



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

2021

Interim Report



中国·浙江工量刃具交易中心

* 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. TSOI Ka Shing

AUDIT COMMITTEE

Mr. TSOI Ka Shing (*Chairman*)
Mr. HUANG Qun
Mr. XU Wei

REMUNERATION COMMITTEE

Mr. JIN Hongqing (*Chairman*)
Mr. PAN Haihong
Mr. TSOI Ka Shing

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. XU Yi
Ms. CHAN Tsz Yu *ACG, ACS*

AUTHORISED REPRESENTATIVES

Mr. PAN Haihong
Mr. XU Yi

LEGAL REPRESENTATIVE

Mr. PAN Haihong

SUPERVISORY COMMITTEE

Ms. XIE Yanli
Ms. YANG Mengjie
Mr. XIE Huihui

LEGAL ADVISER

As to the PRC Law
L&H Law Firm

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

CORPORATE INFORMATION

COMPLIANCE ADVISER

Cinda International Capital Limited

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

40/F, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1379

WEBSITE

<http://cnglj.com>

FINANCIAL SUMMARY

For the six months ended 30 June
2021 2020

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

Revenue (RMB'000)	29,150	20,011
Gross profit (RMB'000)	24,339	15,571
Gross profit margin	83.5%	77.8%
Profit for the period (RMB'000)	24,246	10,791
Net profit margin	83.2%	53.9%
Basic and diluted earnings per share (RMB)	0.30	0.18

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an established measuring and cutting tools trading centre operator in The People's Republic of China (the "PRC"). The Company was founded in 2003 and it owns, operates and manages a 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 display and trading purposes. The Trading Centre 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 primarily derived from property leasing business through the operation of the Trading Centre for the measuring and cutting tools industry. The Group aims to expand such property leasing business in the measuring and cutting tools industry into the industrial park (the "Industrial 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 50,757 sq.m..

For the six months ended 30 June 2021, there was no material change in the Group's operations. The revenue and profit of the Group for the six months ended 30 June 2021 increased by approximately 45.7% and 124.7%, respectively, as compared with the corresponding period of last year. The results for the period were encouraging, which reflected the Company's pursuit of maximising returns for its shareholders (the "Shareholder(s)") and potential investors.

Trading Centre

According to the latest economic data published by National Bureau of Statistics of China, the gross domestic product (the "GDP") of the PRC in the second quarter of the year increased by 7.9% on a year-on-year basis. Although the growth rate declined as compared with the growth rate of 18.3% for the first quarter of the year, the growth of the GDP of the PRC for the first half of the year reached 12.7%. Benefiting from the recovery of economic environment in the PRC, the measuring and cutting tools manufacturing industry performed well with increasing market demand during the six months ended 30 June 2021.

To strengthen and enhance the market position of the Group in the overall measuring and cutting tools market, the Group actively engaged in marketing and promotion after its successful listing (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 December 2020. For the six months ended 30 June 2021, the Group incurred selling expenses of approximately RMB0.5 million for marketing and promotion activities including the shooting of a promotional video for the Company, the making of a stock code signage for the Company and the launch of promotional manuals with the Company's merchant information.

MANAGEMENT DISCUSSION AND ANALYSIS

To grasp the opportunities arising from the smart manufacturing transformation, the Company launched the “measuring and cutting tools + Internet” training programme and the measuring and cutting tools’ “livestream representative” skills related training programme in the first half of 2021 to provide relevant training for tenants, bringing the measuring and cutting tools industry to 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. To take advantages of the Trading Centre, the Group also collaborated with local qualified testing centres in the first half of 2021 to provide product testing, quality assurance services, etc. for tenants, which further enhanced the quality assurance of tenants’ products.

The following table sets forth the information regarding the average monthly effective rent per square metre for the leased area in the Trading Centre for the six months ended 30 June 2021 and 30 June 2020, respectively.

