温嶺浙江工量刃具交易中心股份有限公司
Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1379)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	**Change**
			%
Revenue *(RMB'000)*	**29,150**	20,010	45.7
Gross profit *(RMB'000)*	**24,339**	15,571	56.3
Gross profit margin	**83.5%**	77.8%	5.7
Profit for the period *(RMB'000)*	**24,246**	10,791	124.7
Net profit margin	**83.2%**	53.9%	29.3
Basic and diluted earnings per share *(RMB)*	**0.30**	0.18	66.7

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2021.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited* (温嶺浙江工量刃具交易中心股份有限公司) (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the six months ended 30 June 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

		Six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited

(Expressed in Renminbi)

	Note	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	11	**11,744**	7,344
Restricted cash		**–**	2,624
Cash and cash equivalents		**40,569**	85,389
Total current assets		**52,313**	95,357
Current liabilities			
Short-term loans	13	**82,000**	40,462
Other payables and accruals	12	**50,436**	26,292
Receipts-in-advance, current		**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

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Non-current liabilities		
Long-term loan	**–**	40,000
Receipts-in-advance, non-current	**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

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

1 GENERAL INFORMATION

The Company was established as a limited liability company incorporated in Wenling City, Zhejiang Province in the People's Republic of China (the "**PRC**") on 14 May 2003, and was converted into a joint stock limited liability company on 3 May 2018. The Company completed its initial public offering and was listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**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.

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.

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.

4 REVENUE

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

		Six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*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.

5 OTHER NET INCOME

		Six months ended 30 June	
		2021	2020
	Note	***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%).

(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

(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.

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 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.

10 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

11 OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June	At 31 December
	2021	2020
	RMB'000	*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.

12 OTHER PAYABLES AND ACCRUALS

	At 30 June 2021	At 31 December 2020
	RMB'000	*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

13 SHORT-TERM LOANS

	At 30 June 2021	At 31 December 2020
	RMB'000	*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).

14 COMMITMENTS

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

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

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 of the Company.

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 from that of 18.3% as compared with the first quarter of the year, the growth of the GDP of the PRC reached 12.7% in the first half of the year. Benefitting from the recovery of economic environment in the PRC, the measuring and cutting tools manufacturing industry performed well with increasing market demand.

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 on 30 December 2020 (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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.

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 measuring and cutting tools on the Internet. 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 centers 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 dividend 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 25,931sq.m. and 99.94%, respectively (30 June 2020: 25,584sq.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.

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 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 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.

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 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 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.

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 government subsidies of approximately RMB8.0 million 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% and 25.0% for 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 of 30 June 2021 and 31 December 2020, the Group had cash and cash equivalents of approximately RMB40.6 million and RMB85.4 million, respectively.

Funding and Treasury Policy

The Group monitors its cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business and its various growth strategies. In the future, the Group will continue relying on cash flows from operation and other debt and equity financing to fund 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 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	As at 31 December 2020
	RMB'000	*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

Gearing Ratio

The gearing ratio remained relatively stable at approximately 11.1% as at 30 June 2021 as companied with the same of approximately 11.3% as at 31 December 2020.

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 construction of its Industrial Park.

Capital Commitments

As at 30 June 2021, the capital commitments of the Group in respect of investment properties amounted for 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 had no significant investments held or 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 announcement, as at 30 June 2021, the Group did not have any immediate plans for material investments and capital assets.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 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 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 amounted to approximately HK$61.9 million (after deducting underwriting commissions and related Listing expenses equivalent to approximately RMB52.1 million) with the final offer price of HK$6.25 per H Share. For the period from the Listing Date to 30 June 2021, the Company has utilised net proceeds from the Global Offering amounting to approximately RMB34.8 million. The Company intends to use the net proceeds in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated 11 December 2020.

During the period from 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**	**Actual usage up to 30 June 2021**	**Remaining balance as at 30 June 2021**	**Expected timeline of full utilisation of the balance**
	%	*RMB'000*	*RMB'000*	*RMB'000*	
– 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 of the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds.

OTHER INFORMATION

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

DIRECTORS' AND SUPERVISORS' COMPETING INTERESTS

None of the controlling shareholders, 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 structures and internal control procedures of the Group so as to achieve effective accountability. The Company is committed to maintain high standards of corporate governance and protect the interests of its 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 (the "**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 announcement, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 announcement.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there are no major events subsequent to 30 June 2021 which would materially affect the Group's operating and financial performance as of the date of this announcement.

PUBLICATION OF 2021 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cnglj.com) and the 2021 Interim Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

AUDIT COMMITTEE

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

As at the date of this announcement, the Board comprises Mr. Pan Haihong and Mr. Zhou Guilin as executive Directors; Mr. Huang Qun, Mr. Wang Wenming, Mr. Cheng Jinyun and Mr. Ye Yunzhi as non-executive Directors; and Mr. Xu Wei, Mr. Jin Hongqing and Mr. Tsoi Ka Shing as independent non-executive Directors.

* *For identification purpose only*