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**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 2020**

The board (the “**Board**”) of directors (the “**Directors**”) 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 2020 (the “**Period under Review**”) together with the unaudited comparative figures for the corresponding period in 2019. 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

	<i>Notes</i>	For the six months ended	
		30 September	
		2020	2019
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>1,378,832</b>	1,075,854
Cost of sales		<u><b>(1,058,212)</b></u>	<u>(841,079)</u>
<b>GROSS PROFIT</b>		<b>320,620</b>	234,775
Other income and gains		<b>9,421</b>	12,046
Selling and distribution expenses		<b>(59,108)</b>	(54,672)
Administrative expenses		<b>(46,877)</b>	(41,453)
Impairment losses on financial assets		<b>(5,553)</b>	(4,544)
Other expenses		<b>(529)</b>	(549)
Finance costs		<u><b>(956)</b></u>	<u>(49)</u>
<b>PROFIT BEFORE TAX</b>		<b>217,018</b>	145,554
Income tax expense	5	<u><b>(68,660)</b></u>	<u>(44,810)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>148,358</b></u>	<u>100,744</u>
<b>ATTRIBUTABLE TO:</b>			
Owners of the parent		<u><b>148,358</b></u>	<u>100,744</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)			
– Profit for the period	7	<u><b>0.39</b></u>	<u>0.26</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<b><u>148,358</u></b>	<b><u>100,744</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	–	2,185
Income tax effect	–	(546)
	–	1,639
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	–	1,639
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>–</u></b>	<b><u>1,639</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>148,358</u></b>	<b><u>102,383</u></b>
<b>ATTRIBUTABLE TO:</b>		
Owners of the parent	<b><u>148,358</u></b>	<b><u>102,383</u></b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2020	31 March 2020
	<i>Notes</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		455,253	452,116
Right-of-use assets		44,572	45,590
Intangible assets		3,165	3,592
Deferred tax assets		11,823	10,416
		<hr/>	<hr/>
Total non-current assets		<b>514,813</b>	511,714
<b>CURRENT ASSETS</b>			
Inventories		588,075	618,849
Trade and notes receivables	8	673,501	437,789
Prepayments, other receivables and other assets		36,028	18,987
Financial assets at fair value through profit or loss		–	120,000
Pledged deposits		15,712	17,088
Cash and cash equivalents		349,998	205,010
		<hr/>	<hr/>
Total current assets		<b>1,663,314</b>	1,417,723
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	9	420,628	297,185
Other payables and accruals		127,520	122,053
Lease liabilities		1,445	1,560
Tax payable		24,929	12,030
Provision		6,650	6,344
		<hr/>	<hr/>
Total current liabilities		<b>581,172</b>	439,172
<b>NET CURRENT ASSETS</b>		<hr/> <b>1,082,142</b>	<hr/> 978,551
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>1,596,955</b>	<hr/> 1,490,265

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

	<b>30 September 2020 RMB'000 (Unaudited)</b>	31 March 2020 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	954	1,427
Deferred tax liabilities	13,355	2,075
Other liabilities	6,100	4,900
Deferred income	13,000	13,000
	<hr/>	<hr/>
Total non-current liabilities	33,409	21,402
	<hr/>	<hr/>
<b>Net assets</b>	<b>1,563,546</b>	<b>1,468,863</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	319,996	320,312
Treasury shares	(1,014)	(747)
Reserves	1,244,564	1,149,298
	<hr/>	<hr/>
<b>Total equity</b>	<b>1,563,546</b>	<b>1,468,863</b>
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# 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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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, the holding company and ultimate holding company of the Company is Tsugami Corporation (the “**Controlling Shareholder**”), a company incorporated in Japan which is listed on the Tokyo Stock Exchange.

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### 2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 September 2020 has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2020.

### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the current period’s financial information.

Amendments to IFRS 9, IAS 39 and IFRS 7  
Amendment to IFRS 16  
Amendments to IAS 1 and IAS 8

*Interest Rate Benchmark Reform*  
*Covid-19-Related Rent Concessions (early adopted)*  
*Definition of Material*

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### 2.2 Changes in accounting policies and disclosures (continued)

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (b) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Group's interim condensed consolidated financial information.
- (c) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purposes financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

### 3 OPERATING 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 and the provision of related commercial consultation services. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

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

### 4 REVENUE

An analysis of revenue is as follows:

#### Segments

	For the six months ended	
	30 September	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Type of goods or services</b>		
Sale of goods	1,376,536	1,074,029
Rendering of services	2,296	1,825
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>1,378,832</b>	<b>1,075,854</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Geographical information</b>		
Mainland China	1,147,968	822,263
Overseas	230,864	253,591
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>1,378,832</b>	<b>1,075,854</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	1,376,536	1,074,029
Services rendered at a point in time	2,296	1,825
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>1,378,832</b>	<b>1,075,854</b>
	<hr/> <hr/>	<hr/> <hr/>



## 5 INCOME TAX

The Group is subject to corporate income tax on an entity basis 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.