	For six months ended 30 June	
	2021	2020
	Average monthly effective rent ⁽¹⁾ (in RMB per sq.m.)	Average monthly effective rent ⁽¹⁾⁽²⁾ (in RMB per sq.m.)
First floor	423.9	339.8
Second floor	193.7	96.8
Third floor	26.2	23.6
Basement	17.1	14.3

Notes:

- (1) Average monthly effective rent is calculated by total rental income divided by the weighted average leased leaseable gross floor area (“LFA”) during the periods indicated.
- (2) Excluding the 35-day rental refund to the tenants due to the COVID-19 pandemic (the “Pandemic”) for the six months ended 30 June 2020, the average monthly effective rent per sq.m. of the first floor, the second floor, the third floor and the basement for six months ended 30 June 2020 were approximately RMB413.1, RMB120.5, RMB28.0 and RMB14.3, respectively.

For the six months ended 30 June 2021, the LFA of the Trading Centre and the percentage of LFA leased to the tenants are 25,931 sq.m. and 99.94%, respectively (30 June 2020: 25,584 sq.m. and 98.6%). LFA leased is calculated as the percentage of LFA retained and leased to the Company’s tenants comparing to the LFA for each of the periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Industrial Park

In December 2018, the Company successfully won the bid for the Land at the bid price of RMB63.5 million for the construction of the Industrial Park. The land use rights of the Industrial Park were granted for a term expiring on 27 January 2069, which is a long-term lease, for industrial uses. It is estimated that the floor area of the Industrial Park shall be approximately 111,000 sq.m. and the total investment cost shall be approximately RMB405.9 million including the cost of acquisition of the Land. The construction works commenced in February 2020 and are expected to be completed by the end of 2021. As at 30 June 2021, the Group had incurred expenses of RMB231.3 million (31 December 2020: RMB170.6 million) for the acquisition of the Land and the construction works of the Industrial Park, representing approximately 68.0% of the construction progress. Among which, the construction of the simple plant is close to completion and is in the process of applying for various government approvals. The interests of the Industrial Park are wholly owned by the Group.

The Industrial Park will mainly target 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 the Trading Centre where tenants therein primarily use the units as shops to conduct product display, trading and promotion). It is expected that the size of the manufacturing units in the contemplated Industrial Park is comparatively large, ranging from approximately 500 sq.m. to 2,000 sq.m. or larger. In addition, the Company expects to provide financing service as well as other professional support to the tenants' manufacturing business.

BUSINESS STRATEGIES

The Group intends to maintain and further strengthen its position in the measuring and cutting tools industry and to expand its business by implementing the following business strategies:

- further strengthening the Group's market position in the measuring and cutting tools market in the PRC;
- further developing the third floor of the Trading Centre (the "**Third Floor**");
- transforming the Trading Centre into an internet-enabled trading centre;
- further strengthening its recognition; and
- developing the Industrial Park.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Total revenue increased by approximately 45.7% from approximately RMB20.0 million for the six months ended 30 June 2020 to approximately RMB29.2 million for the six months ended 30 June 2021, mainly because of an increase in rental rate when the Group renewed the lease agreements with the tenants in the second half of 2020 and the absence of one-off 35 days rental refund (due to COVID) of approximately RMB4.5 million for the six months ended 30 June 2021 when compared with the corresponding period in 2020.

Cost of Sales

Cost of sales increased by approximately 8.4% from approximately RMB4.4 million for the six months ended 30 June 2020 to approximately RMB4.8 million for the six months ended 30 June 2021, mainly because of an increase in management fee as the Trading Centre was closed for around a month in February 2020 as part of the control measures under the Pandemic which resulted in lower management fee during the six months ended 30 June 2020.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 56.3% from approximately RMB15.6 million for the six months ended 30 June 2020 to approximately RMB24.3 million for the six months ended 30 June 2021, mainly because of the increase in the Group's revenue resulted from an increase in the rental rate and the absence of the one-off 35-day rental refund of approximately RMB4.5 million as mentioned above. As such, gross profit margin increased from approximately 77.8% for the six months ended 30 June 2020 to approximately 83.5% for the six months ended 30 June 2021.

