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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 2021**

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 2021 (the “**Period under Review**”) together with the unaudited comparative figures for the corresponding period in 2020. 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

		For the six months ended 30 September	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
	<i>Notes</i>		
<b>REVENUE</b>	4	<b>2,370,339</b>	1,378,832
Cost of sales		<u>(1,711,513)</u>	<u>(1,058,212)</u>
<b>GROSS PROFIT</b>		<b>658,826</b>	320,620
Other income and gains		<b>139,706</b>	9,421
Selling and distribution expenses		<b>(79,407)</b>	(59,108)
Administrative expenses		<b>(46,179)</b>	(46,877)
Impairment losses on financial assets		<b>(1,591)</b>	(5,553)
Other expenses		<b>(110,456)</b>	(529)
Finance costs		<b>(1,063)</b>	(956)
<b>PROFIT BEFORE TAX</b>		<b>559,836</b>	217,018
Income tax expense	5	<u>(182,179)</u>	<u>(68,660)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>377,657</b></u>	<u>148,358</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>377,657</b></u>	<u>148,358</u>
<b>Attributable to:</b>			
Owners of the parent		<u><b>377,657</b></u>	<u>148,358</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)			
— For profit for the period	7	<u><b>0.99</b></u>	<u>0.39</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2021	31 March 2021
	<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		<b>501,318</b>	507,688
Right-of-use assets		<b>43,496</b>	44,997
Intangible assets		<b>3,669</b>	4,151
Deferred tax assets		<b>14,577</b>	16,358
		<hr/>	<hr/>
Total non-current assets		<b>563,060</b>	573,194
<b>CURRENT ASSETS</b>			
Inventories		<b>758,826</b>	675,419
Trade and notes receivables	8	<b>1,286,015</b>	988,204
Prepayments, other receivables and other assets		<b>105,389</b>	34,484
Pledged deposits		<b>12,396</b>	7,539
Cash and cash equivalents		<b>677,644</b>	430,115
		<hr/>	<hr/>
Total current assets		<b>2,840,270</b>	2,135,761
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	9	<b>922,314</b>	554,473
Other payables and accruals		<b>217,205</b>	275,398
Interest-bearing bank and other borrowings		<b>24,421</b>	–
Lease liabilities		<b>1,949</b>	2,279
Tax payable		<b>102,248</b>	55,314
Provision		<b>10,286</b>	7,877
		<hr/>	<hr/>
Total current liabilities		<b>1,278,423</b>	895,341
<b>NET CURRENT ASSETS</b>		<b>1,561,847</b>	1,240,420
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,124,907</b>	1,813,614
		<hr/>	<hr/>

	<b>30 September 2021 RMB'000 (Unaudited)</b>	31 March 2021 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>581</b>	1,013
Deferred tax liabilities	<b>41,288</b>	28,953
Other liabilities	<b>8,500</b>	7,300
Deferred income	<b>17,691</b>	18,000
	<hr/>	<hr/>
Total non-current liabilities	<b>68,060</b>	55,266
	<hr/>	<hr/>
<b>Net assets</b>	<b>2,056,847</b>	1,758,348
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	<b>319,836</b>	319,836
Reserves	<b>1,737,011</b>	1,438,512
	<hr/>	<hr/>
<b>Total equity</b>	<b>2,056,847</b>	1,758,348
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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 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. During the period, the Group was primarily involved in the manufacture and sale of computer numerical control (“**CNC**”) high precision machine tools.

In the opinion of the directors of the Company (the “**Directors**”), the holding company and the ultimate holding company of the Company is Tsugami Corporation (the “**Controlling Shareholder**”), a company incorporated in Japan whose shares are 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 2021 has been prepared in accordance with 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 2021.

### 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 2021, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

### 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. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

The Group solely 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Types of goods or services</b>		
Sale of goods	2,367,259	1,376,536
Rendering of services	3,080	2,296
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>2,370,339</b>	<b>1,378,832</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Geographical information</b>		
Mainland China	2,017,233	1,147,968
Overseas	353,106	230,864
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>2,370,339</b>	<b>1,378,832</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	2,367,259	1,376,536
Services rendered at a point in time	3,080	2,296
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>2,370,339</b>	<b>1,378,832</b>
	<hr/> <hr/>	<hr/> <hr/>

### 5 INCOME TAX

The Group is subject to 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% (six months ended 30 September 2020: 16.5%).

The provision for Mainland China current income tax is based on the statutory rate of 25% (six months ended 30 September 2020: 25%, except for a high-tech technology enterprise of the Group in Mainland China, which was taxed at a preferential rate of 15%) 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.