Hong Kong profits tax is to be provided at the rate of 16.5% (for the six months ended 30 September 2019: 16.5%).

The provision for Mainland China current income tax is based on the statutory rate of 25% (for the six months ended 30 September 2019: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for a high and new technology enterprise of the Group in Mainland China, which is taxed at a preferential rate of 15%.

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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB' 000
	<b>(Unaudited)</b>	(Unaudited)
Income tax:		
Current tax	<b>58,787</b>	45,185
Deferred tax	<b>9,873</b>	(375)
Total tax charge for the period	<b>68,660</b>	44,810

## 6 DIVIDENDS

The proposed final dividend for the year ended 31 March 2020 of HK\$0.15 per share totalling HK\$57,149,100 was approved by the shareholders on 17 August 2020 and fully paid in September 2020.

## 7 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

During the six months ended 30 September 2020, the Company repurchased 422,000 of its shares on the Stock Exchange for a total amount of RMB2,532,000. 376,000 shares were cancelled, among which 144,000 shares were previously repurchased and 232,000 shares were repurchased in this period.

The Group had no potentially dilutive ordinary shares in issue during the reporting periods. The calculations of basic and diluted earnings per share are based on:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent	<b>148,358</b>	100,744
	<b>=====</b>	<b>=====</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b>380,973,344</b>	381,370,000
	<b>=====</b>	<b>=====</b>

## 8 TRADE AND NOTES RECEIVABLES

	<b>30 September</b>	<b>31 March</b>
	<b>2020</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables*	<b>176,312</b>	131,017
Notes receivable	<b>498,349</b>	307,581
Impairment	<b>(1,160)</b>	(809)
	<b>=====</b>	<b>=====</b>
	<b>673,501</b>	437,789

\* Trade receivables include trade receivables from the Controlling Shareholder and other related parties.

Customers are usually required to make payments 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.

## 8 TRADE AND NOTES RECEIVABLES (continued)

### Ageing analysis of trade receivables based on invoice date

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 September 2020 RMB'000 (Unaudited)</b>	31 March 2020 RMB' 000 (Audited)
Within 3 months	134,082	105,570
3 months to 6 months	<u>42,230</u>	<u>25,447</u>
	<b><u>176,312</u></b>	<b><u>131,017</u></b>

## 9 TRADE AND NOTES PAYABLES

	<b>30 September 2020 RMB'000 (Unaudited)</b>	31 March 2020 RMB' 000 (Audited)
Trade payables*	279,505	227,307
Notes payable	<u>141,123</u>	<u>69,878</u>
	<b><u>420,628</u></b>	<b><u>297,185</u></b>

\* Trade payables include trade payables to the Controlling Shareholder.

### Ageing analysis of trade payables based on invoice date

An ageing analysis of the outstanding trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 September 2020 RMB'000 (Unaudited)</b>	31 March 2020 RMB' 000 (Audited)
Within 3 months	278,791	226,952
Over 3 months	<u>714</u>	<u>355</u>
	<b><u>279,505</u></b>	<b><u>227,307</u></b>

Trade payables are non-interest-bearing, and trade payables to third parties are normally settled on terms within 90 days.

## 10 EVENTS AFTER THE REPORTING PERIOD

On 12 November 2020, the Board has declared an interim dividend of HK\$0.15 per share in aggregate of HK\$57,120,600 payable to the shareholders of the Company for the six months ended 30 September 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the last financial year, under the influence of the Sino-US trade frictions, the economic situation was challenging and the demand for machine tools from the manufacturing industry was weak. In particular, the outbreak and spread of COVID-19 epidemic in China in February and March this year, as well as the subsequent spread of the pandemic around the world, brought great uncertainties at the beginning of this financial year.

