



**PRECISION  
TSUGAMI  
CHINA**

**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

**2017**  
Interim Report

# PRECISION TSUGAMI CHINA

Precision Tsugami (China) Corporation Limited is a subsidiary established by Tsugami Corporation 株式会社ツガミ (“**Tsugami Japan**”), a renowned Japanese high precision CNC machine tool manufacturer, for its Chinese undertakings, and has grown into the largest foreign-branded CNC machine tool manufacturer\* in the Chinese market through 14 years of rapid development since the business commencement in 2003.

The Company manufactures and sells high-end CNC machine tools including precision automatic lathes, precision turret machines, precision machining centres and precision grinding machines under the TSUGAMI brand. With its customer orientation, and high speed, high precision and high rigidity as its quality targets, the Company has been widely recognized by the industries including automobile parts and components, IT communications and electronics and industrial automation. The Company’s products are mainly for the Chinese market, and are also sold, with or without customisations, to Japan, Europe, the United States, Southeast Asia and other regions through its overseas sales channels Tsugami Japan.

\* According to the industry overview report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., for inclusion in the prospectus of the Company dated 12 September 2017.

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## INTERIM RESULTS REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board of directors (the “**Board**”) 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 2017 together with the unaudited comparative figures for the corresponding period in 2016. Such results have been reviewed by the external auditor Ernst & Young and the audit committee of the Company.

### RESULTS HIGHLIGHTS

	For the six months ended 30 September		
	2017 RMB'000, except for percentages (Unaudited)	2016 RMB'000, except for percentages (Unaudited)	Period-on- period increase %
Revenue	<b>1,198,559</b>	727,464	64.8%
Gross profit	<b>234,606</b>	126,185	85.9%
Gross profit margin	<b>19.6%</b>	17.3%	2.3%
Profit before tax	<b>141,635</b>	62,107	128.0%
Profit attributable to shareholders of the Company	<b>100,999</b>	43,910	130.0%
Net profit margin	<b>8.4%</b>	6.0%	2.4%
Basic earnings per share (RMB)	<b>0.33</b>	0.15	120.0%

- During the six months ended 30 September 2017, manufacturing industries in China, including automotive industry and general machining industry, continued to show strong demand for machine tools. Benefit from the macroeconomic effects, the Group achieved sales revenue of approximately RMB1,199 million through its operating efforts, representing an increase of approximately 64.8% as compared to that of the corresponding period in 2016.
- The increase in sales and production volumes led to economies of scale, which, together with the improvement in operating efficiency, resulted in the enhancement in the gross profit margin of the Group. The gross profit margin of the Group improved to approximately 19.6% for the six months ended 30 September 2017, representing an increase of approximately 2.3% as compared to that of the corresponding period in 2016.
- Due to the same reasons mentioned above, the Company's net profit margin was improved to reach approximately 8.4% for the six months ended 30 September 2017, representing an increase of approximately 2.4% as compared to that of the corresponding period in 2016.
- Basic earnings per share amounted to approximately RMB0.33 during the period, representing an increase of approximately 120.0% as compared to the same period of last year.

## CORPORATE INFORMATION

### Executive Directors

Dr. Tang Donglei (*Chief Executive Officer*)  
Mr. Yoshimasa Hashimoto  
Mr. Tatsushi Hidano

### Non-executive Directors

Mr. Takao Nishijima (*Chairman*)  
Ms. Mami Matsushita  
Dr. Ng Lai Man Carmen

### Independent Non-executive Directors

Dr. Huang Ping  
Dr. Eiichi Koda  
Mr. Tam Kin Bor

### Company Secretary

Ms. Wong Wai Yee Ella

### Audit Committee

Mr. Tam Kin Bor (*Chairman*)  
Ms. Mami Matsushita  
Dr. Huang Ping

### Remuneration Committee

Mr. Tam Kin Bor (*Chairman*)  
Dr. Huang Ping  
Mr. Yoshimasa Hashimoto

### Nomination Committee

Mr. Takao Nishijima (*Chairman*)  
Mr. Tam Kin Bor  
Dr. Eiichi Koda

### Registered Office

PO Box 309, Uglan House  
Grand Cayman KY 1-1104  
Cayman Islands

### Auditor

Ernst & Young  
Certified Public Accountants

### Principal Place of Business

China Region  
No. 2001 Pingcheng Road  
Pinghu Economic and Technology  
Development District  
Zhejiang Province, 314200  
PRC

Hong Kong Region  
21/F Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Compliance Adviser

Halcyon Capital Limited  
11/F, 8 Wyndham Street  
Central  
Hong Kong

### Principal Bankers

Hong Kong  
Bank of China  
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Hong Kong  
Branch  
Sumitomo Mitsui Banking Corporation Hong Kong  
Branch

PRC

Sumitomo Mitsui Banking Corporation (China) Limited  
Bank Of Tokyo-Mitsubishi UFJ (China), Ltd.  
Mizuho Bank (China), Ltd.  
China Construction Bank Corporation

### Stock Code

1651



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the six months ended 30 September 2017, manufacturing industries in China, including automotive industry and general machining industry, continued to show strong demand for machine tools. Under the influence of such macro circumstance, the Group sustained the great momentum in sales performance from last autumn, with each of its major models recording good sales results. The sales amounted to approximately RMB1,198,559,000, representing an increase of approximately 64.8% as compared to the same period last year.

