

PRECISION  
**TSUGAMI**  
CHINA

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

2022-2023

Interim Results Presentation

8 November, 2022

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# Agenda

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Interim Results Summary



2

Interim Business Review



3

Appendix



# 1 Interim Results Summary

(April to September 2022)



1.1 Financial Results Summary



1.2 Key Financial Indicators



1.3 Sales Revenue by Product Category



1.4 Distribution of Domestic and Overseas Sales



1.5 Distribution of Domestic Downstream Customers by Industry

# 1.1 Financial Results Summary

- Sales revenue totaled RMB2,200,360,000, the second highest level in its history, though representing a year-on-year decline of approximately 7.2%;
- Due to the decrease in sales, gross profit and net profit both declined.

(Unit: RMB'000)

Item	1H FY2021	1H FY2022	1H FY2023	YoY Growth/ (Decrease)%
Sales Revenue	1,378,832	2,370,339	2,200,360	(7.2%)
Gross Profit (Gross Profit Margin)	320,620 (23.3%)	658,826 (27.8%)	534,098 (24.3%)	(18.9%) (3.5pct)
Operating Profit (Operating Profit Margin)	214,635 (15.6%)	533,240 (22.5%)	403,766 (18.3%)	(24.3%) (4.2pct)
Net Profit (Net profit margin)	148,358 (10.8%)	377,657 (15.9%)	300,693 (13.7%)	(20.4%) (2.2pct)
Earnings per Share (EPS) (RMB)	0.39	0.99	0.79	(20.2%)

For Six Months Ended September 30

# 1.2 Key Financial Indicators

<b>1. Safety</b>	<b>1H FY2022</b>	<b>FY2022</b>	<b>1H FY2023</b>
1.1 Current Ratio (Current Assets ÷ Current Liabilities)	2.2	2.4	2.9
1.2 Quick Ratio ((Current Assets - Inventory) ÷ Current Liabilities)	1.6	1.5	1.8
1.3 Gearing Ratio ((Total Liabilities ÷ Total Assets) × 100%)	39.6%	36.8%	31.2%
<b>2. Revenue</b>	<b>1H FY2021</b>	<b>1H FY2022</b>	<b>1H FY2023</b>
2.1 Return on Equity (ROE) ((Net Profit ÷ Net Assets) × 100%)	9.5%	19.8%	13.0%
2.2 Return on Assets (ROA)((Net Profit ÷ Total Assets) × 100%)	6.8%	12.3%	8.6%
<b>3. Cash Flow (RMB'000)</b>	<b>1H FY2021</b>	<b>1H FY2022</b>	<b>1H FY2023</b>
3.1 Net Cash Flows Generated from Operating Activities	98,873	318,051	163,679
3.2 Cash and Cash Equivalents	349,998	677,644	550,576
3.3 Current Account Ratio ((Current Income ÷ Current Expenses) × 100%)	109%	119%	108%
<b>4. Capital Turnover</b>	<b>1H FY2021</b>	<b>1H FY2022</b>	<b>1H FY2023</b>
4.1 Average Inventory Turnover Days	103	75	113
4.2 Average Turnover Days of Trade and Notes Receivables	73	86	96
4.3 Average Turnover Days of Trade and Notes Payables	61	78	82

# 1.3 Sales Revenue by Product Category

- Affected by the downturn of the domestic manufacturing industry, demand from downstream industries fell, with sales of precision lathes declining by 9.8% year-on-year;
- Due to the increase in demand from the new energy vehicle parts industry, sales of precision machining centers increased by 26.8% year-on-year;
- Sales of precision grinding machines declined by approximately 9.2% year-on-year.

