Precision Tsugami (China) Corporation Limited
津上精密機床（中國）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1651)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board of directors (the "**Board**") of Precision Tsugami (China) Corporation Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2017 together with the unaudited comparative figures for the corresponding period in 2016. Such results have been reviewed by the external auditor Ernst & Young and the audit committee of the Company.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 September	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**1,198,559**	727,464
Cost of sales		**(963,953)**	(601,279)
GROSS PROFIT		**234,606**	126,185
Other income and gains	*4*	**1,024**	430
Selling and distribution expenses		**(50,904)**	(37,432)
Administrative expenses		**(32,427)**	(17,235)
Other expenses		**(743)**	(3,033)
Finance costs		**(9,921)**	(6,808)
PROFIT BEFORE TAX		**141,635**	62,107
Income tax expense	*5*	**(40,636)**	(18,197)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**100,999**	43,910
ATTRIBUTABLE TO:			
Owners of the parent		**100,999**	43,910

		For the six months ended 30 September	
		2017	2016
		RMB	*RMB*
EARNINGS PER SHARE (EPS)			
Basic, profit for the period attributable to ordinary equity holders of the parent	*6*	**0.33**	0.15
Diluted, profit for the period attributable to ordinary equity holders of the parent	*6*	**0.33**	0.14

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2017** ***RMB'000*** **(Unaudited)**	31 March 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**334,443**	342,221
Prepaid land lease prepayments		**33,355**	33,802
Intangible assets		**3,092**	2,840
Deferred tax assets		**6,291**	5,381
		377,181	384,244
CURRENT ASSETS			
Inventories		**462,406**	479,875
Trade and bills receivables	*7*	**306,073**	387,295
Prepayments, deposits and other receivables		**14,895**	15,491
Pledged deposits		**12,387**	6,930
Cash and cash equivalents		**357,187**	123,903
		1,152,948	1,013,494
CURRENT LIABILITIES			
Trade and bills payables	*8*	**364,912**	358,277
Other payables and accruals		**100,006**	83,347
Tax payable		**24,440**	18,713
Interest-bearing bank loans and other borrowings	*9*	**24,342**	274,529
Provision		**10,455**	8,483
		524,155	743,349
NET CURRENT ASSETS		**628,793**	270,145
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,005,974**	654,389
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,091**	2,492
		4,091	2,492
Net assets		**1,001,883**	651,897
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**302,430**	–
Reserves		**699,453**	651,897
Total equity		**1,001,883**	651,897

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 2 July 2013, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 25 September 2017. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman KY 1-1104, Cayman Islands.

The Company is an investment holding company. The Group primarily engages in the following principal activities during the period:

- manufacture and sale of computer numerical control ("**CNC**") high precision machine tools

- provision of commercial consultation services

In the opinion of the directors of the Company, the ultimate holding company of the Company is Tsugami Corporation (the "**Controlling Shareholder**"), a Japanese company incorporated in March 1937 whose shares are listed on the Tokyo Stock Exchange.

2 BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of presentation

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2017 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("**IAS 34**") issued by the International Accounting Standards Board.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017.

2.2 New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017, except for the adoption of the amendments effective as of 1 April 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

The nature and the impact of each amendment are described below:

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its unaudited condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 March 2018.

2 BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2 New Standards, interpretation and amendments adopted by the Group (Continued)

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group has applied the amendments retrospectively. However, such application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to IFRS 12 *included in Annual Improvements Cycle – 2014-2016*

Disclosure of Interests in Other Entities:

Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments are retrospectively effective for annual periods beginning on or after 1 January 2017. The amendment do not have any impact on the Group.

3 SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the manufacture and sale of CNC high precision machine tools. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

The Group operates in Mainland China and all of the non-current assets of the Group are located in Mainland China.

Revenue information based on the locations of customers for the six months ended 30 September 2017 and 2016 is presented as follows:

	For the six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**819,212**	420,944
Overseas	**379,347**	306,520
	1,198,559	727,464

Information about major customers

Revenue from individual customer which amounted to more than 10% of the Group's revenue for the six months ended 30 September 2017 and 2016 is set out below:

	For the six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**359,229**	287,355

4 REVENUE, OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges.

An analysis of the Group's revenue, other income and gains is as follows:

	For the six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**1,196,787**	725,990
Rendering of services	**1,772**	1,474
	1,198,559	727,464
Other income and gains		
Bank interest income	**741**	212
Gain on disposal of items of property, plant and equipment	**112**	40
Government grants *(note (a))*	**83**	35
Others	**88**	143
	1,024	430

Note (a) The amount represents grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants.