Valuation Gains on Investment Properties

The valuation gains on the Group's investment properties increased from approximately RMB1.0 million for the six months ended 30 June 2020 to approximately RMB5.3 million for the six months ended 30 June 2021 mainly because of the increase in fair value of the Industrial Park as at 30 June 2021 primarily due to the increase in market price of the comparable properties to the Group's investment properties during the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Net Income

Other net income increased by approximately RMB8.1 million from approximately RMB0.07 million for the six months ended 30 June 2020 to approximately RMB8.2 million for the six months ended 30 June 2021, primarily due to the granting of government subsidies of approximately RMB8.0 million to the Group for the Listing on the Stock Exchange.

Administrative Expenses

Administrative expenses increased by approximately 107% from approximately RMB2.3 million for the six months ended 30 June 2020 to approximately RMB4.7 million for the six months ended 30 June 2021, primarily due to an increase in professional fees after the Listing on the Stock Exchange.

Income Tax Expenses

Income tax expenses increased by approximately 125% from approximately RMB3.6 million for the six months ended 30 June 2020 to approximately RMB8.1 million for the six months ended 30 June 2021, primarily due to an increase in the Group's taxable profits. The effective tax rate remained stable at 25.0% for both of the six months ended 30 June 2020 and 2021, respectively.

Profit for the Period and Net Profit Margin

As a result of the foregoing, profit for the period increased by approximately 125% from approximately RMB10.8 million for the six months ended 30 June 2020 to approximately RMB24.2 million for the six months ended 30 June 2021, and the Group's net profit margin increased from approximately 53.9% for the six months ended 30 June 2020 to approximately 83.2% for the six months ended 30 June 2021.

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, the net proceeds received from the global offering of the Company completed on 30 December 2020 (the "**Global Offering**") and the bank borrowings. As at 31 December 2020 and 30 June 2021, the Group had cash and cash equivalents of approximately RMB85.4 million and RMB40.6 million, respectively. Decrease in cash and cash equivalents is mainly attributing to payment for purchase of investment properties and operating activities.

MANAGEMENT DISCUSSION AND ANALYSIS

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 that the Group has to bear is low. For the six months ended 30 June 2021, the Group did not use any financial instrument for hedging the foreign currency risk.

Bank Loans and Charge on Assets

As at 30 June 2021, the Group's total bank loans amounted to approximately RMB82.0 million (31 December 2020: RMB80.5 million) which were pledged by certain investment properties of the Group with a carrying amount of approximately RMB1,093.6 million (31 December 2020: RMB1,027.3 million).

All bank loans as at 30 June 2021 were denominated in RMB at fixed interest rate from 4.3% to 5.5% per annum (31 December 2020: from 4.3% to 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 2021 RMB'000	As at 31 December 2020 RMB'000
Repayment Schedule		
Bank loans		
Within 1 year	82,000	40,462
After 1 year but within 2 years	–	40,000
Total borrowings	82,000	80,462

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

The gearing ratio remained relatively stable at approximately 11.3% as at 31 December 2020 and at approximately 11.1% as at 30 June 2021.

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 2021, the capital expenditure was approximately RMB27.8 million (31 December 2020: approximately RMB76.4 million). The capital expenditure incurred for the six months ended 30 June 2021 primarily related to the construction of the Industrial Park.

Capital Commitments

As at 30 June 2021, the capital commitments of the Group in respect of investment properties amounted to approximately RMB161.6 million (31 December 2020: approximately RMB225.6 million).

Contingent Liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities or guarantees (31 December 2020: Nil).

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 2021.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, as at 30 June 2021, the Group did not have any immediate plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total of 28 employees (31 December 2020: 28 employees). For the six months ended 30 June 2021, the Group incurred total staff costs of approximately RMB1.5 million (30 June 2020: RMB1.1 million), representing an increase of approximately 38.5% as compared with those for the six months ended 30 June 2020, which was mainly resulted from the absence of exemption of payment of certain social insurance granted by the government due to the Pandemic and an increment of the staff salaries during the period as compared with the corresponding period in 2020.