(Unit: RMB'000)

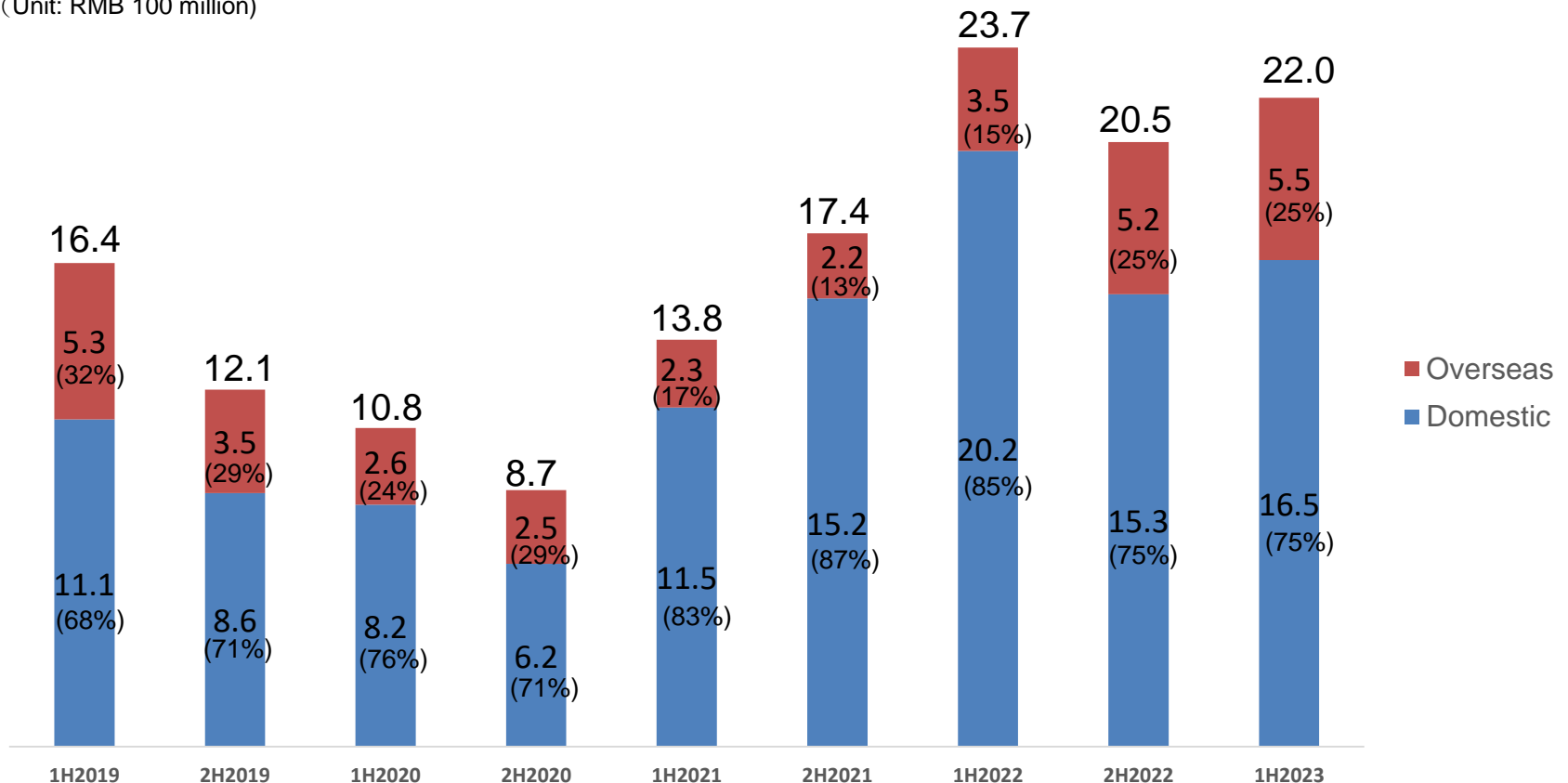
Type	1H FY2021	Proportion	1H FY2022	Proportion	1H FY2023	Proportion	YoY Growth (Decrease)%
Precision Lathes	1,191,741	86.5%	2,080,617	87.8%	1,877,570	85.3%	<b>(9.8%)</b>
Precision Machining Centers	92,519	6.7%	120,141	5.1%	152,315	6.9%	<b>26.8%</b>
Precision Grinding Machines	47,070	3.4%	90,383	3.8%	82,048	3.8%	<b>(9.2%)</b>
Other*	47,502	3.4%	79,198	3.3%	88,427	4.0%	<b>11.7%</b>
<b>Total</b>	<b>1,378,832</b>	<b>100.0%</b>	<b>2,370,339</b>	<b>100.0%</b>	<b>2,200,360</b>	<b>100.0%</b>	<b>(7.2%)</b>

