

PRECISION
TSUGAMI
CHINA

PRECISION TSUGAMI (CHINA) CORPORATION LIMITED
津上精密機床(中國)有限公司

2021-2022

Interim Results Presentation

12 November 2021

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Agenda

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Interim Results Summary



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Interim Business Review



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Appendix



1

Interim Results Summary

(April to September 2021)



1.1 Financial Results Summary



1.2 Key Financial Indicators



1.3 Sales Revenue by Product Category



1.4 Domestic and Overseas Sales Revenue
and Distribution



1.5 Sales Revenue from and Distribution of
Domestic Downstream Customers by Industry

1.1 Financial Results Summary

- The Group's sales revenue, gross profit, net profit and earnings per share reached a record high in its interim results;
- Sales revenue amounted to RMB2.37 billion. Gross profit was RMB659 million. Net profit was RMB378 million. Earnings per share were RMB0.99.
- Sales revenue increased by 71.9%. Gross profit rose by 105.5%. Net profit surged by 154.6%.

(Unit: RMB'000)

Item	1H FY2020	1H FY2021	1H FY2022	YoY Increase
Sales Revenue	1,075,854	1,378,832	2,370,339	71.9%
Gross Profit (Gross Profit Margin)	234,775 (21.8%)	320,620 (23.3%)	658,826 (27.8%)	105.5% 4.5ppt
Operating Profit (Operating Profit Margin)	138,650 (12.9%)	214,635 (15.6%)	533,240 (22.5%)	148.4% 6.9ppt
Net Profit (Net Profit Margin)	100,744 (9.4%)	148,358 (10.8%)	377,657 (15.9%)	154.6% 5.1ppt
EPS (RMB)	0.26	0.39	0.99	153.8%

For the six months ended 30 September

1.2 Key Financial Indicators

1. Safety	1H FY2021	FY2021	1H FY2022
1.1 Current Ratio (Current assets ÷ Current liabilities)	2.9	2.4	2.2
1.2 Quick Ratio ((Current assets-Inventory) ÷ Current liabilities)	1.9	1.6	1.6
1.3 Gearing Ratio ((Total liabilities ÷ Total assets) ×100%)	28.2%	35.1%	39.6%

2. Revenue	1H FY2020	1H FY2021	1H FY2022
2.1 Return on Equity (ROE) ((Net profit ÷ Net assets) ×100%)	7.0%	9.5%	19.8%
2.2 Return on Assets (ROA) ((Net profit ÷ Total assets) ×100%)	5.4%	6.8%	12.3%

3. Cash flow (RMB'000)	1H FY2020	1H FY2021	1H FY2022
3.1 Net Cash Flow Generated from Operating Activities	2,195	98,873	318,051
3.2 Cash and Cash Equivalents	213,706	349,998	677,644
3.3 Current Account Ratio ((Current income ÷ Current expenditure) ×100%)	100%	109%	119%

4. Capital Turnover	1H FY2020	1H FY2021	1H FY2022
4.1 Average Inventory Turnover Days	135	103	75
4.2 Average Turnover Days of Trade and Bills Receivables	83	73	86
4.3 Average Turnover Days of Trade and Bills Payables	70	61	78

1.3 Sales Revenue by Product Category

- The Group's main product, precision lathes maintained a leading position in China, and continued its expansion. Sales revenue increased by 74.6% year-on-year;
- Driven by the automotive and hydraulic parts industry, the precision grinding machines achieved an outstanding sales performance with a year-on-year increase of 92.0%;
- Sales revenue of precision machining centers recorded a year-on-year growth of nearly 30%. (Unit: RMB'000)