However, during the Period under Review, against many pessimistic forecasts, the manufacturing industry of China flipped and began to recover. Since the special demand brought by the COVID-19 pandemic in March and April 2020, and benefiting from the 3C (computer, communication and consumer electronic products), automation and construction machinery industries, various downstream sectors of the manufacturing industry have become more active, and the demand for high-end CNC machine tools has been growing strong. The market downturn from the second half of 2018 to the whole of the previous financial year has gradually faded, and the machine tool industry is entering another cycle of prosperity.

For the Period under Review, the Group recorded sales revenue of approximately RMB1,378,832,000, representing an increase of approximately 28.2% as compared to the same period last year. The gross profit margin increased from approximately 21.8% for the same period last year to approximately 23.3% for the Period under Review. The Group's net profit amounted to approximately RMB148,358,000 for the Period under Review, representing an increase of approximately 47.3% as compared to the same period last year.

Basic earnings per share amounted to approximately RMB0.39 for the Period under Review, representing an increase of approximately 50% as compared to the same period last year.

Given that the processing and manufacturing industry has certain concerns about the certainty and persistence of its prosperity, coupled with the fierce market competition that has continued from the previous financial year, during the Period under Review, the end customers were not only demanding of the selling price but also further requiring to deliver the machine tools as soon as possible to commence production. Accordingly, the proportion of orders with short to even ultra-short delivery period increased significantly.

The above market features have enabled the Group, which is good at cost reduction and inventory management, to give full play to its own strengths and achieve excellent results in the domestic market.

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 September 2020, total revenue amounted to approximately RMB1,378,832,000, representing a period-on-period increase of approximately RMB302,978,000 or 28.2%. The increase in the total revenue was primarily due to the significant increase in the numbers of orders and delivery of the Group as a result of the rebound in demand in some industries after the COVID-19 epidemic has been effectively contained in China and the improvement of the overall economic situation after March and April 2020. In particular, (i) the sales of precision lathes, as the main machine of the Company, increased by approximately RMB278,160,000, representing an increase of approximately 30.4%; (ii) precision machining centres and precision grinding machines increased by 15.7% and 16.2% respectively; and (iii) others increased by 12.4%.

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

	<b>For the six months ended 30 September 2020</b>	<b>Proportion (%)</b>	<b>For the six months ended 30 September 2019</b>	<b>Proportion (%)</b>	<b>Period- on-period increase/ (decrease) (%)</b>
Precision lathes	<b>1,191,741</b>	<b>86.5%</b>	913,581	84.9%	<b>30.4%</b>
Precision machining centres	<b>92,519</b>	<b>6.7%</b>	79,963	7.4%	<b>15.7%</b>
Precision grinding machines	<b>47,070</b>	<b>3.4%</b>	40,520	3.8%	<b>16.2%</b>
Precision thread and form rolling machines	<b>5,831</b>	<b>0.4%</b>	4,721	0.4%	<b>23.5%</b>
Others	<b>41,671</b>	<b>3.0%</b>	37,069	3.5%	<b>12.4%</b>
<b>Total</b>	<b><u>1,378,832</u></b>	<b><u>100%</u></b>	<b><u>1,075,854</u></b>	<b><u>100%</u></b>	<b><u>28.2%</u></b>

### Gross Profit and Gross Profit Margin

During the six months ended 30 September 2020, gross profit increased by approximately 36.6% to approximately RMB320,620,000 as compared to the same period last year. Although the fierce market price competition continued in the last financial year, the overall gross profit margin also increased by approximately 1.5 percentage points to approximately 23.3% as compared to approximately 21.8% for the same period last year, mainly due to (i) the increase in the number of units produced by the Group as compared to the same period of last year as a result of the increase in orders due to the improvement in economy since this Period under Review after the pandemic in China has been effectively contained, and the positive impact of mass production on gross profit; and (ii) the increase in gross profit margin as a result of the Company's continuous efforts in cost reduction and efficiency enhancement.

## **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, compensation income, foreign exchange gains and others. During the six months ended 30 September 2020, other income and gains decreased by approximately RMB2,625,000 as compared to the same period last year to approximately RMB9,421,000, primarily due to (i) the decrease in government grants obtained by the Group during the Period under Review by approximately RMB6,332,000 as compared to the same period last year, and (ii) the increase in interest income during the Period under Review by approximately RMB3,796,000.

## **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 RMB4,436,000, or approximately 8.1%, as compared to the same period last year to approximately RMB59,108,000, representing approximately 4.3% of the Group's revenue for the Period under Review. Such increase was mainly attributable to the corresponding increase in selling and distribution expenses along with the increase in revenue during the Period under Review.