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>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Income tax:</b>		
Current tax	168,063	58,787
Deferred tax	14,116	9,873
	<u>182,179</u>	<u>68,660</u>
<b>Total tax charge for the period</b>	<b><u>182,179</u></b>	<b><u>68,660</u></b>

## 6 DIVIDENDS

The proposed final dividend for the year ended 31 March 2021 of HK\$0.25 per share totalling HK\$95,201,000 was approved by the shareholders on 16 August 2021 and fully paid in September 2021.

## 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.

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>2021</b>	<b>2020</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	377,657	148,358
	<u>377,657</u>	<u>148,358</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	380,804,000	380,973,344
	<u>380,804,000</u>	<u>380,973,344</u>

## 8 TRADE AND NOTES RECEIVABLES

	<b>30 September</b>	<b>31 March</b>
	<b>2021</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables*	297,599	238,210
Notes receivable	990,402	751,625
Impairment	(1,986)	(1,631)
	<u>1,286,015</u>	<u>988,204</u>

\* 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 has a credit control department to minimise credit risk. Overdue balances are reviewed regularly and actively monitored by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

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

	<b>30 September 2021 RMB'000 (Unaudited)</b>	31 March 2021 RMB'000 (Audited)
Within 3 months	257,116	213,131
3 months to 6 months	38,467	23,448
6 months to 1 year	30	–
	<u>295,613</u>	<u>236,579</u>

## 9 TRADE AND NOTES PAYABLES

	<b>30 September 2021 RMB'000 (Unaudited)</b>	31 March 2021 RMB'000 (Audited)
Trade payables*	804,456	485,083
Notes payable	117,858	69,390
	<u>922,314</u>	<u>554,473</u>

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

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 2021 RMB'000 (Unaudited)</b>	31 March 2021 RMB'000 (Audited)
Within 3 months	804,266	484,960
Over 3 months	190	123
	<u>804,456</u>	<u>485,083</u>

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 2021, the board of directors has declared an interim dividend of HK\$0.4 per share in aggregate of HK\$152,321,600 payable to the shareholders of the Company for the six months ended 30 September 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of this fiscal year (six months ended 30 September 2021), China's manufacturing industry pressed on with its positive momentum seen from the second half of the last fiscal year, with each downstream segment demonstrating enormous demand for CNC machine tools. Compared to when the automobile industry still witnessed relative sluggishness during the same period of the last fiscal year, the Company's sales in the automobile industry during the Period under Review increased significantly, in particular, sales in new energy vehicles improved substantially. The automation and hydraulic parts industry also exhibited a considerable growth. The 3C (computer, communication and consumer electronic products) industry continued to demonstrate a high level of demand since the previous fiscal year. On the other hand, in the first half of the last fiscal year, due to the disruptions brought about by the COVID-19 pandemic, demand from overseas markets fell sharply, but gradually resumed in the second half of the last fiscal year. During the Period under Review, demands from overseas markets further restored to historical high. It is clear that the global CNC machine tools market has entered into another cycle of prosperity.

For the Period under Review, the Group recorded sales revenue of approximately RMB2,370,339,000, representing an increase of approximately 71.9% as compared to the same period last year. The gross profit margin increased from approximately 23.3% for the same period last year to approximately 27.8% for the Period under Review. The net profit for the Period under Review was RMB377,657,000, representing an increase of approximately 154.6% as compared to the same period last year, and the net profit margin increased from approximately 10.8% for the same period last year to approximately 15.9%.

Basic earnings per share amounted to approximately RMB0.99 for the Period under Review, representing an increase of approximately 153.8% as compared to the same period last year.

The above-mentioned performance represents an exceptionally promising performance in the first half of the year since the inception of the Company.

As the environment on the macroeconomic front, market demand will change from time to time, and the demand for downstream manufacturing will inevitably undergo cyclical changes, the Company has been committed to strengthen its own management capabilities, and has considered changes in the external environment as challenges and opportunities in the course of development. The continuous creation and development of its own core competitiveness provides the Company a competitive edge over its competitors. For example, the customer-oriented business philosophy, the growth in tandem with customers and the achievement of win-win results pursued by the Company, coupled with the cost-effective products, capabilities of orders with short delivery period and efficient pre-sales and after-sales service systems have become the driving force of the Company's development. Having full confidence in the development prospects of China's CNC machine tools market, the Company firmly believes that through putting continuous efforts into its business operation, the development of the Group can be further fostered in terms of both quality and quantity.

