



温岭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



ZJTTC

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** 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

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

AUTHORISED REPRESENTATIVES

Mr. PAN Haihong
Mr. XU Yi

LEGAL REPRESENTATIVE

Mr. PAN Haihong

SUPERVISORY COMMITTEE

Ms. XIE Yanli
Mr. ZHOU Jiashen
Mr. XIE Huihui

LEGAL ADVISER

As to the PRC Law
L&H Law Firm

As to the HK Law
DeHeng Law Offices (Hong Kong) LLP

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	
	2023 (unaudited)	2022 (unaudited)
Major Items of Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Revenue (RMB'000)	62,074	28,973
Gross profit (RMB'000)	35,073	24,407
Gross profit margin	56.5%	84.2%
Profit for the period (RMB'000)	15,703	13,179
Net profit margin	25.3%	45.5%
Basic and diluted earnings per share (RMB)	0.20	0.16

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

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

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

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嶺鎮前洋下村) (the “**Trading Centre**”). The Trading Centre is essentially for product displaying and trading purposes, such that it primarily targets to provide units for use as shops for the tenants to display, trade and promote their measuring and cutting tools products to their downstream customers. In October 2022, the Group’s newly invested science and technology innovation park (the “**Science and Technology Innovation Park**”) located in Chenshan Village, Wenqiao Town, Wenling City, Zhejiang Province, the PRC* (中國浙江省溫嶺市溫嶺鎮琛山村) has been officially put into service, which expands the property leasing business for the measuring and cutting tools industry, and provides more value-added services.

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

Trading Centre

Our Trading Centre is a four-storey commercial complex with basement with a total gross floor area (“**GFA**”) of approximately 74,204.7 sq.m., of which a total GFA of approximately 71,817.5 sq.m. is held for leasing to our tenants for their trading and 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 2023, the value of the Trading Centre was RMB854.1 million (31 December 2022: RMB859.1 million), the interest of which is wholly owned by the Group.

We lease the units on the first and the second floors to corporations and individuals selling measuring and cutting tools. We designate part of the third floor as the electronic business park for leasing to the measuring and cutting tools e-commerce business operators. We use the fourth floor as our office, and the basement as the car park. We also provide property management service and support services, namely the Wenling•China Measuring and Cutting Tools index (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 2023, our Trading Centre had 626 tenants (31 December 2022: 631 tenants).

MANAGEMENT DISCUSSION AND ANALYSIS

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	
	2023	2022
	Average monthly effective rent (in RMB per sq.m.)	Average monthly effective rent (in RMB per sq.m.)
First floor	372.2	383.6
Second floor	193.4	158.5
Third floor	72.3	57.2
Basement	17.1	17.1

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

For the six months ended 30 June 2023, the LFA of the Trading Centre and the percentage of LFA leased to our tenants are 25,546.8 sq.m. and 98.71% (for the year ended 31 December 2022: 25,230.9 sq.m. and 97.51%), 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 GFA of the Science and Technology Innovation Park shall be approximately 116,000 sq.m., including a factory floor area of approximately 78,000 sq.m. and involving 13 standard factories and 2 integrated administration buildings. As at 30 June 2023, the Group has invested an aggregate of approximately RMB330.0 million in the Science and Technology Innovation Park (including the acquisition of the Land). The Science and Technology Innovation Park is mainly for manufacturing purpose that it targets to provide units for use as factories and workshops, where upstream manufacturers would conduct manufacturing and production of measuring and cutting tools (as compared with our Trading Centre where tenants therein primarily use the units as shops to conduct product display, trading and promotion).

MANAGEMENT DISCUSSION AND ANALYSIS

The Science and Technology Innovation Park commenced operation in October 2022. The Group believes that the Science and Technology Innovation Park will become a cluster area for measuring and cutting tools innovative enterprises, serving as a key carrier for regional economic growth, opening up and attracting investment. The Group will continue to carry out the leasing business through self-building and operation, while further providing park operation services, ancillary services including assisting in sourcing financial resources and other professional services to the tenants, with an aim to build the Company into a comprehensive service provider for the leasing, operation and service of the measuring and cutting tools industrial park.