## **Administrative Expenses**

Administrative expenses primarily consist of salaries and benefits for management, administrative and financial personnel, 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.

During the Period under Review, administrative expenses increased by approximately RMB5,424,000, or approximately 13.1%, as compared to the same period last year to approximately RMB46,877,000, mainly due to the increase in administrative expenses of the Company as a result of the increase in sales and shipment volume and production volume during the Period under Review.

## **Other Expenses**

Other expenses primarily include foreign exchange losses, losses on the disposal of fixed assets, bank handling fees and others. During the Period under Review, other expenses decreased slightly as compared to the same period last year to approximately RMB529,000, mainly due to the decrease in bank handling fees during the Period under Review.

## **Impairment Losses on Financial Assets**

During the Period under Review, impairment losses on financial assets increased to approximately RMB5,553,000 as compared to RMB4,544,000 during the same period last year, mainly due to the increase in endorsement and discounting of bank bills received during the Period under Review and the increase in bills held at the end of September 2020.

## **Finance Costs**

During the Period under Review, finance costs were approximately RMB956,000 (for the same period last year: RMB49,000), which was due to the increase in discount interest paid for the discounting of bank bills of the Group during the Period under Review.

## **Income Tax Expenses**

During the Period under Review, income tax expenses increased by approximately 53.2% as compared to the same period last year to approximately RMB68,660,000, mainly due to the increase in revenue and profit before tax.

## **Profit for the Period**

As a result of the factors described above, the Group's profit for the period increased by approximately 47.3% from approximately RMB100,744,000 for the six months ended 30 September 2019 to approximately RMB148,358,000 for the six months ended 30 September 2020, representing an increase of approximately RMB47,614,000 as compared to the same period last year.

## **Liquidity, Financial Resources and Debt Structure**

During the Period under Review, the Group continued to maintain a healthy and solid liquidity position by adopting a prudent financial management approach on its financing and treasury policies. As at 30 September 2020, total cash and cash equivalents of the Group amounted to approximately RMB349,998,000 (as at 31 March 2020: approximately RMB205,010,000). Such increase was mainly due to the Group's two structured deposits of approximately RMB120,000,000 classified as financial assets measured at fair value as at 31 March 2020. Excluding such impact, the Group's cash and cash equivalents increased slightly by approximately RMB25,000,000.

As at 30 September 2020, the Group's cash and cash equivalents were mainly held in Renminbi and partly held in Hong Kong dollars and Japanese yen.

As at 30 September 2020, the Group recorded net current assets of approximately RMB1,082,142,000 (as at 31 March 2020: approximately RMB978,551,000) and its current ratio, calculated by dividing total current assets by total current liabilities, was approximately 2.9 times (as at 31 March 2020: approximately 3.2 times). Capital expenditures for the six months ended 30 September 2020 amounted to approximately RMB24,989,000, which was mainly related to the addition of factory buildings and mechanical equipment.

As at 30 September 2020, the Group had no outstanding bank loans and other borrowings (31 March 2020: nil) and no discounted bills with recourse (31 March 2020: nil). As at 30 September 2020, the Group's gearing ratio was approximately 0.15%, calculated by dividing the total debt (i.e. bank loans and other borrowing and lease liabilities) by the total equity (31 March 2020: 0.2%).

## Capital Commitments

As at 30 September 2020, the Group had capital commitments contracted but not contributed amounting to approximately RMB76,806,000 (as at 31 March 2020: approximately RMB49,855,000).

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

On 18 April 2018, Precision Tsugami (Anhui) Corporation\* (安徽津上精密機床有限公司) (“**Anhui PTC**”), a wholly-owned subsidiary of the Company, was established in Bowang District, Ma’anshan, Anhui Province, the PRC, with a registered capital of RMB50,000,000. Through Anhui PTC, the Company is establishing a new factory in Bowang District, Ma’anshan, Anhui Province, the PRC (the “**Anhui Investment**”). The Anhui Investment’s total investment amount is estimated to be approximately RMB275,000,000. Anhui PTC entered into the First Phase and Second Phase Construction Agreement with Ma’anshan Taiping Construction Installation Engineering Limited Liability Company\* (馬鞍山市太平建築安裝工程有限公司) (the “**Contractor**”) on 5 April 2019 and 1 August 2019, respectively, pursuant to which the Contractor will be responsible for the construction and installation works of certain plants and facilities (including 6 production plants, 1 office building and warehouse, etc.) of the Group’s production plants located in Bowang District, Ma’anshan, Anhui Province at a total construction amount of approximately RMB175.5 million. The construction work commenced in April 2019 and is expected to be completed in November 2020 due to the smooth process of the work. In addition, as part of the production equipment has been included and part of the prepayment has been paid, the installation and testing of the equipment are expected to be completed in March 2021. As of 30 September 2020, the construction amount paid and equipment prepayments amounted to approximately RMB160 million.