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 September 2021, total revenue of the Group amounted to approximately RMB2,370,339,000, representing a period-on-period increase of approximately RMB991,507,000 or 71.9%. The increase in the total revenue was primarily due to the significant increase in the numbers of orders and delivery of the Company as a result of the improvement of the overall domestic economic situation since the second half of last year and the special needs from some industries for CNC machine tools after being affected by the COVID-19 epidemic. In particular, (i) the sales of precision lathes, as the principal machine type of the Company, increased by approximately RMB888,876,000, representing a period-on-period increase of approximately 74.6%; and (ii) other machine types such as precision grinding machines increased by more than 90% as compared with the same period last year, and precision machining centres and precision thread and form rolling machines both increased by nearly 30%.

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 2021</b>	<b>Proportion (%)</b>	<b>For the six months ended 30 September 2020</b>	<b>Proportion (%)</b>	<b>Period- on-period increase/ (decrease) (%)</b>
Precision lathes	<b>2,080,617</b>	<b>87.8%</b>	1,191,741	86.5%	<b>74.6%</b>
Precision machining centres	<b>120,141</b>	<b>5.1%</b>	92,519	6.7%	<b>29.9%</b>
Precision grinding machines	<b>90,383</b>	<b>3.8%</b>	47,070	3.4%	<b>92.0%</b>
Precision thread and form rolling machines	<b>7,562</b>	<b>0.3%</b>	5,831	0.4%	<b>29.7%</b>
Others	<b>71,636</b>	<b>3.0%</b>	41,671	3.0%	<b>71.9%</b>
<b>Total</b>	<b><u>2,370,339</u></b>	<b><u>100%</u></b>	<b><u>1,378,832</u></b>	<b><u>100%</u></b>	<b><u>71.9%</u></b>

### Gross Profit and Gross Profit Margin

During the six months ended 30 September 2021, gross profit increased by approximately 105.5% to approximately RMB658,826,000 as compared to the same period of last year. The overall gross profit margin also increased by approximately 4.5% to approximately 27.8% as compared to approximately 23.3% for the same period of last year, mainly due to (i) the positive effect of mass production on profit margin brought by the significant increase in the number of orders & units produced by the Company as compared to the same period of last year, which was the result of the improvement in economic environment after effective containment of the pandemic in the second half of last year, as well as the impact of overseas production capacity flowing into China because of the ongoing challenging situation of COVID-19 pandemic in overseas regions, which has led to the increase in demands for machine tools in the domestic manufacturing industry; 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 2021, other income and gains increased by approximately RMB130,285,000 as compared to the same period of last year to approximately RMB139,706,000, primarily due to (i) the increase in government grants obtained by the Group during the Period under Review by approximately RMB23,984,000 as compared to the same period last year, and (ii) the estimated insurance compensation income from the fire which broke out in one of the production plants of the Group (the “**Factory Fire**”) (details of which are set out in the announcement of the Company dated 18 August 2021) of RMB107,403,000 during the Period under Review.

## **Selling and Distribution Expenses**

Selling and distribution expenses primarily consist of staff salaries and benefits, transportation and insurance expenses, 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 were approximately RMB79,407,000, accounting for approximately 3.4% of the Group’s revenue, representing an increase of approximately RMB20,299,000, or approximately 34.3%, as compared to the same period last year. It was mainly attributable to the increase in labor cost for sales and after-sales service staffs and in other corresponding sales and distribution expenses resulted from sales growth during the Period under Review.

## **Administrative Expenses**

Administrative expenses primarily consist of salaries and benefits for management, administrative and financial personnel, administrative costs, customization and development expenses, depreciation expenses relating to property, plant and equipment used for administrative purposes, amortisation expenses for the management information systems, and other taxes and levies. During the Period under Review, administrative expenses of the Group was approximately RMB46,179,000, which represented a slight decrease of approximately RMB698,000, or approximately 1.5%.

## **Other Expenses**

Other expenses primarily include foreign exchange losses, losses on the disposal of fixed assets and others. During the Period under Review, the Group recorded other expenses of approximately RMB110,456,000, which increased period-on-period by approximately RMB109,927,000, mainly due to the asset loss of approximately RMB107,403,000 caused by the Factory Fire during the Period under Review.

## **Impairment Losses on Financial Assets**

During the Period under Review, impairment losses on financial assets of the Group decreased to approximately RMB1,591,000 as compared to RMB5,553,000 during the same period of last year, mainly due to the changes in accounting standards, whereas the accounting items for impairment losses of financial assets arising from changes in fair values have been adjusted.

