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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 2024**

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 2024 (the “**Period under Review**”) together with the unaudited comparative figures for the corresponding period in 2023. Such results have been reviewed by the external auditor Ernst & Young and the audit committee of the Company.

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

| | <i>Notes</i> | For the six months ended | |
|---|--------------|---------------------------------|-----------------------|
| | | 2024 | 2023 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Unaudited) |
| REVENUE | <i>4</i> | 1,978,056 | 1,494,386 |
| Cost of sales | | (1,343,113) | (1,080,309) |
| GROSS PROFIT | | 634,943 | 414,077 |
| Other income and gains | | 36,460 | 49,056 |
| Selling and distribution expenses | | (93,057) | (76,062) |
| Administrative expenses | | (85,633) | (54,207) |
| Impairment loss on financial assets, net | | (70) | 1,326 |
| Other expenses | | (750) | (7,545) |
| Finance costs | | (402) | (606) |
| PROFIT BEFORE TAX | | 491,491 | 326,039 |
| Income tax expense | <i>5</i> | (151,455) | (104,781) |
| PROFIT FOR THE PERIOD | | <u>340,036</u> | <u>221,258</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>340,036</u> | <u>221,258</u> |
| ATTRIBUTABLE TO: | | | |
| Owners of the parent | | <u>340,036</u> | <u>221,258</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted (RMB) | | | |
| — For profit for the period | <i>7</i> | <u>0.90</u> | <u>0.58</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 30 September 2024 <i>Notes</i> RMB'000 (Unaudited) | 31 March 2024 RMB'000 (Audited) |
|--|---|--|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 573,213 | 567,773 |
| Right-of-use assets | 70,106 | 71,262 |
| Intangible assets | 6,512 | 5,475 |
| Equity investments designated at fair value through other comprehensive income | 3,775 | 3,775 |
| Deferred tax assets | 25,413 | 20,932 |
| | 679,019 | 669,217 |
| CURRENT ASSETS | | |
| Inventories | 968,719 | 857,075 |
| Trade and notes receivables | 8 1,141,877 | 981,537 |
| Prepayments, other receivables and other assets | 16,832 | 13,343 |
| Cash and bank balances | 948,520 | 1,111,063 |
| | 3,075,948 | 2,963,018 |
| CURRENT LIABILITIES | | |
| Trade and notes payables | 9 459,253 | 533,783 |
| Other payables and accruals | 163,097 | 189,754 |
| Lease liabilities | 2,001 | 2,184 |
| Tax payable | 78,138 | 73,492 |
| Provision | 8,927 | 6,995 |
| | 711,416 | 806,208 |
| NET CURRENT ASSETS | 2,364,532 | 2,156,810 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 3,043,551 | 2,826,027 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

| | 30 September 2024 RMB'000 (Unaudited) | 31 March 2024 <i>RMB'000</i> (Audited) |
|--|--|---|
| NON-CURRENT LIABILITIES | | |
| Lease liabilities | 1,682 | 1,902 |
| Deferred tax liabilities | 111,679 | 91,280 |
| Deferred income | 17,349 | 18,099 |
| Other liabilities | 12,617 | 13,157 |
| | <u>143,327</u> | <u>124,438</u> |
| Total non-current liabilities | <u>143,327</u> | <u>124,438</u> |
| NET ASSETS | <u>2,900,224</u> | <u>2,701,589</u> |
| EQUITY | | |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | | |
| Issued capital | 319,626 | 319,836 |
| Treasury shares | (31,141) | (27,431) |
| Reserves | 2,611,739 | 2,409,184 |
| | <u>2,900,224</u> | <u>2,701,589</u> |
| TOTAL EQUITY | <u>2,900,224</u> | <u>2,701,589</u> |

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 address of the Company is located at Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, 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.

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 2024 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 2024.

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 2024, 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 16 | <i>Lease Liability in a Sale and Leaseback</i> |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”) |
| Amendments to IAS 1 | <i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”) |
| Amendments to IAS 7 and IFRS 7 | <i>Supplier Finance Arrangements</i> |

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 April 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment which is the manufacture and sale of high precision CNC machine tools. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and conducting performance assessment.