Other\*: Includes revenue from sales of precision thread and form rolling machines, and parts and after sales services

# 1.4 Distribution of Domestic and Overseas Sales

- Overseas sales increased by 57.1% year-on-year and 5.8% when compared with the preceding half-year period, reaching new record highs;
- Domestic sales decreased by 18.3% year-on-year and increased by 7.8% when compared with the preceding half-year period, still maintaining a relatively high level.

(Unit: RMB 100 million)



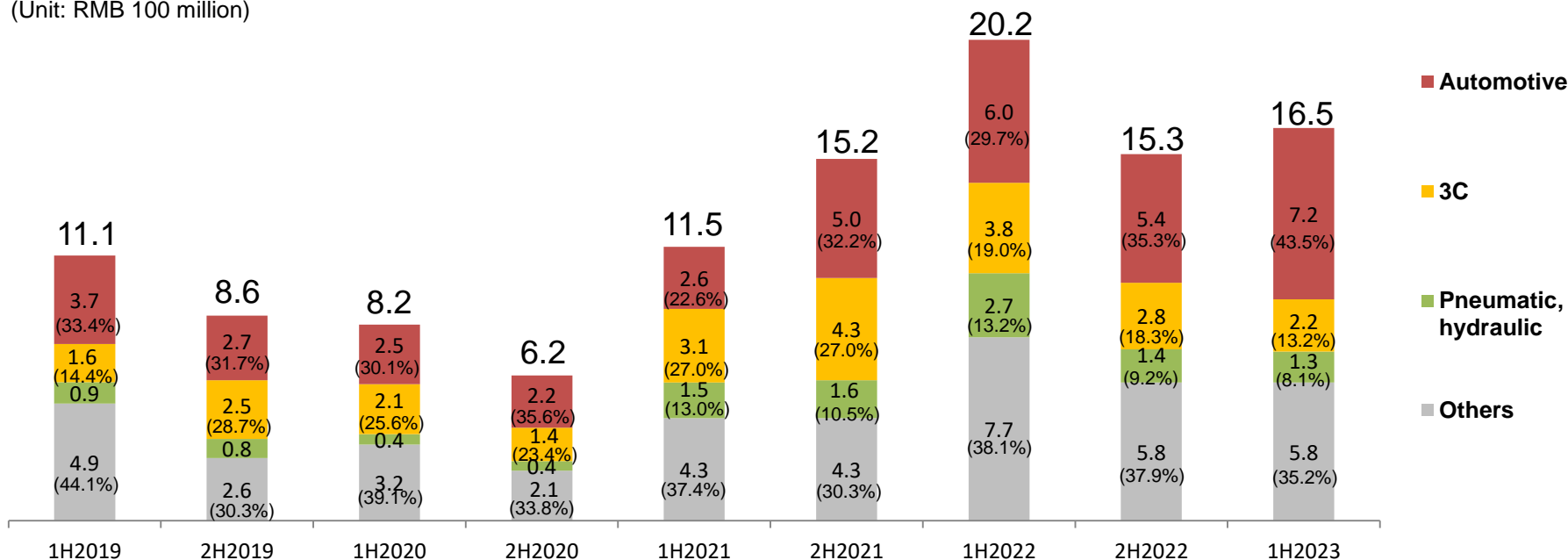
# 1.5 Distribution of Domestic Downstream Customers by Industry

**Demand from various downstream industries in the domestic manufacturing industry was differentiated, with sales down 18.3% year-on-year and up 7.8% when compared with the preceding half-year period:**

- Driven by the demand from new energy vehicles, sales from the automotive industry increased by 20.0% year-on-year and 32.9% when compared with the preceding half-year period;
- Sales from pneumatic and hydraulic industries decreased by 51.8% year-on-year, basically unchanged from the preceding half-year period;
- Sales from the 3C\* industry remained weak, declining by 42.1% year-on-year and 21.4% when compared with the preceding half-year period,