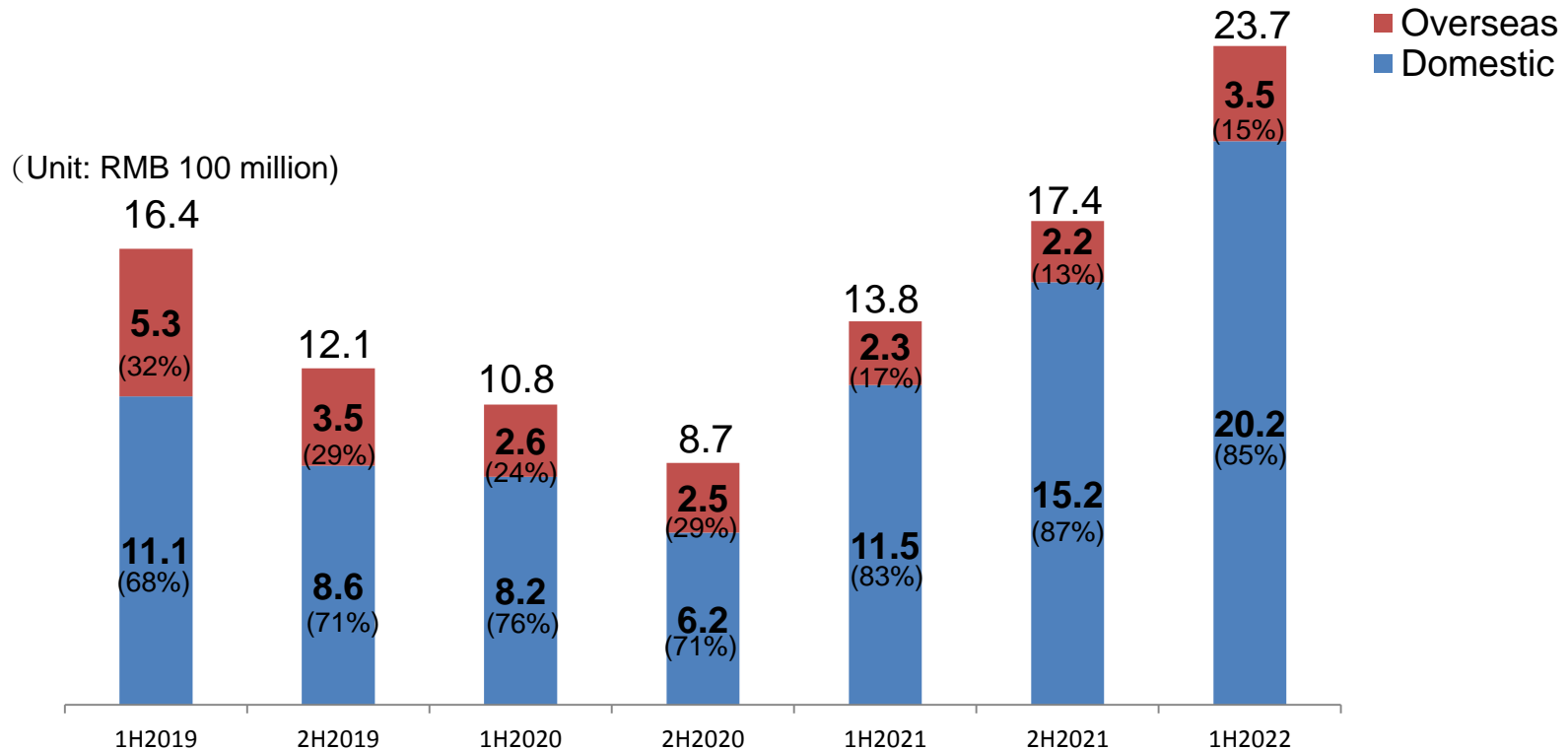
Type	1H FY2020	Proportion	1H FY2021	Proportion	1H FY2022	Proportion	YoY Increase
Precision Lathes	913,581	84.9%	1,191,741	86.5%	2,080,617	87.8%	74.6%
Precision Machining Center	79,963	7.4%	92,519	6.7%	120,141	5.1%	29.9%
Precision Grinding Machines	40,520	3.8%	47,070	3.4%	90,383	3.8%	92.0%
Precision Thread and Form Rolling Machines	4,721	0.4%	5,831	0.4%	7,562	0.3%	29.7%
Others*	37,069	3.5%	41,671	3.0%	71,636	3.0%	71.9%
Total	1,075,854	100%	1,378,832	100%	2,370,339	100%	71.9%

* : Others includes revenue from sales of parts and after-sales services.