Facing the strong market demand, the sales force of the Group managed to have their efforts paid off by leveraging on the Group's capabilities of procurement and in-house manufacturing to meet customers' requirements for short delivery time. Such capabilities are also vitally important for the Group to secure sales orders.

Precision automatic lathes being the Group's main products, received wider recognition in the market as an industry leader and achieved sales of approximately RMB704,536,000 for the six months ended 30 September 2017, representing an increase of approximately 55.2% as compared to the same period last year.

Precision turret machines being one of the Group's major products to be emphatically promoted in the future, made remarkable progress in market exploitation in automobile manufacturing and other industries and achieved sales of approximately RMB263,011,000 for the six months ended 30 September 2017, representing an increase of approximately 111.7% as compared to the same period last year.

The increase in sales and production volumes led to economies of scale, which, together with the improvement in operating efficiency, fostered a gross profit of approximately RMB234,606,000 for the six months ended 30 September 2017, representing an increase of approximately 85.9% as compared to the same period last year, while the Group's gross profit margin also increased from approximately 17.3% to approximately 19.6% for the same period.

Also, due to the increase in sales volume, the Group achieved a net profit of approximately RMB100,999,000, representing an increase of approximately 130.0% as compared to the same period last year.

Basic earnings per share amounted to approximately RMB0.33 per share of the Company.

### FINANCIAL REVIEW

#### Revenue

During the six months ended 30 September 2017, total revenue increased by approximately 64.8%, or approximately RMB471,095,000, from approximately RMB727,464,000 for the same period last year to approximately RMB1,198,559,000. Such increase was primarily the results of (i) precision automatic lathes continued to expand their brand influence as an industry leader in the market, received broader recognition from customers and achieved sales of approximately RMB704,536,000, representing an increase of approximately 55.2%; (ii) precision turret machines made remarkable progress in key market exploitation and achieved sales of approximately RMB263,011,000, representing an increase of approximately 111.7%; and (iii) precision machining centres and precision grinding machines, like many other models, also saw considerable increases and achieved sales of approximately RMB110,442,000 and approximately RMB57,723,000, representing increases of approximately 76.6% and approximately 33.6% respectively, as compared to the same period last year.

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

	Six months ended 30 September 2017		Six months ended 30 September 2016		Period-on- period increase/ (decrease) (%)
	Proportion (%)		Proportion (%)		
Precision automatic lathes	704,536	58.8%	453,986	62.4%	55.2%
Precision turret machines	263,011	22.0%	124,246	17.1%	111.7%
Precision machining centres	110,442	9.2%	62,554	8.6%	76.6%
Precision grinding machines	57,723	4.8%	43,203	5.9%	33.6%
Precision thread and form rolling machines	4,987	0.4%	5,673	0.8%	(12.1)%
Others	57,860	4.8%	37,802	5.2%	53.1%
<b>Total</b>	<b>1,198,559</b>	<b>100%</b>	<b>727,464</b>	<b>100%</b>	<b>64.8%</b>

### Gross Profit and Gross Profit Margin

During the six months ended 30 September 2017, gross profit increased by approximately 85.9% to approximately RMB234,606,000 as compared to the same period last year, mainly due to the increase in sales volume as a result of the Group's continued business expansion. The Group's overall gross profit margin for the six months ended 30 September 2017 was approximately 19.6%, representing an increase of approximately 2.3% as compared with approximately 17.3% for the same period last year. Such increase was mainly attributable to economies of scale resulting from the increase in sales volume during the period.

The table below sets out the gross profit and gross profit margin breakdown by product category for the periods indicated: (RMB'000)

	Gross profit for the six months ended 30 September 2017		Gross profit for the six months ended 30 September 2016	
	Gross profit margin		Gross profit margin	
Precision automatic lathes	152,017	21.6%	79,086	17.4%
Precision turret machines	38,830	14.8%	15,851	12.8%
Precision machining centres	10,907	9.9%	5,374	8.6%
Precision grinding machines	21,858	37.9%	14,702	34.0%
Precision thread and form rolling machines	781	15.7%	382	6.7%
Others	10,213	17.7%	10,790	28.5%
<b>Total</b>	<b>234,606</b>	<b>19.6%</b>	<b>126,185</b>	<b>17.3%</b>

## Other Income and Gains

Other income and gains of the Group primarily consist of bank interest income, gain on disposal of items including property, plant and equipment, government grants and others. During the six months ended 30 September 2017, other income and gains increased by approximately 138.1% to approximately RMB1,024,000 primarily due to the increases in bank interest income by approximately RMB529,000, gain on disposal of fixed assets by approximately RMB72,000 and government grants by approximately RMB48,000.

## Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff salaries and benefits, transportation and insurance costs, warranty expenses, travelling expenses, office utility expenses, marketing and advertisement expenses and depreciation costs. During the period under review, selling and distribution expenses of the Group increased by approximately 36.0% as compared to the same period last year to approximately RMB50,904,000, representing approximately 4.2% of the Group's revenue for the same period. Such increase was mainly attributable to the increase in selling and distribution expenses along with the sharp rise in revenue.

