 to 46 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Share capital RMB'000	Capital reserve RMB'000	PRC Statutory reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2021	80,000	67,565	5,728	561,410	714,703
Changes in equity for the six months ended 30 June 2021:					
Profit for the period	-	-	-	24,246	24,246
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	24,246	24,246
Balance at 30 June 2021 and 1 July 2021	80,000	67,565	5,728	585,656	738,949
Changes in equity for the six months ended 31 December 2021:					
Profit for the period	-	-	-	23,071	23,071
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	23,071	23,071
Appropriation for PRC statutory reserve	-	-	2,677	(2,677)	-
Balance at 31 December 2021	80,000	67,565	8,405	606,050	762,020
Balance at 1 January 2022	80,000	67,565	8,405	606,050	762,020
Changes in equity for the six months ended 30 June 2022:					
Profit for the period	-	-	-	13,179	13,179
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	13,179	13,179
Dividends approved in respect of the previous years	-	-	-	(25,600)	(25,600)
Balance at 30 June 2022	80,000	67,565	8,405	593,629	749,599

The notes on pages 30 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Operating activities			
Cash generated from/(used in) operations		65,246	(8,227)
PRC Corporate Income Tax ("CIT") paid		(5,943)	(6,521)
PRC Land Appreciation Tax ("LAT") paid		(2,397)	–
Net cash generated from/(used in) operating activities		56,906	(14,748)
Investing activities			
Payment for purchase of investment properties		(18,298)	(27,801)
Payment for investment in an associate		(8,000)	–
Placement of restricted cash for purchase of investment properties		–	(15,000)
Release of restricted cash for purchase of investment properties		74	17,624
Other cash flows arising from investing activities		472	136
Net cash used in investing activities		(25,752)	(25,041)
Financing activities			
Proceeds from borrowings		–	65,000
Repayment of bank loans		(15,000)	(63,462)
Payment of loan interests		(32)	(3,403)
Payment of dividends		(25,708)	–
Payment of listing expenses		–	(3,166)
Net cash used in financing activities		(40,740)	(5,031)
Net decrease in cash and cash equivalents		(9,586)	(44,820)
Cash and cash equivalents at 1 January		78,734	85,389
Cash and cash equivalents at 30 June	15	69,148	40,569

The notes on pages 30 to 46 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

1 CORPORATE INFORMATION

Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited (温岭浙江工量刃具交易中心股份有限公司, “the Company”) 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 report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 19 August 2022.

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

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

The preparation of an interim financial report 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

2 BASIS OF PREPARATION (Continued)

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

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

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial 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 2021 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

4 REVENUE

Disaggregation of revenue

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

4 REVENUE (Continued)

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

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

	Sales of properties RMB'000	Property management services RMB'000
Within one year	179,796	543

5 OTHER NET INCOME

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

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

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

(b) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Depreciation and amortisation	186	602

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

8 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

9 INVESTMENT PROPERTIES

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

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

10 INTEREST IN ASSOCIATES

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

11 PROPERTIES UNDER DEVELOPMENT FOR SALE

After obtained the pre-sale certificate of properties on 22 September 2021, the Group entered into pre-sales contracts with third-party customers. The consideration was approximately RMB217,488,000 (VAT inclusive) in aggregate. Advance payments received by the Group amounting to RMB179,796,000 are recognised as contract liabilities as disclosed in Note 18. The remaining consideration is expected to be received within six months.

The Group provided mortgage loan guarantees to banks in favour of customers of these pre-sold properties, more details are disclosed in Note 22.

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

12 OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Prepayments for service	762	689
Value-added tax recoverable	5,777	9,112
Prepaid business tax	282	282
Others	677	80
	7,498	10,163

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

13 LAND APPRECIATION TAX AND INCOME TAX PREPAID

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
LAT	3,596	1,199
Income tax prepaid	2,495	1,771
	6,091	2,970

- (i) The LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

14 RESTRICTED CASH

On 24 January 2022, the Group placed RMB1,386,000 restricted cash to a third-party bank to provide mortgage loan guarantee in favour of a customer of pre-sold properties. This restricted cash was released on 28 July 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

15 CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash in hand	59	21
Cash at banks	69,089	78,713
	69,148	78,734

16 SHORT-TERM LOANS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Short-term loans, secured	-	15,000

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

17 OTHER PAYABLES AND ACCRUALS

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

18 CONTRACT LIABILITIES

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

18 CONTRACT LIABILITIES (Continued)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

19 RECEIPTS-IN-ADVANCE

As at 30 June 2022, receipts-in-advance mainly represents property leasing fees prepaid by tenants. The receipts-in-advance that are expected to be recorded as revenue within one year of the balance sheet date are recorded as current liability, and receipts-in-advance that are expected to be recorded as revenue beyond one year of the balance sheet date are recorded as non-current liability.

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
At the beginning of the period/year	124,756	131,463
Carry-over to revenue for the period/year	(28,121)	(57,795)
Receipts during the period/year	2,161	51,088
At the end of the period/year	98,796	124,756

Reconciliation to the consolidated statements of financial position:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Receipts-in-advance, current	27,201	50,999
Receipts-in-advance, non-current	71,595	73,757
	98,796	124,756

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

20 DIVIDENDS

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

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

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

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

21 COMMITMENTS

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, except share data, or otherwise noted)

22 CONTINGENT LIABILITIES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Mortgage loan guarantees provided by the Group to banks in favour of its customers	116,750	37,510

As noted in Note 11, the Group provides mortgage loan guarantees to banks in favour of customers of pre-sold properties. These guarantees will be released upon receiving the property ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. In the opinion of the directors, the fair values of these financial guarantee contracts of the Group at initial recognition are insignificant and the directors consider that the possibility of default by the purchasers of the Group's properties is remote.

Accordingly, no value has been recognised at the inception of the guarantee contracts as at 30 June 2022 and 31 December 2021.