1.4 Domestic and Overseas Sales Revenue and Distribution

With a huge demand for high-end CNC machine tools from China and abroad,

- Sales revenue from the domestic market increased to RMB2.02 billion, representing an increase of 75.7% versus the same period last year and 32.5% when compared with the preceding half-year period;
- Overseas sales revenue reached RMB350 million, representing an increase of 52.9% versus the same period last year and 63.6% when compared with the preceding half-year period.



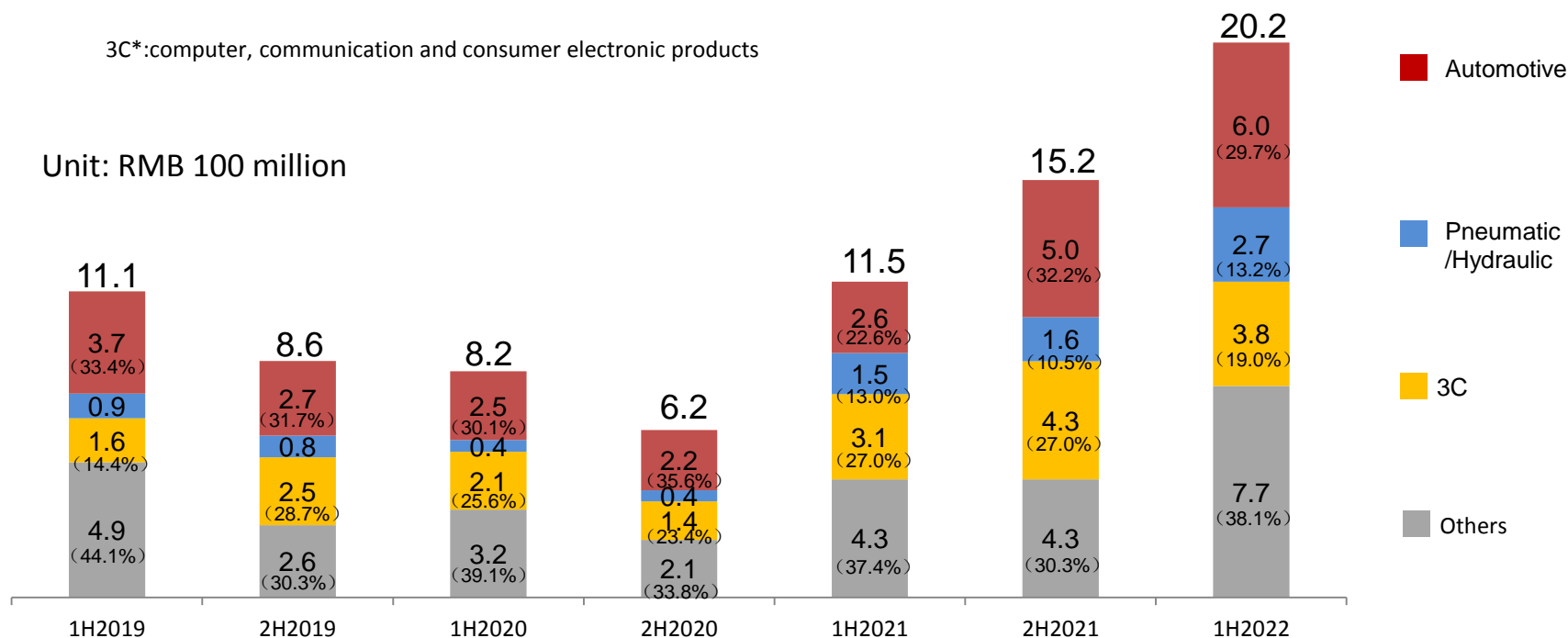
1.5 Sales Revenue from and Distribution of Domestic Downstream Customers by Industry

Domestic manufacturing industry was robust and demand from various downstream sub-industries remained strong

- Sales in the automotive industry surged by 130.5% year-on-year, and increased by 19.4% when compared to the preceding half-year period;
- Sales in the pneumatic and hydraulic industries increased by 76.2% year-on-year and increased by 62.2% when compared to the preceding half-year period;
- Sales in the 3C* industry rose by 23.5% year-on-year and decreased by 11.4% when compared to the preceding half-year period.