4 REVENUE

An analysis of revenue is as follows:

| | For the six months ended | |
|--|---------------------------------|--------------------|
| | 30 September | |
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | | |
| Sale of goods | 1,974,920 | 1,491,153 |
| Rendering of services | 3,136 | 3,233 |
| | <u>1,978,056</u> | <u>1,494,386</u> |
| Total | 1,978,056 | 1,494,386 |

Disaggregated revenue information for revenue from contracts with customers.

| | For the six months ended | |
|--|---------------------------------|--------------------|
| | 30 September | |
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Type of goods or services | | |
| Sale of high precision CNC machine tools | 1,974,920 | 1,491,153 |
| Rendering of services | 3,136 | 3,233 |
| Total | 1,978,056 | 1,494,386 |
| Geographical markets | | |
| Chinese Mainland | 1,684,905 | 1,248,770 |
| Overseas | 293,151 | 245,616 |
| Total | 1,978,056 | 1,494,386 |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | 1,974,920 | 1,491,153 |
| Services rendered at a point in time | 3,136 | 3,233 |
| Total | 1,978,056 | 1,494,386 |

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 provided at the rate of 16.5% (six months ended 30 September 2023: 16.5%) on the estimated assessable profits arising in Hong Kong.

The provision for Chinese Mainland current income tax is calculated based on the statutory rate of 25% (six months ended 30 September 2023: 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.

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

| | For the six months ended | |
|--|---------------------------------|--------------------|
| | 30 September | |
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Income tax: | | |
| Current tax | 135,537 | 99,857 |
| Deferred tax | 15,918 | 4,924 |
| Total tax charge for the period | 151,455 | 104,781 |

6 DIVIDENDS

| | For the six months ended 30 September | |
|--|--|--------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Final dividends paid for the year ended 31 March 2024 | | |
| – HK\$0.40 per ordinary share | | |
| (HK\$0.40 per ordinary share for the year ended 31 March 2023) | 138,372 | 140,122 |

On 13 November 2024, the board of directors proposed the payment of an interim dividend of HK\$0.45 per ordinary share for the six months ended 30 September 2024. The source of the proposed payment of an interim dividend is scheduled to be the retained profits.

7 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 377,515,269 (six months ended 30 September 2023: 380,804,000) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted earnings per share is based on:

| | For the six months ended 30 September | |
|--|--|--------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation | 340,036 | 221,258 |
| | 377,515,269 | 380,804,000 |
| | 649,722 | – |
| Total | 378,165,041 | 380,804,000 |

* The diluted earnings per share amount is calculated based on the profit for the six months ended 30 September 2024 of RMB340,036,000 and the weighted average number of ordinary shares of 378,165,041 in issue during the six months ended 30 September 2024.

8 TRADE AND NOTES RECEIVABLES

| | 30 September 2024 RMB'000 (Unaudited) | 31 March 2024 RMB'000 (Audited) |
|---------------------|--|--|
| Trade receivables* | 161,510 | 111,688 |
| Notes receivable | 982,118 | 871,290 |
| Impairment | (1,751) | (1,441) |
| Net carrying amount | <u>1,141,877</u> | <u>981,537</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:

| | 30 September 2024 RMB'000 (Unaudited) | 31 March 2024 RMB'000 (Audited) |
|----------------------|--|--|
| Within 3 months | 159,742 | 110,211 |
| 3 months to 6 months | 17 | 36 |
| Total | <u>159,759</u> | <u>110,247</u> |

9 TRADE AND NOTES PAYABLES

| | 30 September 2024 RMB'000 (Unaudited) | 31 March 2024 RMB'000 (Audited) |
|-----------------|--|--|
| Trade payables* | 380,700 | 452,107 |
| Notes payable | 78,553 | 81,676 |
| Total | <u>459,253</u> | <u>533,783</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:

| | 30 September 2024 RMB'000 (Unaudited) | 31 March 2024 RMB'000 (Audited) |
|-----------------|--|--|
| Within 3 months | 380,688 | 452,099 |
| Over 3 months | <u>12</u> | <u>8</u> |
| Total | <u>380,700</u> | <u>452,107</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 13 November 2024, the Board declared an interim dividend of HK\$0.45 per share for the six months ended 30 September 2024 payable to the equity holders whose names appear on the register of members of the Company as of 12 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The downtrend in the domestic CNC machine tools industry has slowed down and almost hit bottom during the third quarter of 2023. Since March this year, there has been a significant recovery in the market. Following the downturn of China's manufacturing industry in the second half of 2022 and the full year of 2023, the pent-up demand in the downstream manufacturing industry began to rebound. Additionally, with the recovery of the macroeconomic situation, the operating rate of downstream enterprises has improved, resulting in a significant growth in the demand for production equipment. The CNC machine tools industry entered the cyclical recovery stage and gradually returned to the upward trend. On the other hand, due to the impact of international geopolitics, some domestic manufacturing enterprises began to shift their investment in expanding production capacity overseas, which coupled with a number of negative factors over the past two years, such as the pandemic prevention and the downturn in the real estate industry, led to a lack of confidence and a more cautious attitude towards equipment investment by downstream customers. Therefore, the competition among all enterprises in the CNC machine tools industry remains fierce.

In the above-mentioned external environment, the Group seized opportunities as they arose to assist customers in problem solving by improving or maintaining product performance, fostered closer relationships with customers through various exhibitions, and backed by its achievements in cost reduction and efficiency improvement within the Group to appropriately lower its selling prices to maintain a competitive edge over its competitors with excellent cost effectiveness. The Group's orders and sales rebounded significantly in the second quarter of this calendar year. After entering the third quarter of this calendar year, due to the off-season sales of the industry in the summer, the Group's order volume declined slightly, but still significantly increased as compared with the same period of last year. As a result, the Group's sales and profits for the entire first half of the year showed a significant increase as compared with the same period of last year.

During the Period under Review, the Group's orders increased, and the sales revenue and net profit increased by approximately 32.4% and 53.7% year-on-year to approximately RMB1,978,056,000 and RMB340,036,000 respectively. While the sales revenue and profit increased substantially, the profitability during the Period under Review continued to achieve significant improvement. The gross profit margin increased by approximately 4.4 percentage points to approximately 32.1% as compared with the same period of last year. The net profit margin increased by approximately 2.4 percentage points to approximately 17.2% as compared with the same period of last year. Both the gross profit margin and net profit margin have reached their highest levels since the Company's inception.

Basic earnings per share during the Period under Review was approximately RMB0.90 (same period of last year: RMB0.58).

During the Period under Review, in face of the increasingly competitive market, the Group proactively adjusted the pricing strategy of its products, and increased its investment in research and development. In addition to the continued introduction of new models, the Group also focused on optimizing its existing models based on customer needs through research and development and design, striving to expand its product lines and further tap into the potential demand of the market segments, to secure more orders and boost the sales of the Company. In terms of marketing, our major sales branches proactively organised and participated in various trade fairs in areas close to our customers to strengthen the connection with customers, and enable them to have a better understanding of the Company's products. In addition, the Group continued to encourage all employees to actively participate in cost reduction and efficiency improvement, strived for excellence in material usage, production process improvement, technology research and development, cost control, and provided customers with more cost-effective products, thereby succeeding in competition. We are pleased to report to our shareholders in the last annual results report and this interim results announcement that the Company's operating system and profitability continued to be significantly improved thanks to the unremitting operating efforts of the Company's management and the concerted endeavor of all employees.

At the same time, the Group continued to promote its production expansion plan in accordance with the scheduled plan. During the Period under Review, with the view of preparing for the next step of the assembly of the whole machine, Precision Tsugami Anhui continued to increase parts and components processing categories to expand its machining capacity of parts and components. During the Period under Review, the new plant of the fifth factory in Pinghu completed construction and passed the completion acceptance in August. It will be put into operation as an assembly plant for turret machines in the second half of this financial year, in preparation for the production capacity to realize the Company's medium and long-term plan targets.

FINANCIAL REVIEW

Revenue

During the six months ended 30 September 2024, the total revenue of the Group amounted to approximately RMB1,978,056,000, representing an increase of approximately RMB483,670,000 or approximately 32.4% as compared with the same period of last year. The increase in the total revenue was primarily due to the fact that China's economy has basically bottomed out after a two-year downward cycle and showed a gradual recovery trend in 2024, with an increase in the operating rates of the customers and a release of the demand for purchasing equipment. In addition, through the Company's own efforts and enhancements brought about by the continuous implementation of cost reduction and efficiency improvement, the cost-effectiveness and competitiveness of its products have been significantly improved. During the Period under Review, both the orders and deliveries of the Company recorded an increase, of which, (i) the sales of precision lathes increased by approximately RMB455,982,000 or approximately 36.1%, which had the biggest impact on the Company's revenue; (ii) the sales of precision machining centres increased by 8.7% as compared with the same period of last year; and (iii) the sales of precision grinding machines increased by 5.4% as compared with the same period of last year.