## Administrative Expenses

Administrative expenses primarily consist of salaries and benefits for management, administrative and financial personnel, including the share-based payment by virtue of the Pre-IPO Share Option, administrative costs, customisation and development expenses, depreciation expenses relating to property, plant and equipment used for administrative purposes, amortisation expenses for the management information systems, other taxes and levies, and listing expenses.

During the period under review, administrative expenses increased by approximately 88.1% as compared to the same period of 2016 to approximately RMB32,427,000, mainly due to a large amount of listing expenses being recorded during the period under review.

## Other Expenses

Other expenses primarily include foreign exchange losses, losses on the disposal of fixed assets and others. During the period under review, other expenses decreased by approximately 75.5% as compared to the same period of 2016 to approximately RMB743,000, mainly due to the decrease in foreign exchange losses and the decrease in losses on the disposal of fixed assets.

## Finance Costs

During the period under review, finance costs increased by approximately 45.7% as compared to the same period of 2016 to approximately RMB9,921,000, mainly due to the increase in interest on discounting bills of approximately RMB3,234,000, in spite of the decrease in interest on bank borrowings of approximately RMB121,000.

## Income Tax Expenses

During the period under review, income tax expenses increased by approximately 123.3% as compared to the same period of 2016 to approximately RMB40,636,000, mainly due to the significant increase in revenue and profit before tax.



## Profit for the Period

As a result of the factors described above, profit for the period increased by approximately 130.0% from approximately RMB43,910,000 for the six months ended 30 September 2016 to approximately RMB100,999,000 for the six months ended 30 September 2017.

## Liquidity, Financial Resources and Debt Structure

During the period under review, the Group continued to maintain a healthy and solid liquidity position. As at 30 September 2017, total cash and cash equivalents of the Group amounted to approximately RMB357,187,000 (as at 31 March 2017: approximately RMB123,903,000). Such increase was mainly due to the receipt of net proceeds of approximately HK\$257,422,000 from the listing (the “**Listing**”) of the Company’s shares on the main board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (excluding the additional proceeds from the exercise of the over-allotment option) and the increase in net cash flows from operating activities.

As at 30 September 2017, the Group’s cash and cash equivalents were mainly held in Renminbi and part of them were held in Japanese yen, US dollars and Hong Kong dollars.

As at 30 September 2017, the Group recorded net current assets of approximately RMB628,793,000 (as at 31 March 2017: approximately RMB270,145,000) and its current ratio, calculated by dividing total current assets by total current liabilities, was approximately 2.2 times (as at 31 March 2017: approximately 1.4 times). Capital expenditures for the six months ended 30 September 2017 amounted to approximately RMB13,292,000, which was mainly utilised to finance the addition of office equipment and mechanical equipment.

Bank loans, which are used for our general working capital, purchases of production plant machinery and equipment, purchases of parts and components and payment of dividends, are denominated in Renminbi. As at 30 September 2017, the Group had no outstanding bank loans (31 March 2017: approximately RMB257,031,000) and the discounted bills with recourse were amounted to approximately RMB24,342,000 (31 March 2017: approximately RMB17,498,000). As at 30 September 2017, the Group’s gearing ratio, calculated by dividing total bank loans and other borrowings by total equity, was approximately 2.4% (as at 31 March 2017: approximately 42.1%).

## Capital Commitments

As at 30 September 2017, the Group had capital commitments contracted but not provided for amounting to approximately RMB1,500,000 (as at 31 March 2017: approximately RMB2,520,000).

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

The Group did not hold any other significant investment nor make any material acquisition or disposal of subsidiaries during the period under review.

## Charge on Assets

As at 30 September 2017, apart from the bank deposits of approximately RMB12,387,000 (as at 31 March 2017: approximately RMB6,930,000) pledged by the Group to banks in relation to the issue of bills payable, the Group had no other assets charged to any financial institutions.

## Contingent Liabilities

As at 30 September 2017, the Group had no material contingent liabilities.

## Currency Risk and Management

The sales and procurement by the Group are mainly denominated in Renminbi and JPY. In order to reduce exchange exposure, the Group has started and gradually settled part of its sales to the Controlling Shareholder and its subsidiaries (other than the Group) and part of the Group's procurement from the Controlling Shareholder in Renminbi instead of JPY.

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.

## Use of Proceeds from the Initial Public Offering

The Company has completed the initial public offering (including the issuance of over-allotment shares) and received net proceeds of approximately HK\$327.7 million. The net proceeds were and will be utilised in the manner consistent with that stated in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 12 September 2017 (the "**Prospectus**"). Since the initial public offering and until the date of this report, approximately HK\$266.2 million of the net proceeds received from the initial public offering were used for repaying bank loans.

## Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus and this report, the Group did not have any future plans for material investments or capital assets as at 30 September 2017.

## Employees and Remuneration Policy

As at 30 September 2017, the Group employed 1,396 employees (as at 31 March 2017: 1,368), of whom 32 were transferred employees from the Controlling Shareholder. The Group's staff costs (including salaries, bonuses, social insurance, provident funds and share incentive plan) amounted to approximately RMB83,070,000 in aggregate (including directors' emoluments), representing approximately 6.9% of total revenue of the Group during the period under review.