3C\*: Computers, communications and consumer electronics

(Unit: RMB 100 million)



## 2 Interim Business Review



2.1 Introduction to New Models



2.2 Active Capacity Expansion



2.3 Continue to Put Forward Improvement Proposals



2.4 Interim Dividend

# 2.1 New Models Launched This Fiscal Year

Type	Model	Features and Applications	Progress
Precision lathe	B012/20-V	Enhanced product structure and increased rigidity	Commenced overseas market sales



## 2.2.1 Active Capacity Expansion – Anhui Plant

- The Anhui Plant continues to invest in machine processing equipment to expand processing capacity of functional components;
- Based on market conditions, it plans to conduct assembly of machine processing units and equipment in its entirety.



OKK Horizontal Machining Center



Mitsubishi Double-column, 5-face  
Milling Machines

## 2.2.2 Active Capacity Expansion – Pinghu New Plant

- To continuously increase production capacity, the Pinghu new plant will be renovated and expanded as planned.
- The project is expected to be completed by the end of 2023 and ready for use in early 2024.



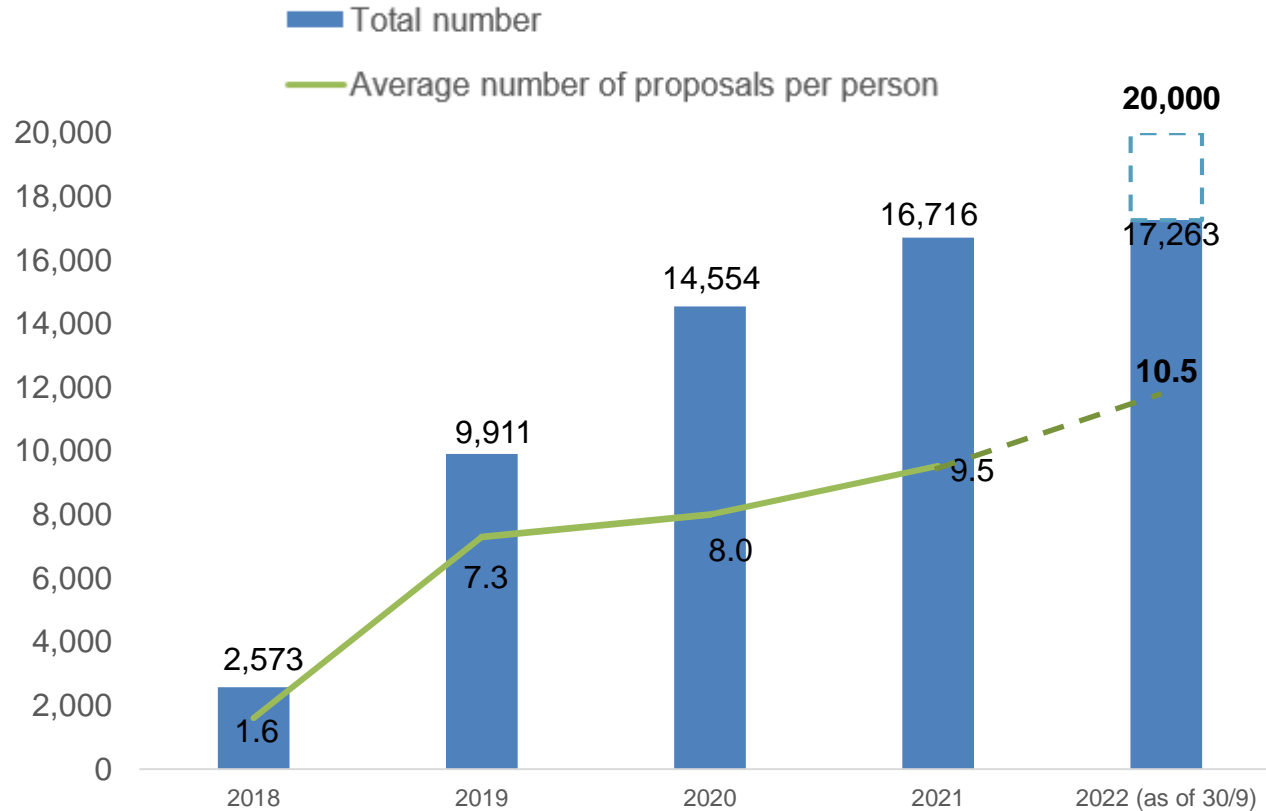
Before renovation



Rendering of the plant after renovation

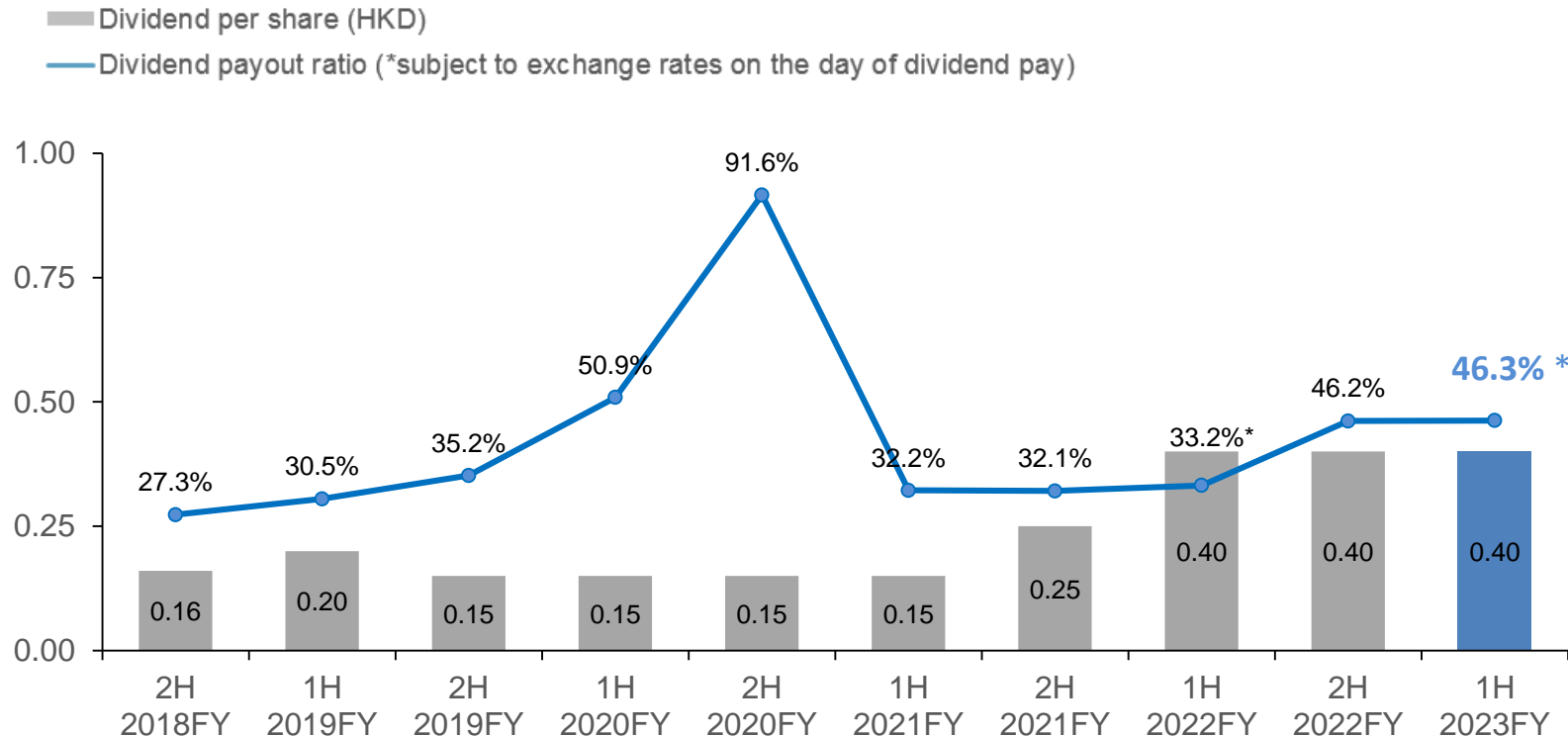
## 2.3 Continue to Put Forward Improvement Proposals

- The improvement proposals that all employees actively participate in are an effective method for the Company to reduce costs and improve efficiency, and it is also a source of strength for the Company's growth;
- As of 30 September, 2022, there were 17,263 improvement proposals, at historical high.