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

| | For the six months ended 30 September 2024 | | For the six months ended 30 September 2023 | | Year-on-year increase/ (decrease) |
|-----------------------------|--|----------------|--|----------------|-----------------------------------|
| | | Proportion (%) | | Proportion (%) | (%) |
| Precision lathes | 1,717,388 | 86.8% | 1,261,406 | 84.4% | 36.1% |
| Precision machining centres | 80,429 | 4.1% | 73,961 | 5.0% | 8.7% |
| Precision grinding machines | 85,608 | 4.3% | 81,227 | 5.4% | 5.4% |
| Others* | 94,631 | 4.8% | 77,792 | 5.2% | 21.6% |
| Total | 1,978,056 | 100% | 1,494,386 | 100% | 32.4% |

* Others include income from sales of precision thread and form rolling machines, parts and components and after-sales service.

Gross Profit and Gross Profit Margin

The gross profit during the six months ended 30 September 2024 amounted to approximately RMB634,943,000, representing an increase of approximately 53.3% as compared with the same period of last year. The overall gross profit margin increased by approximately 4.4 percentage points to approximately 32.1% as compared to approximately 27.7% for the same period of last year. The increase mainly benefited from the enhancements brought about by the Group's continuous implementation of cost reduction and efficiency improvement, which not only enhanced the competitiveness of the Company's products, but also significantly improved the Company's profitability, the effects of which were also reflected in the Company's performance.

Other Income and Gains

Other income and gains of the Group primarily consist of bank interest income, gains 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 2024, other income and gains decreased by approximately RMB12,596,000 as compared with the same period of last year to approximately RMB36,460,000, primarily due to the decrease in bank interest income of approximately RMB8,515,000 as a result of the reduction in the interest rate on bank deposits during the Period under Review. In addition, there was also a decrease in government subsidies such as software tax rebates of approximately RMB3,464,000.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff salaries and benefits, transportation and insurance expenses, warranty expenses, travel expenses, office utility expenses, marketing and advertisement expenses and depreciation costs. During the Period under Review, selling and distribution expenses of the Group amounted to approximately RMB93,057,000, representing an increase of approximately RMB16,995,000, or approximately 22.3% as compared to the same period of last year, accounting for approximately 4.7% of the Group's revenue. Such an increase was mainly due to the increase in the salaries and benefits of the sales and customer service staff and the increase in the after-sales service and warranty expenses 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, and other taxes and levies. During the Period under Review, the administrative expenses of the Group amounted to approximately RMB85,633,000, representing an increase of approximately RMB31,426,000, or approximately 58.0% as compared to the same period of last year, accounting for approximately 4.3% of the Group's revenue. Such an increase was mainly due to the increase in the staff salaries and benefits expenses and the increase in the customisation and development expenses during the Period under Review.

Other Expenses

Other expenses primarily consist of exchange losses, losses on the disposal of fixed assets and others. During the Period under Review, other expenses of the Group amounted to approximately RMB750,000, representing a decrease of approximately RMB6,795,000 as compared with the same period of last year, which was mainly due to the decrease in the net exchange losses incurred during the Period under Review.

Impairment Loss on Financial Assets, Net

During the Period under Review, the net impairment loss on financial assets of the Group amounted to approximately RMB70,000, as compared to the net impairment gains of approximately RMB1,326,000 during the same period of last year, mainly due to an increase in the impairment provisions as a result of an increase in accounts and notes receivables.

Finance Costs

During the Period under Review, the finance costs of the Group were approximately RMB402,000 (for the same period of last year: RMB606,000), which was due to the decrease in interest arising from the discounting of bank bills of the Group during the Period under Review.

Income Tax Expense

During the Period under Review, the income tax expense of the Group increased by approximately 44.5% as compared with the same period of last year to approximately RMB151,455,000, which was mainly due to the increase in revenue and profit before tax.