The Group offers attractive remuneration packages, including competitive fixed salaries plus performance-based annual bonuses, and continuously provides tailored trainings to its employees to promote their upward mobility in the organisation and foster employee loyalty. Our 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.

As disclosed in the Prospectus, the Company adopted a pre-IPO share option scheme on 14 March 2014 to award and motivate its employees who had made contributions to the Group. As at 30 September 2017, a total of 7,870,000 shares were granted under this share option scheme.

## OUTLOOK

As the macro economy and industrial output value of China maintain sustained growth, the management believes that the CNC high precision machine tool industry in China will be further strengthened. The rapid development of the two largest industries that apply CNC high precision machine tools in China, i.e. the automobile industry and consumer electronic product industry, will directly promote the sales volume and expansion of the CNC high precision machine tool industry in China. In addition, the Chinese government continues to adopt policies that actively encourage the development of the manufacturing technology of machines tools in recent years in order to strengthen the competitiveness of machine tools made in China. The management of the Group expects these will create more business opportunities for the CNC high precision machine tool industry in China.

In light of the great potential for future growth in the CNC high precision machine tool industry in China, the management is confident about the prospect for the development of the Company in the future. Going forward, the Group will seize market opportunities more actively, and maintain and improve our market position in the CNC high precision machine tool industry in China continuously. In the near future, the Group will continue to put more efforts in the market exploration and promotion for the key products, make more investments in new products and upgrade the existing models, and further expand its sales and distribution network as well as the customer base in China in order to increase its sales volume. The Group will also maintain stable relationship with quality suppliers to achieve mass production of the CNC high precision machine tool so as to offer more competitive pricing. The management of the Group will continue to adhere to the customer-oriented principle, provide more effective customer services with better quality and further improve the operational and financial performance of the Group in order to strengthen its market position in the industry and create satisfactory returns for shareholders of the Group.

## EVENTS AFTER THE END OF THE PERIOD UNDER REVIEW

On 13 October 2017, the over-allotment option was exercised in full, and pursuant to which, the over-allotment shares were issued on 16 October 2017.

## INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividends in respect of the six months ended 30 September 2017.

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

On 13 October 2017, the over-allotment option described in the Prospectus was fully exercised by the Sole Global Coordinator in respect of an aggregate of 13,500,000 Shares at HK\$5.60 per Share, representing 15% of the offer shares initially available under the global offering. During the period from the listing date and up to the date of this report, apart from the over-allotment option exercised on 13 October 2017 and pursuant to which the over-allotment shares were issued on 16 October 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## OTHER INFORMATION

### PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this report, 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%.

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2017, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or which will be required, pursuant to the Model Code (the “Model Code”) for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### (I) The Company

Name of director	Position	Long/short positions	Capacity	Number of shares and underlying shares held	Notes	Percentage of issued shares (Note 6)
Tang Donglei	Chief executive officer and executive director	Long position	Beneficial owner Family interest	800,000	1	0.22%
				310,000	2	0.09%
				1,110,000	2	0.31%
Yoshimasa Hashimoto	Executive director	Long position	Beneficial owner	150,000	3	0.04%
Takao Nishijima	Chairman and non-executive director	Long position	Beneficial owner	1,100,000	4	0.31%
Mami Matsushita	Non-executive director	Long position	Beneficial owner	550,000	5	0.15%

#### Notes:

- This represents 800,000 share options of the Company granted to Dr. Tang Donglei pursuant to the Pre-IPO Share Option Scheme of the Company.
- This represents 310,000 share options of the Company granted to Ms. Wang Xiaojun pursuant to the Pre-IPO Share Option Scheme of the Company. Ms. Wang Xiaojun is the spouse of Dr. Tang Donglei. Dr. Tang Donglei is deemed to be interested in the same number of Pre-IPO Share Options in which Ms. Wang Xiaojun is interested pursuant to the SFO.
- This represents 150,000 share options of the Company granted to Mr. Yoshimasa Hashimoto pursuant to the Pre-IPO Share Option Scheme of the Company.
- This represents 1,100,000 share options of the Company granted to Mr. Takao Nishijima pursuant to the Pre-IPO Share Option Scheme of the Company.
- This represents 550,000 share options of the Company granted to Ms. Mami Matsushita pursuant to the Pre-IPO Share Option Scheme of the Company.
- As at 16 October 2017, upon exercise in full of the over-allotment option referred to in the Prospectus (the “Over-allotment Option”), the issued capital of the Company increased from 360,000,000 ordinary shares as at 30 September 2017 to 373,500,000 ordinary shares, which may make the interests of the aforesaid directors in the Company as a percentage of the issued shares to be different from those disclosed in this report.

**(II) Associated corporation (within the meaning of Part XV of the SFO) – Tsugami Japan**

Name	Position	Long/short positions	Capacity	Number of shares held in the associated corporation	Note	Percentage of shareholding in the associated corporation
Takao Nishijima	Chairman and Non-executive Director	Long position	Beneficial owner	10,000	1	0.02%

Note:

- This represents the shares beneficially held by Mr. Takao Nishijima in his personal capacity.