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Valuation Losses on Investment Properties

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other Net Income

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

Administrative Expenses

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

Income Tax Expenses

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

Profit for the Period and Net Profit Margin

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operations are primarily financed by cash generated from operating activities, the proceeds of capital contributions from the shareholders of the Company (the "**Shareholders**"), the net proceeds received from the global offering of the Company completed on 30 December 2022 (the "**Global Offering**") and the bank borrowings. As at 31 December 2022 and 30 June 2023, the Group had cash and cash equivalents of approximately RMB72.8 million and RMB37.9 million, respectively. Decrease in cash and cash equivalents is mainly attributable to the payment in relation to payables for the purchase of investment properties and the construction for properties held for sale and payment of dividend during the six months ended 30 June 2023.

Funding and Treasury Policy

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

Foreign Currency Exchange Risk

The transactions of the Group are denominated in RMB and most of the assets and all liabilities are denominated in RMB. The foreign exchange risk of the Group is low. For the six months ended 30 June 2023, the Group did not use any financial instrument for hedging the foreign currency risk.

Bank Loans and Charge on Assets

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

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

Capital Expenditure

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

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

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

Contingent Liabilities

As at 30 June 2023, the contingent liabilities of the Group amounted to approximately RMB111.2 million (31 December 2022: RMB101.3 million) in relation to the mortgage loan guarantees provided by the Group to the banks. The Group provided mortgage loan guarantees to banks in favour of customers of the pre-sold units of the Science and Technology Innovation Park in the range of RMB5.32 million to RMB16.67 million per pre-sold unit. These guarantees will be released upon receiving the property ownership certificate of the respective properties by the banks as a pledge of security to the mortgage loans granted. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group at initial recognition are insignificant and the Directors consider that the possibility of default of these financial guarantee contracts is remote.

SIGNIFICANT INVESTMENTS HELD, AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not hold any significant investments and did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EMPLOYEE AND REMUNERATION POLICIES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the main board of the Stock Exchange on 30 December 2022 (the “**Listing Date**”). The net proceeds from the Company’s issue of a total of 20,000,000 new H Shares in the Global Offering, at a final offer price of HK\$6.25 per H Share, amounted to approximately HK\$61.9 million (after deducting underwriting commissions and related listing expenses which amounted to approximately RMB52.1 million). For the period from the Listing Date to 30 June 2023, the Company had utilised net proceeds from the Global Offering amounting to approximately RMB42.3 million. The Company intends to use the remaining net proceeds in the same manner and proportion as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 11 December 2020 (the “**Prospectus**”).

During the period from the Listing Date and up to 30 June 2023, the Group has applied the net proceeds as follows:

Usage	%	Budgeted amount as set out in the Prospectus RMB'000	Proceeds		Remaining balance as at 30 June 2023 RMB'000	Expected timeline of full utilisation of the balance
			brought forward from 31 December 2022 RMB'000	Actual usage up to 30 June 2023 RMB'000		
- Finance partly the costs and expenses for the establishment and construction of the Science and Technology Innovation Park	70.0	36,441	-	36,441	-	-
- Finance further development of the Third Floor, including refurbishment and renovation of the Third Floor	20.0	10,412	9,712	700	9,712	December 2023
- General working capital and other general corporate purposes	10.0	5,205	-	5,205	-	-
	100.0	52,058	9,712	42,346	9,712	

As at 30 June 2023, the unused balance of the net proceeds from the Global Offering of approximately RMB9.7 million was placed into short-term demand. The expected timeline of utilisation of the remaining balance for financing further development of the Third Floor, including refurbishment and renovation of the Third Floor, was extended to December 2023 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CAPITAL