Save for the Anhui Investment disclosed above, the Group did not hold any other significant investment nor make any material acquisition or disposal of subsidiaries and associated companies during the Period under Review.

## Contingent Liabilities

As at 30 September 2020, the Group had no material contingent liabilities.

## Currency Risk and Management

Apart from a few overseas businesses settled in Japanese yen and US dollars, the sales and procurement by the Group are mainly denominated in RMB, therefore the management of the Group believes that the Company does not have significant foreign exchange risk.

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.



## **Employees and Remuneration Policy**

As at 30 September 2020, the Group employed 1,462 employees (as at 31 March 2020: 1,493), of whom 10 (as at 31 March 2020: 13) were transferred employees from the Controlling Shareholder. The Group's staff costs (including salaries, bonuses, social insurance, commercial insurance and provident funds) amounted to approximately RMB110,991,000 in aggregate (including directors' emoluments) (for the six months ended 30 September 2019: RMB101,657,000), representing approximately 8.05% 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. The Group's 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.

## **OUTLOOK**

During the Period under Review, as the demand for high-end CNC machine tools from various downstream industries in China continued to increase, coupled with the anti-pandemic efforts of major industrial countries in the world, it is expected that the demand in the overseas markets will also recover gradually. It is expected that this will consolidate and extend the new cycle of prosperity of the manufacturing industry.

The Group will place more emphasis on the research and development of applications that fit market needs and provide the best solutions according to the market demands. The Group has always attached great importance to the cost control of its products and will endeavour to maintain its advantages amid increasingly intense market competition in the future. As the demand for short delivery period in the domestic machine tool market becomes more normalised, the Group will strive to enhance its ability to cope with short delivery period orders based on its efficient inventory and production management.

Although potential risks such as the escalation of the Sino-US trade friction and the persistent COVID-19 pandemic may still have a significant impact on the direction of the economic situation, the Group will pay close attention to the development and changes of the macroeconomic conditions, assess the situation and seize the opportunities to achieve better results.

## **EVENTS AFTER THE END OF THE PERIOD UNDER REVIEW**

After the Period under Review and up to the date of this announcement, the Board was not aware of any significant events relating to the business or financial performance of the Group.

## **INTERIM DIVIDENDS**

The Board declared the payment of an interim dividend of HK\$0.15 per share for the six months ended 30 September 2020 (2019: HK\$0.15) to the shareholders of the Company whose names appear on the register of members of the Company as at Thursday, 10 December 2020, the payment of which is expected to be made on Monday, 11 January 2021.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the period from Tuesday, 8 December 2020 to Thursday, 10 December 2020 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible for the interim dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 7 December 2020.

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

During the Period under Review, the Company repurchased a total of 422,000 shares on the Stock Exchange (the "Share Repurchase"), of which 232,000 shares had been cancelled on 2 June 2020. Details of the Share Repurchase during the Period under Review are as follows:

Month of Repurchase	Number of shares repurchased	Price per Share		Aggregate price (excluding commission fee, etc.) HK\$
		Highest HK\$	Lowest HK\$	
April	219,000	6.45	6.00	1,364,570
May	13,000	6.45	6.26	83,000
August	171,000	6.36	5.65	1,015,050
September	19,000	6.50	6.18	119,460

The Board believes that the Share Repurchase may, depending on market conditions and funding arrangements at that time, lead to an enhancement of its earning per share, and will benefit the Company and shareholders.

Save as disclosed above, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the Period under Review.

## PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as of 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

During the Period under Review, 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. The Company has complied with the code provisions as set out in the CG Code during the Period under Review.

## **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 under Review.

## **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 2020 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](http://www.hkexnews.hk)) and the Company’s website ([www.tsugami.com.cn](http://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, 12 November 2020

*As at the date of this announcement, the executive Directors are Dr. Tang Donglei and Dr. Li Zequn; the non-executive Directors are Mr. Takao Nishijima, Ms. Mami Matsushita and Mr. Seiji Tsuishu; and the independent non-executive Directors are Dr. Eiichi Koda, Dr. Huang Ping and Mr. Tam Kin Bor.*