3C*:computer, communication and consumer electronic products

Unit: RMB 100 million



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Interim Business Review



2.1 Launch of New Models



2.2 Active Capacity Expansions



2.3 Continuous Improvement in Sales
and After-Sales Services



2.4 Interim dividend

2.1 New Models Launched This Fiscal Year

Type	Model	Features and Applications	Progress
Precision Turret Lathe	M10J	10-12 inch series, filled the gap in the product line of turret lathe, and will become an important product to expand the sales of turret lathe.	It has been launched into the market for sale and has secured orders from customers.
Precision Machining Center	VL4	The extended BT40 machining center has enriched the machining centers' product line. It is suitable for processing large-scale and highly rigid parts.	It has been launched into the market for sale and has secured orders from customers.



M10J



VL4

2.2 Active Expansion of Production Capacity

- The Group's maximum production capacity is up to more than 15,000 units per year , with a mid-term sales target RMB 5 billion.



Anhui plant commences operation

- The new plant in Anhui commenced operation at the end of March 2021;
- Current production capacity of castings has reached 800 tons per month.



New plant in Pinghu established

- Expected to increase the Group's machine tool assembly capacity by 30%;
- Expected to be put into use after CNY next year. The annual output value will be approximately RMB1 billion, based on the maximum output value.

2.3 Continues to Strengthen Sales and After-Sales Services

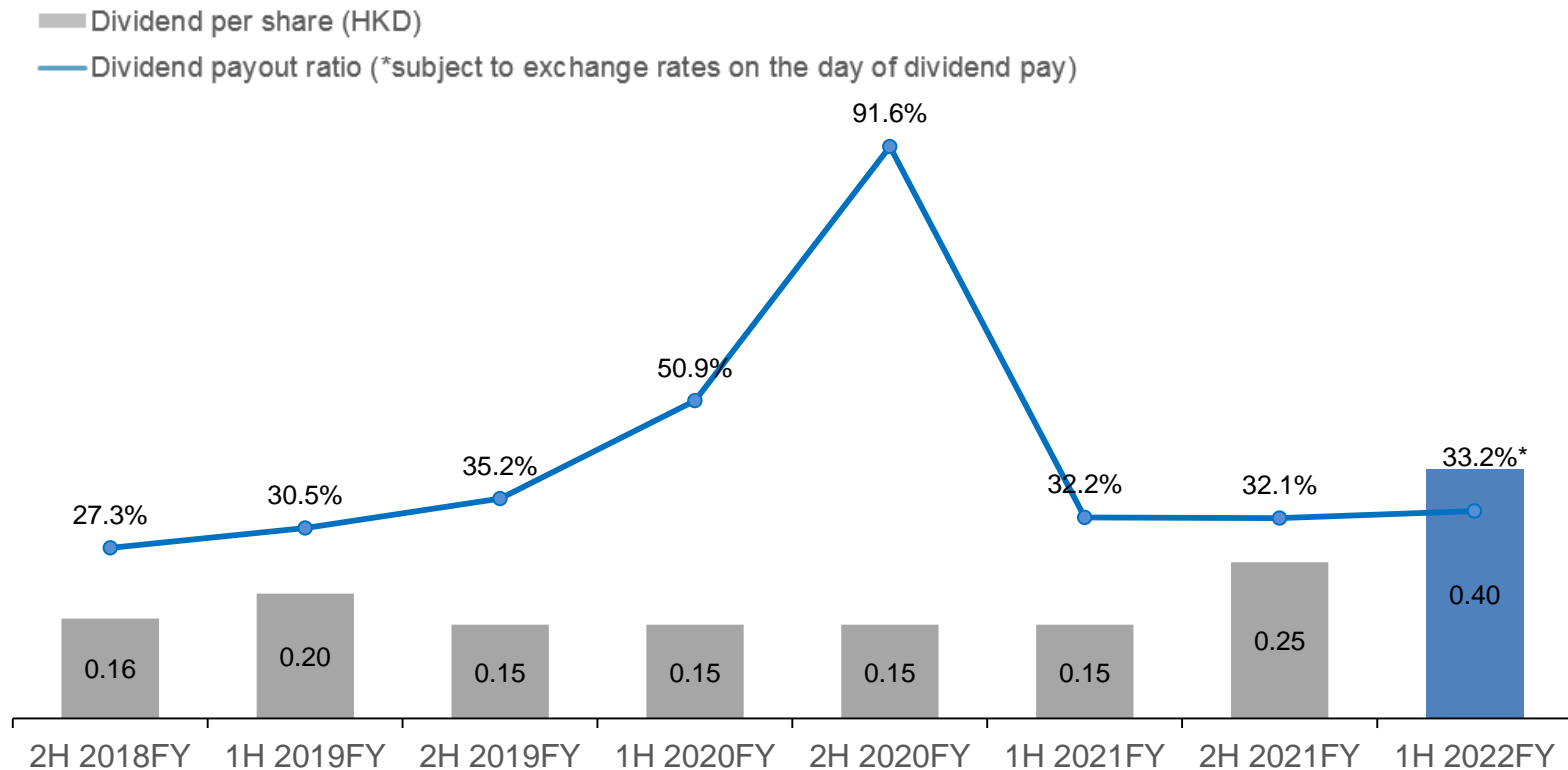
- To further strengthen sales services in Eastern China and improve customer satisfaction levels, opened a flagship store* in Ningbo, Zhejiang ;
- As at 30 September 2021, the Group had a total of 11 branches (including four flagship stores) and 13 offices in China.