Except as disclosed above, as at 30 September 2017, none of the directors or chief executive of the Company was interested or deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

### Substantial shareholders' interests or short positions in the shares and underlying shares of the Company

As at 30 September 2017, so far as any of the directors or chief executive of the Company are aware, the following persons/entities had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which will have to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 2 and 3 of Part XV of the SFO or which ought to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Name of substantial shareholder	Long/short positions	Capacity	Number of shares	Notes	Percentage of issued shares (Note 3)
Tsugami Japan	Long position	Beneficial owner	270,000,000	1	75.00%
	Short position	Beneficial owner	13,500,000	2	3.75%

Notes:

- The 270,000,000 shares were beneficially owned by Tsugami Japan.
- The 13,500,000 shares represent the lendable portion of the 270,000,000 shares beneficially owned by Tsugami Japan. As stated in the Prospectus, the sole global coordinator of the Listing (the "**Sole Global Coordinator**") may, by virtue of the Over-allotment Option granted by the Company to the international underwriters of the Listing (the "**International Underwriters**"), exercise such Over-allotment Option (on behalf of the International Underwriters) at its sole and absolute discretion at any time from the day on which trading of the shares of the Company commences on the Stock Exchange within 30 days from the last day for lodging of applications under the Hong Kong Public Offering (as defined in the Prospectus), to require the Company to allot and issue up to an aggregate of 13,500,000 additional shares at the offer price, representing 15.00% of total number of offer shares available under the Listing. Such 13,500,000 shares were lent to the stabilising manager of the Listing (the "**Stabilising Manager**") by Tsugami Japan, the Controlling Shareholder of the Company, pursuant to the stock borrowing agreement entered into with the Stabilising Manager (the "**Lent Shares**"). The Lent Shares are therefore deemed to be short positions.  
  
On 16 October 2017, upon exercise in full of the Over-allotment Option, the Lent Shares were returned in full to Tsugami Japan. Thereafter, Tsugami Japan no longer has any short position in the shares or underlying shares of the Company.
- As at 16 October 2017, upon exercise in full of the Over-allotment Option referred to in the Prospectus, issued capital of the Company increased from 360,000,000 ordinary shares as at 30 September 2017 to 373,500,000 ordinary shares, which may make the interests of Tsugami Japan in the Company as a percentage of the issued shares to be different from those disclosed in this report.

Except as disclosed above, as at 30 September 2017, the directors and chief executive of the Company were not aware of any person/entity (other than the directors or chief executive of the Company) who had, or deemed to have, an interest or short position in the shares or underlying shares of the Company which will have to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 2 and 3 of Part XV of the SFO or which ought to be recorded in the register of the Company required to be kept under section 336 of the SFO.

## SHARE OPTION SCHEME

### Pre-IPO Share Options

#### A. Summary

The Company adopted the Pre-IPO Share Option Scheme (the “**Scheme**”) on 14 March 2014 to grant the Pre-IPO Share Options as incentive or reward and to attract, retain and motivate employees to contribute to the Group and/or strive for future development and expansion of the Group. The Scheme is summarised as follows:

A total of 55 eligible participants have been granted the Pre-IPO Share Options, eight among whom had left the Group and have ceased to be eligible employees under the Scheme. As such, the Pre-IPO Share Options granted to them for a total of 756,000 shares have lapsed. As at 30 September 2017, so far as the Company is aware, the Pre-IPO Share Options for a total of 7,870,000 shares remained outstanding.

Eligible participants of the Scheme comprise of two groups (collectively, the “**Grantees**”). At the time when the Scheme came into effect, members of group A consist of a maximum of 15 directors or chief executives in the Company and the Company’s subsidiaries, and members of group B consist of a maximum of 50 full-time employees of the Group designated by directors. The Scheme became effective on 14 March 2014 and share options were granted conditionally to the Grantees on the same date. Unless otherwise cancelled or amended by directors, under which case no share option will be granted, the Scheme will remain in force for 10 years from that date. Details of the Scheme are as follows:

- (a) the exercise period shall commence on the first anniversary of the date of offer to group A eligible persons and third anniversary of the date of offer to group B eligible persons;
- (b) as at 30 September 2017, the total number of shares subject to the Pre-IPO Share Options is 7,870,000 shares, representing approximately 2.2% of the total issued shares. The share options were granted for nil consideration per Grantee;
- (c) as at 16 October 2017, upon exercise in full of the Over-allotment Option referred to in the Prospectus, issued capital of the Company increased from 360,000,000 ordinary shares as at 30 September 2017 to 373,500,000 ordinary shares. As a result, the 7,870,000 shares subject to the Pre-IPO Share Options as a percentage of the issued shares declined to approximately 2.1%;
- (d) the subscription price for the shares under the Scheme will be fixed at HK\$1.50 per share or such other price, which shall be no less than the nominal value of a share, as may be determined by the Board in its sole discretion, subject to any adjustment made in the manner as contemplated under the Scheme;
- (e) the maximum number of shares in respect of the Pre-IPO Share Options will not exceed 5,000,000 shares for group A eligible persons and 5,000,000 shares for group B eligible persons, representing in total approximately 2.78% of the issued share capital as at 30 September 2017;
- (f) the right to exercise the Pre-IPO Share Options shall terminate immediately, among others, upon the date on which the Grantee ceases to be an eligible person for any reason, among others, summary dismissal or being dismissed for misconduct or other breach of the terms of his/her employment contract or other contract constituting him/her an eligible person under the Scheme;