5 INCOME TAX

The Group is subject to income tax on an entity based on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in that jurisdiction.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the six months ended 30 September 2017 and 2016.

The major components of income tax expense in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income are:

	For the six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Income taxes:		
Current tax	**39,947**	17,208
Deferred tax	**689**	989
Total tax charge for the period	**40,636**	18,197

6 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The basic earnings per share amount is calculated by dividing the net profit or loss for the periods attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share amount is calculated by dividing the net profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period, and the weighted average number of ordinary shares assumed to have been issued for the share options granted.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**100,999**	43,910
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**301,967,213**	300,000,000
Effect of dilution-weighted average number of ordinary shares		
Share options	**6,287,136**	6,287,136
	308,254,349	306,287,136

7 TRADE AND BILLS RECEIVABLES

Group

	30 September 2017 *RMB'000* **(Unaudited)**	31 March 2017 *RMB'000* (Audited)
Trade receivables*	**181,454**	190,542
Bills receivable	**124,619**	196,753
	306,073	387,295

* Trade receivables include trade receivables from the Controlling Shareholder and another related party.

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with certain major customers with good repayment history and high reputations are on credit. The credit period is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risks.

Trade receivables are unsecured and non-interest-bearing.

Ageing analysis of trade receivables by invoice date

An ageing analysis of the trade receivables as at 30 September 2017 and 31 March 2017, based on the invoice date and net of provisions, is as follows:

	30 September 2017 *RMB'000* **(Unaudited)**	31 March 2017 *RMB'000* (Audited)
Within 3 months	**126,238**	169,239
3 months to 6 months	**55,216**	21,303
	181,454	190,542

	30 September 2017 *RMB'000* **(Unaudited)**	31 March 2017 *RMB'000* (Audited)
Neither past due nor impaired	**181,417**	190,266
Past due but not impaired	**37**	276
	181,454	190,542

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a few customers that have a good track record with the Group. Based on past experience, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 30 September 2017 and 31 March 2017, none of the bills receivable is either past due or impaired. The financial assets included in the above balances relate to bills receivable for which there is no recent history of default.

8 TRADE AND BILLS PAYABLES

Group

	30 September 2017 *RMB'000* **(Unaudited)**	31 March 2017 *RMB'000* (Audited)
Trade payables*	**247,957**	289,437
Bills payable	**116,955**	68,840
	364,912	358,277

* Trade payables include trade payables to the Controlling Shareholder.

Ageing analysis of trade payables by invoice date

An ageing analysis of the outstanding trade payables as at 30 September 2017 and 31 March 2017, based on the invoice date, is as follows:

	30 September 2017 *RMB'000* **(Unaudited)**	31 March 2017 *RMB'000* (Audited)
Within 3 months	**240,133**	289,437
3 months to 6 months	**7,824**	–
	247,957	289,437

9 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

Group

	30 September 2017 *RMB'000* **(Unaudited)**	31 March 2017 *RMB'000* (Audited)
Current		
Discounted bills with recourse	**24,342**	17,498
Bank loans, unsecured	**–**	257,031
	24,342	274,529
Bank loans and other borrowings bearing interest at rates per annum in the range of	**N/A**	2.10%-4.39%
Repayable within one year or on demand	**24,342**	274,529

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2017, manufacturing industries in China, including automotive industry and general machining industry, continued to show strong demand for machine tools. Under the influence of such macro circumstance, the Group sustained the great momentum in sales performance lasting from last autumn, with each of its major models recording good sales results. The sales amounted to approximately RMB1,198,559,000, representing an increase of approximately 64.8% as compared to the same period last year.

Facing the strong market demand, the sales force of the Group managed to have their efforts paid off by leveraging on the Group's capabilities of procurement and manufacturing in-house to meet customers' requirement for short delivery time. Such capabilities are also vitally important for the Group to secure sales orders.

Precision automatic lathes being the Group's main products, received wider recognition in the market as an industry leader and achieved sales of approximately RMB704,536,000 for the six months ended 30 September 2017, representing an increase of approximately 55.2% as compared to the same period last year.

Precision turret machines being one of the Group's major products to be emphatically promoted in the future, made remarkable progress in market exploitation in automobile manufacturing and other industries and achieved sales of approximately RMB263,011,000 for the six months ended 30 September 2017, representing an increase of approximately 111.7% as compared to the same period last year.