*: The flagship store integrates an exhibition hall, product trial processing area, and customer service training and office functions, with the aim of providing comprehensive services to customers.



2.4 Interim dividend

- A dividend of HKD0.40 per share for the first half of FY2022, which is the highest half-year dividend amount since listing;
- The Group is committed to increasing sales revenue, expanding market share and generating investment returns for shareholders through organic growth.



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Appendix

Appendix I. Consolidated Statement of Profit and Loss and Other Comprehensive Income

No.	(RMB'000)	FY2020 Interim	FY2021 Interim	FY2022 Interim
1	Income	1,075,854	1,378,832	2,370,339
2	Cost of sales	(841,079)	(1,058,212)	(1,711,513)
3	Gross profit	234,775	320,620	658,826
4	Other income and gains	12,046	9,421	139,706
5	Selling and distribution expenses	(54,672)	(59,108)	(79,407)
6	Administrative expenses	(41,453)	(46,877)	(46,179)
7	Impairment loss on financial assets	(4,544)	(5,553)	(1,591)
8	Other expenses	(549)	(529)	(110,456)
9	Finance costs	(49)	(956)	(1,063)
10	Profit before tax	145,554	217,018	559,836
11	Income tax expenses	(44,810)	(68,660)	(182,179)
12	Profit and total comprehensive income for the year	100,744	148,358	377,657
13	Profit attributable to equity holders of the company (RMB)	0.26	0.39	0.99

For the six months ended 30 September

Appendix II. Consolidated Statement of Financial Position

No.	(RMB'000)	FY2021 Interim	FY2021	FY2022 Interim
1	Property, plant and equipment	455,253	507,688	501,318
2	Right-of-use assets	44,572	44,997	43,496
3	Intangible assets	3,165	4,151	3,669
4	Deferred tax assets	11,823	16,358	14,577
5	Total non-current assets	514,813	573,194	563,060
6	Inventories	588,075	675,419	758,826
7	Trade and notes receivables	673,501	988,204	1,286,015
8	Prepayments, other receivables and other assets	36,028	34,484	105,389
9	Pledged deposits	15,712	7,539	12,396
11	Cash and cash equivalents	349,998	430,115	677,644
12	Total current assets	1,663,314	2,135,761	2,840,270
13	Total assets	2,178,127	2,708,955	3,403,330
14	Trade and notes payables	420,628	554,473	922,314
15	Other payables and accruals	127,520	275,399	217,205
	Borrowings of interest-bearing bank and other borrowings	-	-	24,421
16	Tax payable	24,929	55,314	102,248
17	Lease liabilities	1,445	2,279	1,949
18	Provision	6,650	7,877	10,286
19	Total current liabilities	581,172	895,341	1,278,423
20	Lease liabilities	954	1,013	581
21	Deferred income tax liabilities	13,355	28,953	41,288
22	Other liabilities	6,100	18,000	17,691
23	Deferred income	13,000	7,300	8,500
24	Total non-current liabilities	33,409	55,266	68,060
25	Total liabilities	614,581	950,608	1,346,483
26	Issued share capital	319,996	319,835	319,836
27	Treasury shares	(1,014)	-	-
28	Reserves	1,244,564	1,438,512	1,737,011
29	Total equity	1,563,546	1,758,348	2,056,847
30	Liabilities+Total Equity	2,178,127	2,708,955	3,403,330