## 2.4 Interim Dividend

- A dividend of HK\$0.40 per share will be distributed for the first half of FY2023, a total of HK\$2.41 per share has been distributed since its listing;
- The Company is committed to increasing sales revenue, expanding market share and generating investment returns for shareholders through organic growth.



# 3 Appendix

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

For Six Months Ended September 30

No.	(RMB'000)	FY2021 Interim	FY2022 Interim	FY2023 Interim
1	<b>Revenue</b>	<b>1,378,832</b>	<b>2,370,339</b>	<b>2,200,360</b>
2	Cost of sales	(1,058,212)	(1,711,513)	(1,666,262)
3	<b>Gross profit</b>	<b>320,620</b>	<b>658,826</b>	<b>534,098</b>
4	Other income and gains	9,421	139,706	42,815
5	Selling and distribution expenses	(59,108)	(79,407)	(75,672)
6	Administrative expenses	(46,877)	(46,179)	(54,660)
7	Impairment loss on financial assets	(5,553)	(1,591)	571
8	Other expenses	(529)	(110,456)	(4,306)
9	Finance costs	(956)	(1,063)	(70)
10	<b>Profit before tax</b>	<b>217,018</b>	<b>559,836</b>	<b>442,776</b>
11	Income tax expense	(68,660)	(182,179)	(142,083)
12	<b>Profit and total comprehensive income for the period</b>	<b>148,358</b>	<b>377,657</b>	<b>300,693</b>
13	<b>Earnings per share attributable to ordinary equity holders of the Parent (RMB)</b>	<b>0.39</b>	<b>0.99</b>	<b>0.79</b>

# Appendix II. Consolidated Statement of Financial Position

No.	(RMB'000)	FY2022 Interim	FY2022	FY2023 Interim
1	Property, plant and equipment	501,318	549,841	536,853
2	Right-of-use assets	43,496	73,303	73,465
3	Intangible assets	3,669	5,533	5,158
4	Investments in associates	-	-	2,800
5	Deferred tax assets	14,577	16,306	23,396
6	<b>Total non-current assets</b>	<b>563,060</b>	<b>644,983</b>	<b>641,672</b>
7	Inventories	758,826	1,033,543	1,068,963
8	Trade and notes receivables	1,286,015	1,212,871	1,146,990
9	Prepayments, other receivables and other assets	105,389	50,743	56,335
10	Pledged deposits	12,396	15,498	8,988
11	Cash and cash equivalents	677,644	555,433	550,576
12	<b>Total current assets</b>	<b>2,840,270</b>	<b>2,868,088</b>	<b>2,831,852</b>
13	<b>Total assets</b>	<b>3,403,330</b>	<b>3,513,071</b>	<b>3,473,524</b>
14	Trade and notes payables	922,314	820,172	703,214
15	Other payables and accruals	217,205	299,132	201,044
16	Interest-bearing bank and other borrowings	24,421	22,094	-
17	Tax payable	102,248	58,216	66,150
18	Lease liabilities	1,949	1,634	1,996
19	Provision	10,286	11,487	11,480
20	<b>Total current liabilities</b>	<b>1,278,423</b>	<b>1,212,735</b>	<b>983,884</b>
21	Lease liabilities	581	1,107	1,890
22	Deferred income tax liabilities	41,288	50,920	69,605
23	Other liabilities	17,691	9,700	10,900
24	Deferred income	8,500	17,267	16,843
25	<b>Total non-current liabilities</b>	<b>68,060</b>	<b>78,994</b>	<b>99,238</b>
26	<b>Total liabilities</b>	<b>1,346,483</b>	<b>1,291,729</b>	<b>1,083,122</b>
27	Issued capital	319,836	319,836	319,836
28	Reserves	1,737,011	1,901,506	2,070,566
29	<b>Total equity</b>	<b>2,056,847</b>	<b>2,221,342</b>	<b>2,390,402</b>
30	<b>Liabilities+Total Equity</b>	<b>3,403,330</b>	<b>3,513,071</b>	<b>3,473,524</b>