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 2020 (the "**Listing Date**"). The net proceeds from the Company's issue of a total of 20,000,000 new H Shares in the Global Offering, at a final offer price of HK\$6.25 per H Share, amounted to approximately HK\$61.9 million (after deducting underwriting commissions and related Listing expenses which amounted to approximately RMB52.1 million). For the period from the Listing Date to 30 June 2021, the Company had utilised net proceeds from the Global Offering amounting to approximately RMB34.8 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 2021, the Group has applied the net proceeds as follows:

Usage	%	Budgeted amount as set out in the Prospectus RMB'000	Actual usage up to 30 June 2021 RMB'000	Remaining balance as at 30 June 2021 RMB'000	Expected timeline of full utilisation of the balance
- Finance partly the costs and expenses for the establishment and construction of the Industrial Park	70.0	36,441	29,573	6,868	December 2021
- Finance further development of the Third Floor, including refurbishment and renovation of the Third Floor	20.0	10,412	-	10,412	July 2022
- General working capital and other general corporate purposes	10.0	5,205	5,205	-	December 2021
	100.0	52,058	34,778	17,280	

As at 30 June 2021, the unused balance of the net proceeds from the Global Offering of approximately RMB17.3 million was placed into short-term demand.

As at 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 2021 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

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil)

DIRECTORS' AND SUPERVISORS' COMPETING INTERESTS

None of the controlling Shareholders, Directors and supervisors of the Company (the "**Supervisor(s)**") 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 Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Throughout the six months ended 30 June 2021 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 2021, 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 2021, 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 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 City Market Development Service Centre* (溫嶺市市場開發服務中心) ("Market Development Service Centre")	Interest in controlled corporation <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 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 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* (溫嶺市溫嶺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* (溫嶺市溫嶺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* (溫嶺市溫嶺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* (溫嶺市溫嶺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* (溫嶺市溫嶺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* (溫嶺市溫嶺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 <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 Zhang Laoqiao Investment Company Limited* (溫嶺市張老橋投資有限公司) ("Zhang Laoqiao Investment")	Beneficial owner <i>(Note 4)</i>	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 <i>(Note 12)</i>	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 <i>(Notes 4 & 12)</i>	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 <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%

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)
Shimge Pump Industry (Zhejiang) Co., Ltd. (新界泵業(浙江)有限公司)	Interest in controlled corporation (Note 14)	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 (Note 14)	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:

1. The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares or H Shares.
2. The calculation is based on the percentage of shareholding in the relevant class of Shares.
3. 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 2021.
4. 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), Market Development Service Centre, 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. Market Development Service Centre holds the entire equity interest of Market Group. Therefore, under the SFO, Market Development Service Centre 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. Jiaying Yuantai Equity Investment Partnership (Limited Partnership) holds the entire equity interest of Hongkong Regan Investment Center Co., Limited. Therefore, under the SFO, each of Jiaying 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 2021 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 2021 and up to the date of this report.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this report, there are no major events subsequent to 30 June 2021 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 2021.

By order of the Board

Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited

HUANG Qun

Chairman

Wenling City, the PRC, 17 August 2021

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	4	29,150	20,011
Cost of sales		(4,811)	(4,440)
Gross profit		24,339	15,571
Valuation gains on investment properties	9	5,336	1,037
Other net income	5	8,203	66
Selling and marketing expenses		(475)	(6)
Administrative expenses		(4,728)	(2,280)
Profit from operations		32,675	14,388
Finance costs	6(a)	(345)	–
Profit before taxation	6	32,330	14,388
Income tax	7	(8,084)	(3,597)
Profit for the period		24,246	10,791
Other comprehensive income for the period		–	–
Total comprehensive income for the period		24,246	10,791
Earnings per share	8		
Basic and diluted (RMB)		0.30	0.18

The notes on pages 27 to 38 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 15.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Investment properties	9	1,093,620	1,027,340
Property, plant and equipment		6,973	7,483
Lease prepayments		570	581
Intangible assets		18	72
Other non-current assets		4,508	3,674
Total non-current assets		1,105,689	1,039,150
Current assets			
Other receivables and prepayments	10	11,744	7,344
Restricted cash		–	2,624
Cash and cash equivalents	11	40,569	85,389
Total current assets		52,313	95,357
Current liabilities			
Short-term loans	12	82,000	40,462
Other payables and accruals	13	50,436	26,292
Receipts-in-advance, current	14	28,015	53,114
Current taxation		9,345	10,158
Total current liabilities		169,796	130,026
Net current liabilities		(117,483)	(34,669)
Total assets less current liabilities		988,206	1,004,481