Appendix III. Consolidated Statement of Cash Flow

No.	(RMB'000)	FY2019 Interim	FY2020 Interim	FY2021 Interim
	Cash flow from operating activities			
1	Profit before tax	145,554	217,018	559,836
	Adjustments for:			
2	Finance costs	49	956	1,063
3	Interest income	(2,791)	(6,587)	(5,865)
4	Provision/(reversal) for impairment of trade receivables	(35)	351	355
5	Reversal for impairment of prepayments, other receivables and other assets	(27)	(3)	338
6	Provision for impairment of financial assets at fair value through other comprehensive income	4,606	5,205	898
7	Net gain on disposal of items of property, plant and equipment	(159)	(5)	(3)
8	Depreciation of property, plant and equipment	22,632	21,680	25,839
9	Impairment loss of inventories	-	(2,884)	(9,215)
10	Depreciation of right-of-use assets	1,341	1,321	1,762
11	Amortization of intangible assets	469	474	580
12	Adjusted profit before tax	171,639	237,526	575,588
13	Decrease in pledged deposits for notes payable	2,504	1,376	(4,587)
14	(Increase)/decrease in inventories	37,116	33,658	(74,192)
15	Increase in trade and notes receivables	(1,618)	(241,268)	(299,064)
16	Increase in prepayments, other receivables and other assets	(11,144)	(16,954)	(71,243)
17	Increase/(decrease) in trade and notes payables	(114,755)	123,443	367,841
18	Decrease in other payables and accruals	(13,751)	(3,611)	9,990
19	Increase in other liabilities	-	1,200	1,200
20	Increase/(decrease) in contract liabilities	(24,800)	9,078	(68,183)
21	Decrease in deferred income	-	-	(309)
22	Increase/(decrease) in provision	(5,671)	306	2,409
23	Cash generated from operations	39,500	144,574	439,180
24	Income tax paid	(37,305)	(45,881)	(121,129)
25	Net cash flow from operating activities	2,195	98,873	318,051

Appendix III. Consolidated Statement of Cash Flow (Cont.)

No.	(RMB'000)	FY2020 Interim	FY2021 Interim	FY2022 Interim
CASH FLOWS FROM INVESTING ACTIVITIES				
26	Interest received	2,791	6,587	5,865
27	Purchase of items of property, plant and equipment	(114,092)	(24,989)	(27,239)
28	Proceeds from disposal of financial assets at fair value through profit or loss	-	120,000	-
29	Proceeds from disposal of items of property, plant and equipment	518	177	7,773
30	Purchase of financial assets at fair value through profit or loss	(25,000)	-	-
31	Purchase of intangible assets	(601)	(47)	(98)
32	Net cash flows (used in)/from investing activities	(136,384)	101,728	(13,699)
CASH FLOWS FROM FINANCING ACTIVITIES				
33	New bank loans	-	-	24,421
34	Repurchase of shares	-	(2,532)	-
35	Dividend paid	(51,289)	(51,143)	(79,158)
36	Interest paid	(49)	(956)	(1,063)
37	Principal portion of lease payments	(1,042)	(982)	(1,023)
38	Net cash flow used in financing activities	(52,380)	(55,613)	(56,823)
39	INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(186,569)	144,988	247,529
40	Cash and cash equivalents at beginning of the period	400,275	205,010	430,115
41	CASH AND CASH EQUIVALENTS AT END OF PERIOD	213,706	349,998	677,644

Q&A Session