- (g) the Scheme is valid and effective for a period of ten years commencing on 14 March 2014, being the date on which the Scheme was adopted by the then sole Shareholder. The exercise period for the Pre-IPO Share Options granted to group A eligible persons and group B eligible persons are from 17 March 2015 to 16 March 2020 and 17 March 2017 to 16 March 2020, respectively. After the shares of the Company were listed on the main board of the Stock Exchange on 25 September 2017 (the “**Listing Date**”), no further options will be granted under the Scheme (no option was granted during the reporting period before the Listing Date) but in all other respects the provisions of the Scheme shall remain in full force and effect to the exercise of any options granted.

## B. Summary of Grantees

As at 30 September 2017, outstanding Pre-IPO Share Options to subscribe for an aggregate of 7,870,000 Shares were conditionally granted to the Grantees under the Scheme. Details of the options granted and movements therein during the period are as follows:

Name of Grantee	Date of grant	Exercise price per share	Number of share options				Outstanding as at 30 September 2017	Exercise period for the share options
			Outstanding as at 1 April 2017	Granted during the reporting period	Exercised during the reporting period	Lapsed/cancelled during the reporting period		
Tang Donglei (Executive director of the Company)	14 March 2014	HK\$1.50	800,000	-	-	-	800,000	17 March 2015 to 16 March 2020
Wang Xiaojun (Employee of the Group) (note 1)	14 March 2014	HK\$1.50	310,000	-	-	-	310,000	17 March 2015 to 16 March 2020
Yoshimasa Hashimoto (Executive director of the Company)	14 March 2014	HK\$1.50	150,000	-	-	-	150,000	17 March 2017 to 16 March 2020
Takao Nishijima (Non-executive director of the Company)	14 March 2014	HK\$1.50	1,100,000	-	-	-	1,100,000	17 March 2015 to 16 March 2020
Mami Matsushita (Non-executive director of the Company)	14 March 2014	HK\$1.50	550,000	-	-	-	550,000	17 March 2015 to 16 March 2020
Other employees	14 March 2014	HK\$1.50	2,085,000	-	-	-	2,085,000	17 March 2015 to 16 March 2020
Other employees	14 March 2014	HK\$1.50	2,875,000	-	-	-	2,875,000	17 March 2017 to 16 March 2020
			<u>7,870,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,870,000</u>	

Note:

1. Ms. Wang Xiaojun is the spouse of Dr. Tang Donglei, and also one of the Grantees.

## DISCLOSURE OF CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, there are no changes in information of the directors and the Company's chief executive since the Listing Date.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 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 throughout the period from the Listing Date and up to the date of this report.

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

The Company has adopted the Model Code 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 due and careful inquiries 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 from the listing date and up to the date of this report.

## 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 2017 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.

By order of the Board

**Precision Tsugami (China) Corporation Limited**

**Dr. Tang Donglei**

*Chief Executive Officer and Executive Director*

## INDEPENDENT REVIEW REPORT

### To the board of directors of Precision Tsugami (China) Corporation Limited

*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 32, which comprises the condensed consolidated statement of financial position of Precision Tsugami (China) Corporation Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 September 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board (the “**IASB**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**HKSRE 2410**”) issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

## OTHER MATTER

We draw attention to the fact that the comparative condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months ended 30 September 2016, and the relevant notes disclosed in this interim financial information have not been reviewed in accordance with HKSRE 2410.

*Certified Public Accountants*

Hong Kong

13 November 2017

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

For the six months ended 30 September 2017

	Notes	For the six months ended 30 September	
		2017	2016
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>1,198,559</b>	727,464
Cost of sales		<b>(963,953)</b>	(601,279)
<b>GROSS PROFIT</b>		<b>234,606</b>	126,185
Other income and gains	4	<b>1,024</b>	430
Selling and distribution expenses		<b>(50,904)</b>	(37,432)
Administrative expenses		<b>(32,427)</b>	(17,235)
Other expenses		<b>(743)</b>	(3,033)
Finance costs		<b>(9,921)</b>	(6,808)
<b>PROFIT BEFORE TAX</b>		<b>141,635</b>	62,107
Income tax expense	5	<b>(40,636)</b>	(18,197)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>100,999</b>	43,910
<b>ATTRIBUTABLE TO:</b>		<b>100,999</b>	43,910
Owners of the parent		<b>100,999</b>	43,910
		For the six months ended 30 September	
		2017	2016
		RMB	RMB
<b>EARNINGS PER SHARE (EPS)</b>			
Basic, profit for the period attributable to ordinary equity holders of the parent	6	<b>0.33</b>	0.15
Diluted, profit for the period attributable to ordinary equity holders of the parent	6	<b>0.33</b>	0.14