# Appendix III. Consolidated Statement of Cash Flows

No.	(RMB'000)	FY2021 Interim	FY2022 Interim	FY2023 Interim
	<b>Cash flows from operating activities</b>			
1	Profit before tax	217,018	559,836	442,776
	<b>Adjustments for:</b>			
2	Finance costs	956	1,063	70
3	Interest income	(6,587)	(5,865)	(5,875)
4	Provision for/(reversal of) impairment of trade receivables	351	355	(285)
5	Provision for/(reversal of) impairment of prepayments, other receivables and other assets	(3)	338	(5)
6	Provision of/(reversal for) impairment of financial assets at fair value through other comprehensive income	5,205	898	(281)
7	Net loss/(gain) from disposal of items of property, plant and equipment	(5)	(3)	296
8	Depreciation of property, plant and equipment	21,680	25,839	28,867
9	Reversal of allowance for write-down of inventories	(2,884)	(9,215)	(216)
10	Depreciation of right-of-use assets	1,321	1,762	2,304
11	Amortization of intangible assets	474	580	693
12	<b>Adjusted profit before tax</b>	<b>237,526</b>	<b>575,588</b>	<b>468,344</b>
13	Increase/(decrease) in pledged deposits	1,376	(4,587)	6,510
14	(Increase)/decrease in inventories	33,658	(74,192)	(35,204)
15	Increase in trade and notes receivables	(241,268)	(299,064)	66,447
16	Increase in prepayments, other receivables and other assets	(16,954)	(71,243)	(5,587)
17	Increase/(decrease) in trade and notes payables	123,443	367,841	(116,985)
18	Decrease in other payables and accruals	(3,611)	9,990	(11,225)
19	Increase in other liabilities	1,200	1,200	1,200
20	Increase /(decrease)in contract liabilities	9,078	(68,183)	(91,654)
21	Decrease in deferred income	-	(309)	(424)
22	Increase/(decrease) in provision	306	2,409	(7)
23	<b>Cash generated from operating activities</b>	<b>144,574</b>	<b>439,180</b>	<b>281,442</b>
24	Income taxes paid	(45,881)	(121,129)	(117,763)
25	<b>Net cash flows from operating activities</b>	<b>98,873</b>	<b>318,051</b>	<b>163,679</b>

# Appendix III. Consolidated Statement of Cash Flows (Cont.)

No.	(RMB'000)	FY2021 Interim	FY2022 Interim	FY2023 Interim
	<b>Cash flows from investing activities</b>			
26	Interest received	6,587	5,865	5,875
27	Purchase of items of property, plant and equipment	(24,989)	(27,239)	(16,798)
28	Investments in associates	-	-	(2,800)
29	Gain on disposal of items of property, plant and equipment	177	7,773	623
30	Purchase of intangible assets	(47)	(98)	(318)
31	<b>Net cash flows from/(used in) investing activities</b>	<b>101,728</b>	<b>(13,699)</b>	<b>(13,418)</b>
	<b>Cash flows from financing activities</b>			
32	New /(repayment of) bank and other borrowings	-	24,421	(22,094)
33	Dividends paid	(51,143)	(79,158)	(131,633)
34	Interest paid	(956)	(1,063)	(70)
35	Principal portion of lease payments	(982)	(1,023)	(1,321)
36	<b>Net cash flows used in financing activities</b>	<b>(55,613)</b>	<b>(56,823)</b>	<b>(155,118)</b>
37	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>144,988</b>	<b>247,529</b>	<b>(4,857)</b>
38	<b>Cash and cash equivalents at the beginning of the period</b>	<b>205,010</b>	<b>430,115</b>	<b>555,433</b>
39	<b>Cash and cash equivalents at the end of the period</b>	<b>349,998</b>	<b>677,644</b>	<b>550,576</b>

# Q&A Session



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