The notes on pages 27 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited
(Expressed in Renminbi)

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
	<i>Note</i>		
Non-current liabilities			
Long-term loan		–	40,000
Receipts-in-advance, non-current	14	75,453	78,349
Deferred tax liabilities		173,804	171,429
Total non-current liabilities		249,257	289,778
Net assets		738,949	714,703
Capital and reserves			
Share capital		80,000	80,000
Reserves		658,949	634,703
Total equity		738,949	714,703

Approved and authorised for issue by the board of directors on 17 August 2021.

Pan Haihong
Director

Zhou Guilin
Director

The notes on pages 27 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 – 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 2020	60,000	35,507	3,889	538,168	637,564
Changes in equity for the six months ended 30 June 2020:					
Profit for the period	-	-	-	10,791	10,791
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	10,791	10,791
Profit distribution	-	-	-	(3,000)	(3,000)
Balance at 30 June 2020 and 1 July 2020	60,000	35,507	3,889	545,959	645,355
Changes in equity for the six months ended 31 December 2020:					
Profit for the period	-	-	-	17,290	17,290
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	17,290	17,290
Issue of ordinary shares upon initial public offering, net of issuing costs	20,000	32,058	-	-	52,058
Appropriation for PRC statutory reserve	-	-	1,839	(1,839)	-
Balance at 31 December 2020	80,000	67,565	5,728	561,410	714,703
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	80,000	67,565	5,728	585,656	738,949

The notes on pages 27 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities			
Cash used in operations		(8,227)	(8,200)
PRC Corporate Income Tax ("CIT") paid		(6,521)	(2,125)
Net cash used in operating activities		(14,748)	(10,325)
Investing activities			
Receipt of performance bond deposit		–	6,350
Payment for purchase of investment properties		(27,801)	(30,975)
Placement of restricted cash for purchase of investment properties		(15,000)	–
Release of restricted cash for purchase of investment properties		17,624	–
Other cash flows arising from investing activities		136	34
Net cash used in investing activities		(25,041)	(24,591)
Financing activities			
Proceeds from borrowings		65,000	128,462
Repayment of bank loans		(63,462)	(107,020)
Payment of loan interests		(3,403)	(4,320)
Payment of dividends		–	(3,000)
Payment of listing expenses		(3,166)	(1,475)
Net cash (used in)/generated from financing activities		(5,031)	12,647
Net decrease in cash and cash equivalents		(44,820)	(22,269)
Cash and cash equivalents at 1 January		85,389	35,371
Cash and cash equivalents at 30 June	11	40,569	13,102

The notes on pages 27 to 38 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 (溫嶺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 17 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 RMB117,483,000 as at 30 June 2021. As at 30 June 2021, the Group had banking facilities of RMB433,000,000 from third-party banks, of which the unutilized amount was RMB351,000,000. 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 2021 to 30 June 2022, 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 2020 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 2020 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 2020 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 2021.

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:

- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform*

Other than the amendment to HKFRS 16, 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:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The adoption of the amendments does not have a significant impact on the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The amendments do not have an impact on this interim financial report as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

4 REVENUE

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

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Property leasing	(i)	28,089	18,900
Others	(ii)	1,061	1,111
Total		29,150	20,011

- (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)

5 OTHER NET INCOME

	Note	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Interest income from bank deposits		164	34
Government grants	(i)	8,200	32
Net exchange loss		(161)	–
Total		8,203	66

(i) During the six months ended 30 June 2021, the government grants in connection with the Company's H share listing in HKEX in 2020 amounted to RMB8,000,000 (six months ended 30 June 2020: nil).