The share capital structure of the Company as at 30 June 2023 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

OUTLOOK

The management team of the Group has accumulated extensive experience in terms of operation, site management, cost control and quality control for the Trading Centre and the industrial park, and has efficient execution capability. In the future, the Group will focus on its principal activity and seek to extend its services upstream and downstream, including building independent logistics and smart property management systems in the park, so as to optimise the logistics and distribution channels as well as warehousing supporting services of the park, and support the need for expansion, construction and daily operation and management of the park. The Group will continue to study the feasibility of the phase II of the Science and Technology Innovation Park, so as to leverage the advantages of “market + industry”. The Group will also seek opportunities for investment and cooperation when appropriate to expand its business scope.

In addition, in view of the increasing demand for measuring and cutting tools in overseas markets, the Group officially launched a project in June, which was related to the overseas expansion of cross-border e-commerce brands for the industrial clusters of the measuring and cutting tools. Relying on the measuring and cutting tools trading market in Zhejiang Province, the Group, in cooperation with the Municipal Bureau of Commerce, built brands for the industrial clusters of measuring and cutting tools with global standards by means of establishing an independent and international station for the industrial clusters of measuring and cutting tools, forming a team for the overseas expansion of brands through digital trading, building an operation center for the digital trading of measuring and cutting tools, and organising special investment fairs and special incubation classes for the measuring and cutting tools on Amazon, so as to seize opportunities in overseas markets.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: 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 2023 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 2023, 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 2023, 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>(Notes 4 & 5)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Qiaoling Investment Development Company Limited* (溫嶺市嶠嶺投資發展有限公司) ("Qiaoling Investment")	Beneficial owner <i>(Note 6)</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 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 7)</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 8)</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%

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 Shangyu Investment Company Limited* (溫嶺市上宇投資有限公司) ("Shangyu Investment")	Beneficial owner <i>(Note 9)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
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>(Note 6)</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 10)</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%

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 Botao Investment Company Limited* (溫嶺市博濤投資有限公司) ("Botao Investment")	Beneficial owner <i>(Note 11)</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%
Wenling City Zhang Laoqiao Investment Company Limited* (溫嶺市張老橋投資有限公司) ("Zhang Laoqiao Investment")	Beneficial owner <i>(Note 12)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao 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 <i>(Note 12)</i>	58,200,000 Domestic Shares (L)	97.00%	72.75%
Wenling City Wenqiao 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 <i>(Notes 4 & 12)</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>
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 <i>(Note 13)</i>	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 <i>(Note 13)</i>	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 <i>(Note 14)</i>	1,266,000 H Shares (L)	6.33%	1.58%
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%

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>
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 2023.
- 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, Market Group, 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.
- 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.

OTHER INFORMATION

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 Yuntai Equity Investment Partnership (Limited Partnership) holds the entire equity interest of Hongkong Regan Investment Center Co., Limited. Therefore, under the SFO, Jiaxing Yuntai 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.

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 2023 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 2023 and up to the date of this report.

EVENT AFTER THE REPORTING PERIOD

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

By order of the Board

Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited

HUANG Qun

Chairman

Wenling City, the PRC, 23 August 2023

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

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

The notes on pages 29 to 44 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 18.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Investment properties	9	1,041,200	1,047,500
Property, plant and equipment		7,041	6,373
Lease prepayments		525	536
Interest in associates	10	7,343	7,740
Other non-current assets		5,551	5,692
Total non-current assets		1,061,660	1,067,841
Current assets			
Completed properties held for sale	11	–	21,023
Amounts due from associate		–	116
Other receivables and prepayments	12	2,060	1,554
Land appreciation tax and income tax prepaid	13	–	6,578
Cash and cash equivalents	14	37,944	72,826
Total current assets		40,004	102,097
Current liabilities			
Other payables and accruals	15	18,096	55,361
Contract liabilities	16	669	10,331
Receipts-in-advance, current	17	31,714	52,631
Current taxation		11,293	9,091
Total current liabilities		61,772	127,414
Net current liabilities		(21,768)	(25,317)
Total assets less current liabilities		1,039,892	1,042,524