The increase in sales and production volumes led to economies of scale, which, together with the improvement in operating efficiency, fostered a gross profit of approximately RMB234,606,000 for the six months ended 30 September 2017, representing an increase of approximately 85.9% as compared to the same period last year, while the Group's gross profit margin also increased from approximately 17.3% to approximately 19.6% for the same period.

Also, due to the increase in sales volume, the Group achieved a net profit of approximately RMB100,999,000, representing an increase of approximately 130.0% as compared to the same period last year.

Earnings per share amounted to approximately RMB0.33 per share of the Company.

FINANCIAL REVIEW

Revenue

During the six months ended 30 September 2017, total revenue increased by approximately 64.8%, or approximately RMB471,095,000, from approximately RMB727,464,000 for the same period last year to approximately RMB1,198,559,000. Such increase was primarily the results of (i) precision automatic lathes continued to expand their brand influence as an industry leader in the market, received broader recognition from customers and achieved sales of approximately RMB704,536,000, representing an increase of approximately 55.2%; (ii) precision turret machines made remarkable progress in key market exploitation and achieved sales of approximately RMB263,011,000, representing an increase of approximately 111.7%; and (iii) precision machining centres and precision grinding machines, like many other models, also saw considerable increases and achieved sales of approximately RMB110,442,000 and approximately RMB57,723,000, representing increases of approximately 76.6% and approximately 33.6% respectively, as compared to the same period last year.

The table below sets out the revenue breakdown by product category for the periods indicated: (RMB'000)

	Six months ended 30 September 2017	**Proportion (%)**	Six months ended 30 September 2016	Proportion (%)	**Period-on-period increase/ (decrease) (%)**
Precision automatic lathes	**704,536**	**58.8%**	453,986	62.4%	**55.2%**
Precision turret machines	**263,011**	**22.0%**	124,246	17.1%	**111.7%**
Precision machining centres	**110,442**	**9.2%**	62,554	8.6%	**76.6%**
Precision grinding machines	**57,723**	**4.8%**	43,203	5.9%	**33.6%**
Precision thread and form rolling machines	**4,987**	**0.4%**	5,673	0.8%	**(12.1)%**
Others	**57,860**	**4.8%**	37,802	5.2%	**53.1%**
Total	**1,198,559**	**100%**	727,464	100%	**64.8%**

Gross Profit and Gross Profit Margin

During the six months ended 30 September 2017, gross profit increased by approximately 85.9% to approximately RMB234,606,000 as compared to the same period last year, mainly due to the increase in sales volume as a result of the Group's continued business expansion. The Group's overall gross profit margin for the six months ended 30 September 2017 was approximately 19.6%, representing an increase of approximately 2.3% as compared with approximately 17.3% for the same period last year. Such increase was attributable mainly to economies of scale resulting from the increase in sales volume during the period.

The table below sets out the gross profit and gross profit margin breakdown by product category for the periods indicated: (RMB'000)

	Gross profit for the six months ended 30 September 2017	**Gross profit margin**	Gross profit for the six months ended 30 September 2016	Gross profit margin
Precision automatic lathes	**152,017**	**21.6%**	79,086	17.4%
Precision turret machines	**38,830**	**14.8%**	15,851	12.8%
Precision machining centres	**10,907**	**9.9%**	5,374	8.6%
Precision grinding machines	**21,858**	**37.9%**	14,702	34.0%
Precision thread and form rolling machines	**781**	**15.7%**	382	6.7%
Others	**10,213**	**17.7%**	10,790	28.5%
Total	**234,606**	**19.6%**	126,185	17.3%

Other Income and Gains

Other income and gains of the Group primarily consist of bank interest income, gain on disposal of items of property, plant and equipment, government grants and others. During the six months ended 30 September 2017, other income and gains increased by approximately 138.1% to approximately RMB1,024,000 primarily due to the increases in bank interest income by approximately RMB529,000, gain on disposal of fixed assets by approximately RMB72,000 and government grants by approximately RMB48,000.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff salaries and benefits, transportation and insurance costs, warranty expenses, travelling expenses, office utility expenses, marketing and advertisement expenses and depreciation costs. During the period under review, selling and distribution expenses of the Group increased by approximately 36.0% as compared to the same period last year to approximately RMB50,904,000, representing approximately 4.2% of the Group's revenue for the same period. Such increase was attributable mainly to the increase in selling and distribution expenses along with the sharp rise in revenue.