## **Finance Costs**

During the Period under Review, finance costs of the Group were approximately RMB1,063,000 (for the same period of last year: RMB956,000), 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 of the Group increased by approximately 165.3% as compared to the same period of last year to approximately RMB182,179,000, mainly due to the increase in revenue and profit before tax.

## **Profit for the Period**

Owing to the factors described above, the Group's profit for the six months ended 30 September 2021 was RMB377,657,000, representing an increase of approximately 154.6% or approximately RMB229,299,000 as compared to the same period of 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 2021, total cash and cash equivalents of the Group amounted to approximately RMB677,644,000 (as at 31 March 2021: approximately RMB430,115,000). Such growth was mainly due to the increase in net operating cash inflows contributed by the profit surge of the Company (for the six months ended 30 September 2021, the net operating cash inflows of the Company were approximately RMB318,051,000).

As at 30 September 2021, 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 2021, the Group recorded net current assets of approximately RMB1,561,847,000 (as at 31 March 2021: approximately RMB1,240,420,000) and its current ratio, calculated by dividing total current assets by total current liabilities, was approximately 2.2 times (as at 31 March 2021: approximately 2.4 times). Capital expenditures for the six months ended 30 September 2021 amounted to approximately RMB27,239,000, which was mainly used to fund the addition of factory buildings and mechanical equipment.

As at 30 September 2021, the Group had no outstanding bank loans and other borrowing (31 March 2021: nil), and discounted bills with recourse amounted to approximately RMB24,421,000 (31 March 2021: nil). As at 30 September 2021, the Group's gearing ratio was approximately 1.3%, calculated by dividing the sum of bank loans and other borrowing and lease liabilities by the total equity (31 March 2021: 0.2%).

## **Capital Commitments**

As at 30 September 2021, the Group had capital commitments contracted but not provided for amounting to approximately RMB12,851,000 (as at 31 March 2021: approximately RMB7,831,000).

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

On 18 April 2018, Precision Tsugami (Anhui) Corporation\* (安徽津上精密机床有限公司) (“**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. The total investment amount of Anhui PTC is estimated to be approximately RMB275,000,000, including constructions of 6 production plants, 1 office building and warehouse, with a total construction amount of approximately RMB175.5 million. The construction work commenced in April 2019, with main buildings completed in October 2020 and all works completed and accepted on 31 March 2021. In addition, part of the production equipment has been included and accepted, of which RMB184,731,000 has been recognized as fixed assets, and approximately RMB34,838,000 as construction in progress as of 30 September 2021. It is expected that all equipment will be accepted and recognized as fixed assets by the end of this fiscal year. In order to achieve steady growth in the future, the registered capital of Anhui PTC has been increased to RMB150 million.

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

## **Contingent Liabilities**

As at 30 September 2021, 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 2021, the Group employed 1,987 employees (as at 31 March 2021: 1,812), of whom 13 (as at 31 March 2021: 10) 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 RMB153,339,000 in aggregate (including directors’ emoluments) (for the six months ended 30 September 2020: RMB110,991,000), representing approximately 6.47% 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 specialized training to its employees to promote their upward mobility in the organization 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, especially in the first quarter, the CNC machine tools market showed a historically high level of prosperity, with occasional signs of overheat. With the market sentiments gradually improving with sustainable optimism, and given that there are a large number of orders on hand to be delivered, the Company is confident in its business performance for the remaining year.

On the other hand, the Company is paying close attention to the changing market conditions, in particular, the impact on the demand for manufacturing industry as a result of the power supply restriction measures implemented across China since September 2021, which remains to be evaluated.

The Company continues to place emphasis on the development and changes in the macroeconomic situation and leading market trends and conditions, as well as on self-strengthening operation. For its long-term development, the Group will continue to expand and enhance the production capacities of various factories of the Group, invest in new products, with an aim to explore new markets and further expand its customer bases. Meanwhile, the Company will pay more attention to cost control of its production, further leverage on the advantage of orders with short delivery period to maintain a rapid and stable development trend amid a more complex and competitive market environment in the future.

## **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\$0.4 per share for the six months ended 30 September 2021 (2020: HK\$0.15) to the shareholders of the Company whose names appear on the register of members of the Company as at Thursday, 9 December 2021, the payment of which is expected to be made on Monday, 10 January 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed for the period from Tuesday, 7 December 2021 to Thursday, 9 December 2021 (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, 6 December 2021.

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

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries for the six months ended 30 September 2021.

## **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 2021 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 2021

*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. Kenji Yoneyama; and the independent non-executive directors are Dr. Eiichi Koda, Dr. Huang Ping and Mr. Tam Kin Bor.*

\* for identification purpose only