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest expenses	2,200	2,024
Less: Interest expenses capitalised into an investment property under development	(1,855)	(2,024)
	345	–

The borrowing costs have been capitalised at a rate of 5.16% per annum during the six months ended 30 June 2021 (six months ended 30 June 2020: 5.73%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

6 PROFIT BEFORE TAXATION (Continued)

(b) Other items

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Depreciation and amortisation	602	634

During the six months ended 30 June 2021, lease cost arising from short-term leases that have lease term of 12 months or less was nil (six months ended 30 June 2020: RMB170,000).

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	
	2021	2020
	RMB'000	RMB'000
Current tax		
PRC CIT	5,708	2,123
Deferred tax		
Origination and reversal of temporary differences	2,376	1,474
	8,084	3,597

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	
		2021 RMB'000	2020 RMB'000
Profit before taxation		32,330	14,388
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(i)	8,083	3,597
Tax effect of non-deductible expenses		1	—
Actual tax expense		8,084	3,597

- (i) Effective from 1 January 2008, under PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25%. The Company and its subsidiaries are subject to PRC income tax at 25% unless otherwise specified.

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 2021 of the parent of RMB24,246,000 (six months ended 30 June 2020: RMB10,791,000) and the weighted average of 80,000,000 ordinary shares in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: 60,000,000 shares).

(b) Diluted earnings per share

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2021 and 2020. Diluted earnings per share are equal to basic earnings per share.

9 INVESTMENT PROPERTIES

The valuations of investment properties were updated at 30 June 2021 by the same independent valuer of the Group using the same valuation techniques when carrying out the valuation as at 31 December 2020.

As a result of the update, a net fair value gain of RMB5,336,000 (six months ended 30 June 2020: RMB1,037,000), and deferred tax thereon of RMB1,334,000 (six months ended 30 June 2020: RMB259,000), has been recognised in profit or loss for the period in respect of investment properties.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

10 OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Prepayments for service	2,263	–
Value-added tax recoverable	8,980	7,025
Prepaid other taxes	282	282
Others	219	37
	11,744	7,344

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

11 CASH AND CASH EQUIVALENTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cash in hand	20	17
Cash at banks	40,549	85,372
	40,569	85,389

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

12 SHORT-TERM LOANS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Short-term loans, secured	47,000	40,462
Current portion of long-term loans, secured	35,000	-
	82,000	40,462

The loans of RMB55,000,000 as at 30 June 2021 (31 December 2020: RMB28,462,000) were secured by an investment property of the Group with a carrying amount of RMB852,000,000 as at 30 June 2021 (31 December 2020: RMB851,000,000).

The loan of RMB27,000,000 as at 30 June 2021 (31 December 2020: RMB15,000,000) was secured by another investment property under development of the Group with a carrying amount of RMB241,620,000 as at 30 June 2021 (31 December 2020: RMB176,340,000).

13 OTHER PAYABLES AND ACCRUALS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Payable for purchase of property, plant and equipment and investment properties	44,143	12,855
Accrued payroll	480	259
Other taxes payable	1,922	3,291
Accrued interests	120	1,323
Deposits	1,245	840
Payable for listing expenses	-	3,166
Payable for professional fees	200	1,870
Payable for property management fees and utilities	386	407
Others	1,940	2,281
	50,436	26,292

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

14 RECEIPTS-IN-ADVANCE

As at 30 June 2021, 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, and receipts-in-advance that are expected to be recorded as revenue beyond one year of the balance sheet are recorded as non-current.

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
At the beginning of the period/year	131,464	129,736
Carry-over to revenue for the period/year	(29,074)	(50,907)
Receipts during the period/year	1,078	52,634
At the end of the period/year	103,468	131,463

Reconciliation to the consolidated statements of financial position:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Receipts-in-advance, current	28,015	53,114
Receipts-in-advance, non-current	75,453	78,349
	103,468	131,463

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

15 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 2021 (six months ended 30 June 2020: 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	
	2021	2020
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the periods	–	3,000

16 COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report

	At 30 June	At 31 December
	2021	2020
	RMB'000	RMB'000
Contracted for	31,131	92,912
Authorised but not contracted for	130,456	132,687
	161,587	225,599