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2017

	Notes	30 September 2017 RMB'000 (Unaudited)	31 March 2017 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	334,443	342,221
Prepaid land lease prepayments		33,355	33,802
Intangible assets		3,092	2,840
Deferred tax assets		6,291	5,381
		<u>377,181</u>	<u>384,244</u>
<b>CURRENT ASSETS</b>			
Inventories		462,406	479,875
Trade and bills receivables	8	306,073	387,295
Prepayments, deposits and other receivables		14,895	15,491
Pledged deposits		12,387	6,930
Cash and cash equivalents		357,187	123,903
		<u>1,152,948</u>	<u>1,013,494</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	364,912	358,277
Other payables and accruals		100,006	83,347
Tax payable		24,440	18,713
Interest-bearing bank loans and other borrowings	11	24,342	274,529
Provision		10,455	8,483
		<u>524,155</u>	<u>743,349</u>
<b>NET CURRENT ASSETS</b>		<u>628,793</u>	270,145
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,005,974</u>	654,389
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		4,091	2,492
		<u>4,091</u>	2,492
<b>Net assets</b>		<u>1,001,883</u>	651,897
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		302,430	–
Reserves		699,453	651,897
<b>Total equity</b>		<u>1,001,883</u>	651,897

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the parent						Total RMB'000
	Issued capital RMB'000	Merger reserve* RMB'000	Share premium reserve* RMB'000	Share option reserve* RMB'000	Statutory reserve fund* RMB'000	Retained profits* RMB'000	
At 1 April 2017	-	(39,964)	329,406	9,455	63,881	289,119	651,897
Profit for the period	-	-	-	-	-	100,999	100,999
Transfer of share premium to issued capital	251,760	-	(251,760)	-	-	-	-
Issue of share capital	50,670	-	211,912	-	-	-	262,582
Dividends distribution	-	-	-	-	-	(13,595)	(13,595)
At 30 September 2017	<b>302,430</b>	<b>(39,964)</b>	<b>289,558</b>	<b>9,455</b>	<b>63,881</b>	<b>376,523</b>	<b>1,001,883</b>

  

	Attributable to owners of the parent						Total RMB'000
	Issued capital RMB'000	Merger reserve* RMB'000	Share premium reserve* RMB'000	Share option reserve* RMB'000	Statutory reserve fund* RMB'000	Retained profits* RMB'000	
At 1 April 2016	-	(39,964)	329,406	8,943	54,330	212,738	565,453
Profit for the period	-	-	-	-	-	43,910	43,910
Dividends distribution	-	-	-	-	-	(12,914)	(12,914)
At 30 September 2016	-	(39,964)	329,406	8,943	54,330	243,734	596,449

\* These reserve accounts comprise the consolidated reserves of RMB699,453,000 and RMB596,449,000 in the condensed consolidated statements of financial position as at 30 September 2017 and 2016, respectively.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	<b>For the six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>141,635</b>	62,107
<b>Adjustments for:</b>		
Finance costs	<b>9,921</b>	6,808
Interest income	<b>(741)</b>	(212)
Net (gain)/loss on disposal of items of property, plant and equipment	<b>(43)</b>	1,109
Depreciation	<b>20,691</b>	20,650
Recognition of prepaid land lease payments	<b>447</b>	448
Amortisation of intangible assets	<b>227</b>	140
	<b>172,137</b>	91,050
Increase in pledged deposits for bills payable	<b>(5,457)</b>	(6,974)
Decrease in inventories	<b>17,469</b>	11,864
Decrease/(increase) in trade and bills receivables	<b>81,222</b>	(122,921)
Decrease/(increase) in prepayments, deposits and other receivables	<b>596</b>	(5,063)
Increase in trade and bills payables	<b>6,635</b>	170,125
Increase in other payables and accruals	<b>11,659</b>	8,170
Increase/(decrease) in provision	<b>1,972</b>	(948)
Cash generated from operations	<b>286,233</b>	145,303
Income taxes paid	<b>(34,220)</b>	(15,141)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>252,013</b>	130,162
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>741</b>	212
Purchases of items of property, plant and equipment	<b>(8,292)</b>	(7,496)
Proceeds from disposal of items of property, plant and equipment	<b>422</b>	1,095
Additions to intangible assets	<b>(479)</b>	(421)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(7,608)</b>	(6,610)

continued/...

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	262,582	–
New interest-bearing bank loans and other borrowings	281,342	421,298
Repayment of interest-bearing bank loans and other borrowings	(531,498)	(527,647)
Dividends paid	(13,595)	(12,914)
Interest paid	(9,952)	(9,037)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(11,121)</b>	<b>(128,300)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>233,284</b>	<b>(4,748)</b>
Cash and cash equivalents at beginning of period	123,903	96,093
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>357,187</b>	<b>91,345</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	357,187	91,345

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

### 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, Uglan House, Grand Cayman KY 1-1104, Cayman Islands.

The Company is an investment holding company. The Group primarily engages in the following principal activities during the period:

- manufacture and sale of computer numerical control (“**CNC**”) high precision machine tools
- provision of commercial consultation services

In the opinion of the directors of the Company, the ultimate holding company of the Company is Tsugami Corporation (the “**Controlling Shareholder**”), a Japanese company incorporated in March 1937 whose shares are listed on the Tokyo Stock Exchange.