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits for management, administrative and financial personnel, including the share-based payment by virtue of the Pre-IPO Share Option, administrative costs, customisation and development expenses, depreciation expenses relating to property, plant and equipment used for administrative purposes, amortisation expenses for the management information systems, other taxes and levies, and listing expenses.

During the period under review, administrative expenses increased by approximately 88.1% as compared to the same period of 2016 to approximately RMB32,427,000, mainly due to a large amount of listing expenses being recorded during the period under review.

Other Expenses

Other expenses primarily include foreign exchange losses, losses on the disposal of fixed assets and others. During the period under review, other expenses decreased by approximately 75.5% as compared to the same period of 2016 to approximately RMB743,000, mainly due to the decrease in foreign exchange losses and the decrease in losses on the disposal of fixed assets.

Finance Costs

During the period under review, finance costs increased by approximately 45.7% as compared to the same period of 2016 to approximately RMB9,921,000, mainly due to the increase in interest on discounting bills of approximately RMB3,234,000, in despite of the decrease in interest on bank borrowings of approximately RMB121,000.

Income Tax Expenses

During the period under review, income tax expenses increased by approximately 123.3% as compared to the same period of 2016 to approximately RMB40,636,000, mainly due to the significant increase in revenue and profit before tax.

Profit for the Period

As a result of the factors described above, our profit for the period increased by approximately 130.0% from approximately RMB43,910,000 for the six months ended 30 September 2016 to approximately RMB100,999,000 for the six months ended 30 September 2017.

Liquidity, Financial Resources and Debt Structure

During the period under review, the Group continued to maintain a healthy and solid liquidity position. As at 30 September 2017, total cash and cash equivalents of the Group amounted to approximately RMB357,187,000 (as at 31 March 2017: approximately RMB123,903,000). Such increase was mainly due to the receipt of net proceeds of approximately HK$257,422,000 from the listing of the Company's shares on the main board of the Stock Exchange (excluding the additional proceeds from the exercise of the over-allotment option) and the increase in net cash flows from operating activities.

As at 30 September 2017, the Group recorded net current assets of approximately RMB628,793,000 (as at 31 March 2017: approximately RMB270,145,000) and its current ratio, calculated by dividing total current assets by total current liabilities, was approximately 2.2 times (as at 31 March 2017: approximately 1.4 times). Capital expenditures for the six months ended 30 September 2017 amounted to approximately RMB13,292,000, which was mainly utilised to finance the addition of office equipment and mechanical equipment.

Bank loans, which are used for our general working capital, purchases of production plant machinery and equipment, purchases of parts and components and payment of dividends, are denominated in Renminbi. As at 30 September 2017, the Group has no outstanding bank loans and the discounted bills with recourse were amounted to approximately RMB24,342,000. As at 30 September 2017, the Group's gearing ratio, calculated by dividing total bank loans and other borrowings by total equity, was approximately 2.4% (as at 31 March 2017: approximately 42.1%).

Capital Commitments

As at 30 September 2017, the Group had capital commitments contracted but not provided for amounting to approximately RMB1,500,000 (as at 31 March 2017: approximately RMB2,520,000).

Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Group did not hold any other significant investment nor make any material acquisition or disposal of subsidiaries during the period under review.

Contingent Liabilities

As at 30 September 2017, the Group had no material contingent liabilities.

Currency Risk and Management

The sales and procurement by the Group are mainly denominated in Renminbi and JPY. In order to reduce exchange exposure, the Group has started and gradually settled part of its sales to the Controlling Shareholder and its subsidiaries (other than the Group) and part of our procurement from the Controlling Shareholder in Renminbi instead of JPY.

During the period under review, the Group did not enter into any foreign currency forward contracts or use any derivative contracts to hedge against its exposure. The Group manages its currency risk by closely monitoring the movement of the foreign currency rates and may consider hedging significant foreign currency exposure should the need arise.

Use of Proceeds from the Initial Public Offering

We have completed the initial public offering (including the issuance of over-allotment shares) and received net proceeds of approximately HK$327.7 million. The net proceeds will be utilised in the manner consistent with that stated in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 12 September 2017 (the "**Prospectus**"). Since the initial public offering and until the date of this announcement, approximately HK$266.2 million of the net proceeds received from the initial public offering were used for repaying bank loans.