The notes on pages 29 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 – unaudited
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current liabilities			
Receipts-in-advance, non-current	17	66,551	68,863
Deferred income		2,500	–
Deferred tax liabilities		177,209	179,732
Total non-current liabilities		246,260	248,595
Net assets		793,632	793,929
Capital and reserves			
Share capital		80,000	80,000
Reserves		713,632	713,929
Total equity		793,632	793,929

Approved and authorised for issue by the board of directors on 23 August 2023.

Pan Haihong
Director

Zhou Guilin
Director

The notes on pages 29 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Note	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 2022		80,000	67,565	8,405	606,050	762,020
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	18	-	-	-	(25,600)	(25,600)
Balance at 30 June 2022 and 1 July 2022		80,000	67,565	8,405	593,629	749,599
Changes in equity for the six months ended 31 December 2022:						
Profit for the period		-	-	-	44,330	44,330
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	44,330	44,330
Appropriation for PRC statutory reserve		-	-	5,437	(5,437)	-
Dividends approved in respect of the previous years		-	-	-	-	-
Balance at 31 December 2022		80,000	67,565	13,842	632,522	793,929
Balance at 1 January 2023		80,000	67,565	13,842	632,522	793,929
Changes in equity for the six months ended 30 June 2023:						
Profit for the period		-	-	-	15,703	15,703
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	15,703	15,703
Dividends approved in respect of the previous years	18	-	-	-	(16,000)	(16,000)
Balance at 30 June 2023		80,000	67,565	13,842	632,225	793,632

The notes on pages 29 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Operating activities			
Cash generated from operations		216	65,246
PRC Corporate Income Tax ("CIT") refunded/(paid)		1,681	(5,943)
PRC Land Appreciation Tax ("LAT") paid		–	(2,397)
Net cash generated from operating activities		1,897	56,906
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		(825)	–
Payment for purchase of investment properties		(19,965)	(18,298)
Payment for investment in an associate		–	(8,000)
Release of restricted cash for purchase of investment properties		–	74
Other cash flows arising from investing activities		115	472
Net cash used in investing activities		(20,675)	(25,752)
Financing activities			
Repayment of bank loans		–	(15,000)
Payment of loan interests		–	(32)
Payment of dividends		(16,104)	(25,708)
Net cash used in financing activities		(16,104)	(40,740)
Net decrease in cash and cash equivalents		(34,882)	(9,586)
Cash and cash equivalents at 1 January		72,826	78,734
Cash and cash equivalents at 30 June	14	37,944	69,148

The notes on pages 29 to 44 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 (“**HKEX**”) 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 23 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The interim financial report has been prepared assuming the Group will continue as a going concern notwithstanding the fact that the Group had net current liabilities of RMB21,768,000 as at 30 June 2023. As at 30 June 2023, the Group had banking facilities of RMB333,000,000 from third-party banks, of which the unutilized amount was RMB333,000,000. The drawdown of the credit facilities is subject to the terms and conditions of each agreement. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the twelve-month period from 1 July 2023 to 30 June 2024, the Group will take necessary measures, including drawdown of additional loans from the presently available banking facilities, to ensure the Group will have necessary liquid funds to repay its debts as and when they fall due, and to finance its working capital and capital expenditure requirements.

The preparation of an interim financial 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 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial report prepared in accordance with HKFRSs.

The interim financial 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 2022 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 2022 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2023.

3 CHANGES IN ACCOUNTING POLICIES

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

HKFRS 17, *Insurance contracts*

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

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

4 REVENUE

Disaggregation of revenue

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

4 REVENUE (Continued)

Disaggregation of revenue (Continued)

- (i) The Group's revenue mainly consists of sales of completed properties and revenue from property leasing. Sales of completed properties are recognised in accordance with HKFRS 15, Revenue from Contracts with Customers.
- (ii) Others mainly represent revenue for provision of property management services and is recognized over time in accordance with HKFRS 15, Revenue from Contracts with Customers.