Profit for the Period

As a result of the aforementioned factors, the Group's profit for the six months ended 30 September 2024 amounted to approximately RMB340,036,000, representing an increase of approximately 53.7%, or approximately RMB118,778,000 as compared with 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 towards its funding and treasury policies. As at 30 September 2024, the total cash and bank balances of the Group amounted to approximately RMB948,520,000 (31 March 2024: approximately RMB1,111,063,000). Such decrease was mainly due to the decrease in net operating cash inflow of the Company during the Period under Review. This was mainly due to an increase in inventories of approximately RMB110,030,000, resulting from the corresponding increase in production volume to satisfy the higher number of orders during the Period under Review; and the increase in trade and notes receivables of approximately RMB160,409,000 as a result of increase in sales during the Period under Review. (The net operating cash inflows of the Company for the six months ended 30 September 2024 were approximately RMB9,462,000, compared to approximately RMB277,677,000 recorded for the same period of last year.)

As at 30 September 2024, the Group's cash and bank balances were mainly held in Renminbi, and part of them were held in Hong Kong dollars and Japanese yen ("JPY").

As at 30 September 2024, the Group recorded net current assets of approximately RMB2,364,532,000 (31 March 2024: approximately RMB2,156,810,000), and its current ratio, calculated by dividing total current assets by total current liabilities, was approximately 4.3 times (31 March 2024: approximately 3.7 times). The capital expenditures for the six months ended 30 September 2024 amounted to approximately RMB31,466,000, which was mainly used to fund the investment of factory buildings and the introduction of parts and components processing equipment.

As at 30 September 2024, the Group had no outstanding bank loans and other borrowings (31 March 2024: Nil).

Capital Commitments

As at 30 September 2024, the Group had capital commitments contracted but not provided for amounting to approximately RMB6,854,000 (31 March 2024: approximately RMB27,032,000).

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

In order to expand its production capacity, the Group increased investment in fixed assets of approximately RMB31,466,000 during the Period under Review, including approximately RMB20,046,000 in buildings, approximately RMB5,669,000 in machinery and equipment and approximately RMB5,751,000 in other investments.

In order to ensure the Company's future production capacity and meet the demand for CNC machine tools in the PRC market, the Company built two new plants on the existing plant area of Nakatsu Company (the fifth plant area of the Group), with a planned investment amount of approximately RMB130 million. During the Period under Review, the completion and acceptance procedures for both new plants were completed, which commenced full operation in October 2024. The operation of new plants is expected to increase a production capacity of 3,000 to 4,000 units of CNC precision machine tools, which will greatly enhance the Company's comprehensive strength.

Save 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 2024, the Group had no material contingent liabilities.

Currency Risk and Management

Apart from a few overseas businesses that are settled in JPY and United States dollars, the sales and procurement of the Group are mainly denominated in Renminbi. As such, the management of the Group believes that the Company does not have significant currency 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 exchange rates and may consider hedging against significant foreign currency exposure should the need arise.

Employees and Remuneration Policy

As at 30 September 2024, the Group employed 2,240 employees (31 March 2024: 2,131), of whom 11 (31 March 2024: 11) 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 RMB229,666,000 in aggregate (including directors' emoluments) (for the six months ended 30 September 2023: RMB182,115,000), accounting for approximately 11.61% of the 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 trainings to its employees to promote their upward mobility in the organisation and foster their loyalty. The Group's employees are subject to regular job performance reviews, which have a bearing on their promotion prospects and compensation. Remuneration is determined with reference to market practice and individual employee's performance, qualifications and experience.

OUTLOOK

Currently, under the lingering complicated global environment, the influence of risks of regional wars and geopolitical confrontations on investments in the manufacturing industry has started to emerge. Going forward, the Group will face challenges, such as a lack of confidence in investments in new capacity in the downstream manufacturing industry and the outflow of some investments. Additionally, in the short term, the government provides strong backing to the advancement of the industrial machine tool industry, and has rolled out a series of preferential policies related to taxation, research and development, and personnel training. In particular, the recent implementation of specific measures for the equipment renewal and trade-in deals for consumer goods policies is accelerated, the use of additional treasury bonds is accelerating, the ultra-long-term special treasury bonds are being issued successively, and a series of policies and measures such as the on-going optimization and adjustment of the real estate industry have been implemented continuously in various regions, with the expectations of stabilizing the macro-economy and stimulating a certain degree of growth in demand for the machine tool industry. In the medium to long term, with comprehensive range of products and complete supply chain, China's manufacturing industry will remain as the high-quality consumption market for CNC machine tools worldwide. We predict that, although the market competition will become increasingly fierce, the Company can stand out and make further progress in the process of selection and concentration under the mechanism of survival of the fittest in the market.