Employees and Remuneration Policy

As at 30 September 2017, the Group employed 1,396 employees (as at 31 March 2017: 1,368), of whom 32 were transferred employees from the Controlling Shareholder. The Group's staff costs (including salaries, bonuses, social insurance, provident funds and share incentive plan) amounted to approximately RMB83,070,000 in aggregate (including directors' emoluments), representing approximately 6.9% of total revenue of the Group during the period under review.

The Group offers attractive remuneration packages, including competitive fixed salaries plus performance-based annual bonuses, and continuously provides tailored training to its employees to promote their upward mobility in the organisation and foster employee loyalty. Our employees are subject to regular job performance reviews bearing on their promotion prospects and compensation. Remuneration is determined with reference to market norms and individual employee's performance, qualifications and experience.

As disclosed in the Prospectus, the Company adopted a pre-IPO share option scheme on 14 March 2014 to award and motivate its employees who had made contributions to the Group. As at 30 September 2017, there are a total of 7,870,000 shares under this share option scheme.

OUTLOOK

As the macro economy and industrial output value of China maintain sustained growth, the management believes that the CNC high precision machine tool industry in China will be further strengthened. The rapid development of the two largest industries that apply CNC high precision machine tools in China, i.e. the automobile industry and consumer electronic product industry, will directly promote the sales volume and expansion of the CNC high precision machine tool industry in China. In addition, the Chinese government continues to adopt policies that actively encourage the development of the manufacturing technology of machines tools in recent years in order to strengthen the competitiveness of machine tools made in China. The management of the Group expects these will create more business opportunities for the CNC high precision machine tool industry in China.

In light of the great potential for future growth in the CNC high precision machine tool industry in China, the management is confident about the prospect for the development of the Company in the future. Going forward, the Group will seize market opportunities more actively, and maintain and improve our market position in the CNC high precision machine tool industry in China continuously. In the near future, the Group will continue to put more efforts in the market exploration and promotion for the key products and make more investments in new products and the upgrading of existing models, and further expand its sales and distribution network as well as the customer base in China in order to increase its sales volume. The Group will also maintain stable relationship with quality suppliers to achieve mass production of the CNC high precision machine tool so as to offer more competitive pricing. The management of the Group will continue to adhere to the customer-oriented principle, provide more effective customer services with better quality and further improve the operational and financial performance of the Group in order to strengthen its market position in the industry and create satisfactory returns for shareholders of the Group.

EVENTS AFTER THE END OF THE PERIOD UNDER REVIEW

On 25 September 2017, the shares of the Company became listed on the main board of the Stock Exchange. On 13 October 2017, the over-allotment option was exercised in full, and pursuant to which, the over-allotment shares were issued on 16 October 2017.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividends in respect of the six months ended 30 September 2017.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

On 13 October 2017, the over-allotment option described in the Prospectus was fully exercised by the sole global coordinator in respect of an aggregate of 13,500,000 Shares, representing 15% of the offer shares initially available under the global offering. During the period from the listing date and up to the date of this announcement, apart from the over-allotment option exercised on 13 October 2017 and pursuant to which the over-allotment shares were issued on 16 October 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this announcement, the Company maintained the public float requirement as prescribed under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") of not less than 25%.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance since the listing of the shares of the Company on 25 September 2017. The Company has complied with the code provisions of the CG Code set out therein throughout the period from the listing date and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

The Company has adopted the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standard as set out in the Model Code during the period from the listing date and up to the date of this announcement.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial results for the six months ended 30 September 2017 including the accounting principles and standards adopted by the Group and discussed with the management in respect of the auditing, risk management, internal control and financial information. At the request of the Board, the Company's external auditor, Ernst & Young, has carried out a review of the unaudited condensed consolidated interim financial results in accordance with Hong Kong Standard on Review Engagement 2410 issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim report of the Company will be dispatched to the shareholders of the Company and published on the Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.tsugami.com.cn) in due course.

By order of the Board
Precision Tsugami (China) Corporation Limited
Dr. Tang Donglei
Chief Executive Officer and Executive Director

Hong Kong, 13 November 2017

As at the date of this announcement, the executive Directors of the Company are Dr. Tang Donglei, Mr. Yoshimasa Hashimoto and Mr. Tatsushi Hidano; the non-executive Directors are Mr. Takao Nishijima, Ms. Mami Matsushita and Dr. Ng Lai Man Carmen; and the independent non-executive Directors are Dr. Huang Ping, Dr. Eiichi Koda and Mr. Tam Kin Bor.