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

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied) as at 30 June 2023 and the expected timing of recognizing revenue are as follows:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

5 OTHER NET INCOME

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

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

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

(b) Other items

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS 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	
		2023 RMB'000	2022 RMB'000
Profit before taxation		20,279	16,230
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(i)	5,069	4,058
Over-provision in respect of prior years		(1,248)	(1,007)
LAT		1,006	–
Tax effect of LAT		(251)	–
Actual tax expense		4,576	3,051

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

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

(b) Diluted earnings per share

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2023. Diluted earnings per share are equal to basic earnings per share.

9 INVESTMENT PROPERTIES

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

As a result of the update, a net fair value loss of RMB10,387,000 (six months ended 30 June 2022: RMB819,000), and deferred tax thereon of RMB2,597,000 (six months ended 30 June 2022: RMB205,000), has been recognised in profit or loss for the period in respect of investment properties.

10 INTEREST IN ASSOCIATES

The Company entered into an agreement with a third-party company to buy its 20% shares with a consideration of RMB8,000,000 in December 2021, and fully paid the consideration on 11 January 2022. During the six months ended 30 June 2023, the share of losses of associates amounted to RMB397,000 (six months ended 30 June 2022: RMB7,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

11 COMPLETED PROPERTIES HELD FOR SALE

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

The Group provided mortgage loan guarantees to banks in favour of the customer of these properties, and more details are disclosed in Note 20.

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

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

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 2023 RMB'000	At 31 December 2022 RMB'000
LAT	-	442
Income tax prepaid	-	6,136
	-	6,578

- (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 CASH AND CASH EQUIVALENTS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash in hand	63	47
Cash at banks	37,881	72,779
	37,944	72,826

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

15 OTHER PAYABLES AND ACCRUALS

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

16 CONTRACT LIABILITIES

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

16 CONTRACT LIABILITIES (Continued)

Movements in contract liabilities during the period are as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
At the beginning of the period/year	10,331	95,786
Decrease in contract liabilities as a result of recognising revenue during the period/year that was included in the contract liabilities at the beginning of the period	(9,703)	(87,307)
Increase in contract liabilities as a result of receipts in advances of provision of property management services	41	1,852
At the end of the period/year	669	10,331

17 RECEIPTS-IN-ADVANCE

As at 30 June 2023, 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 2023 RMB'000	At 31 December 2022 RMB'000
At the beginning of the period/year	121,494	124,756
Carry-over to revenue for the period/year	(32,661)	(58,613)
Receipts during the period/year	9,432	55,351
At the end of the period/year	98,265	121,494

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

17 RECEIPTS-IN-ADVANCE (Continued)

Reconciliation to the consolidated statements of financial position:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Receipts-in-advance, current	31,714	52,631
Receipts-in-advance, non-current	66,551	68,863
	98,265	121,494

18 DIVIDENDS

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

The directors do not recommend any interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

19 COMMITMENTS

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

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

20 CONTINGENT LIABILITIES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Mortgage loan guarantees provided by the Group to banks in favour of its customers	111,216	101,274

As noted in Note 11, the Group provides mortgage loan guarantees to banks in favour of its customers. 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 2023 and 31 December 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

21 MATERIAL RELATED PARTY TRANSACTIONS

In January 2023, the Group (as landlord) and Wenling City Qiaoling Investment Development Company Limited (as tenant), who holds approximately 14.48% of the issued share capital of the Company, entered into the factory premise and dormitories lease agreement with a lease term commencing from 1 January 2023 to 31 December 2025 and an annual lease payment of RMB6,370,000. As at 30 June 2023, the amount due to related party in respect of the lease arrangement was RMB3,185,000.