At present, the demand for machine tools in the manufacturing industry has begun to pick up, and it is speculated that it will enter a new growth cycle. In terms of each downstream segment, although there is obvious overcapacity in the new energy vehicles industry at the macro level, the intensified competition in the supply chain has led to the integration of resources, resulting in local equipment demands. Therefore, it is expected to maintain a level of demand for CNC machine tools in the next few years. The 3C industry has experienced weak growth momentum over the past two years, some manufacturers have relocated their industrial chains overseas, and the demand for machine tools is also uncertain. It is expected that the performance of industry segments, such as industrial automation, humanoid robots, and healthcare, will continue to improve.

Although the pace of the post-pandemic economic recovery has been slower than expected, the Group remains firmly confident in the development prospects of CNC machine tools in China. With the continuous endeavor in the first half of 2024, it will strive to achieve the annual results for FY2025 higher than those of last year. As previously mentioned, China has the largest manufacturing industry and the most robust supply chain. The intelligent transformation has become the driving force for the development of the domestic manufacturing industry. It is expected that the long-term demand for high-end CNC machine tools will continue to maintain a stable level, and there is still sufficient room for further development of the Group. Therefore, the Group will continue to achieve cost reduction and efficiency improvement through proactive improvement, and introduce new models and modes that are more responsive to market and customer needs, while expanding production capacity to further consolidate its competitive advantage over competitors.

With the new plant in Pinghu put into operation in October this year, the Group expects to increase a production capacity of 3,000 to 4,000 units of CNC precision machine tools, coupled with the expansion of the machining capacity of parts and components in Precision Tsugami Anhui, which provide strong support for the Group's production. The Group is confident that it can meet customer demands, acquire new orders and further increase its market share through efficient production of cost-effective products.

EVENTS AFTER THE END OF THE PERIOD UNDER REVIEW

Save as disclosed in this announcement, the Board is not aware of any material events relating to the business or financial performance of the Group after the Period under Review and up to the date of this announcement.

NO MATERIAL CHANGE

Save as disclosed in this announcement, during the six months ended 30 September 2024, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 March 2024.

INTERIM DIVIDENDS

The Board declared the payment of an interim dividend of HK\$0.45 per share for the six months ended 30 September 2024 (2023: HK\$0.4) to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 12 December 2024, the payment of which is expected to be made on Monday, 13 January 2025.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the period from Monday, 9 December 2024 to Thursday, 12 December 2024 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 6 December 2024.

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

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries for the six months ended 30 September 2024.

PUBLIC FLOAT

Based on the 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 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 (the "**CG Code**") under Appendix C1 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 during the Period under Review, save for the deviation from code provisions C.1.8 and C.2.1 of the CG Code due to reasonable grounds (as explained below).

During the Period under Review, the potential legal actions against the Directors of the Company were covered by the Company's internal risk management and controls. As the Company is of the view that there is no additional risk, no insurance arrangements have been made for the Directors in accordance with code provision C.1.8 of the CG Code.

Dr. Tang Donglei has been serving as both the Chairman and Chief Executive Officer of the Company with effect from 1 April 2022. Pursuant to code provision C.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Accordingly, the Company has deviated from the relevant code provision of the CG Code. The Board however believes that it is in the interests of the Company to vest the roles of both the Chairman and the Chief Executive Officer of the Company in the same person, so as to ensure consistent leadership within the Group and facilitate the prompt execution of the Group's business strategies and boost operation effectiveness. The Board also believes that the balance of power and authority under this arrangement will not be impaired, as all major decisions of the Group must be made in consultation with the Board as a whole, together with its relevant committees, which comprise experienced and high calibre individuals, including three independent non-executive Directors who are in the position to provide independent insights to the Board and monitor the management and operation of the Company. The Board will periodically review and consider the effectiveness of this arrangement by taking into account the circumstances of the Group as a whole.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made due and careful inquiries with all the Directors, the Company confirms that all the Directors have complied with the required standards 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 2024 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 the 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
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 13 November 2024

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. Satoshi Iwabuchi, Dr. Huang Ping and Mr. Tam Kin Bor.