### 2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

#### 2.1 Basis of presentation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 September 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017.

#### 2.2 New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017, except for the adoption of the amendments effective as of 1 April 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

## 2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

### 2.2 New standards, interpretation and amendments adopted by the Group (Continued)

The nature and the impact of each amendment are described below:

#### ***Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative***

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 March 2018.

#### ***Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group has applied the amendments retrospectively. However, such application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

#### ***Amendments to IFRS 12 included in Annual Improvements Cycle – 2014-2016***

##### *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments are retrospectively effective for annual periods beginning on or after 1 January 2017. The amendments do not have any impact on the Group.

### 3. 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.

#### Geographical information

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

Revenue information based on the locations of customers for the six months ended 30 September 2017 and 2016 is presented as follows:

	For the six months ended 30 September	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Mainland China	819,212	420,944
Overseas	379,347	306,520
	<u>1,198,559</u>	<u>727,464</u>

#### Information about major customers

Revenue from an individual customer which amounted to more than 10% of the Group's revenue for the six months ended 30 September 2017 and 2016 is set out below:

	For the six months ended 30 September	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Customer A (Note 13(b))	359,229	287,355

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges.

An analysis of the Group's revenue, other income and gains is as follows:

	<b>For the six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>		
Sale of goods	<b>1,196,787</b>	725,990
Rendering of services	<b>1,772</b>	1,474
	<b>1,198,559</b>	727,464
<b>Other income and gains</b>		
Bank interest income	<b>741</b>	212
Gain on disposal of items of property, plant and equipment	<b>112</b>	40
Government grants ( <i>note (a)</i> )	<b>83</b>	35
Others	<b>88</b>	143
	<b>1,024</b>	430

*Note:*

- (a) The amount represents grants received from local People's Republic of China (the "PRC") government authorities by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants.

## 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.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the six months ended 30 September 2017 and 2016.



## 5. INCOME TAX (Continued)

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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Income taxes:</b>		
Current tax	39,947	17,208
Deferred tax	689	989
<b>Total tax charge for the period</b>	<b>40,636</b>	<b>18,197</b>

## 6. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The basic earnings per share amount is calculated by dividing the net profit or loss for the periods attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share amount is calculated by dividing the net profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period, and the weighted average number of ordinary shares assumed to have been issued for the share options granted.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 September	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent	100,999	43,910
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	301,967,213	300,000,000
Effect of dilution – weighted average number of ordinary shares		
Share options	6,287,136	6,287,136
	<b>308,254,349</b>	<b>306,287,136</b>

## 7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired assets at a cost of RMB13,292,000 (six months ended 30 September 2016: RMB6,685,000), including property, plant and machinery in the PRC.

During the six months ended 30 September 2017, depreciation for property, plant and equipment was RMB20,691,000 (for the six months ended 30 September 2016: RMB20,650,000).

Assets with a net book value of RMB379,000 were disposed of by the Group during the six months ended 30 September 2017 (six months ended 30 September 2016: RMB2,204,000), resulting in a net gain on disposal of RMB43,000 (six months ended 30 September 2016: a net loss on disposal of RMB1,109,000).

As at 30 September 2017 and 31 March 2017, there was no impairment of property, plant and equipment.

## 8. TRADE AND BILLS RECEIVABLES

### Group

	<b>30 September 2017 RMB'000 (Unaudited)</b>	31 March 2017 RMB'000 (Audited)
Trade receivables*	<b>181,454</b>	190,542
Bills receivable	<b>124,619</b>	196,753
	<b>306,073</b>	387,295

\* Trade receivables include trade receivables from the Controlling Shareholder and another related party.

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with certain major customers with good repayment history and high reputations are on credit. The credit period is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risks.

Trade receivables are unsecured and non-interest-bearing.

## 8. TRADE AND BILLS RECEIVABLES (Continued)

### Ageing analysis of trade receivables by invoice date

An ageing analysis of the trade receivables as at 30 September 2017 and 31 March 2017, based on the invoice date and net of provisions, is as follows:

	<b>30 September 2017 RMB'000 (Unaudited)</b>	31 March 2017 RMB'000 (Audited)
Within 3 months	<b>126,238</b>	169,239
3 months to 6 months	<b>55,216</b>	21,303
	<b>181,454</b>	190,542
	<b>30 September 2017 RMB'000 (Unaudited)</b>	31 March 2017 RMB'000 (Audited)
Neither past due nor impaired	<b>181,417</b>	190,266
Past due but not impaired	<b>37</b>	276
	<b>181,454</b>	190,542

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a few customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 30 September 2017 and 31 March 2017, none of the bills receivable was either past due or impaired. The financial assets included in the above balances relate to bills receivable for which there was no recent history of default.

## 9. TRADE AND BILLS PAYABLES

### Group

	<b>30 September 2017 RMB'000 (Unaudited)</b>	31 March 2017 RMB'000 (Audited)
Trade payables*	<b>247,957</b>	289,437
Bills payable	<b>116,955</b>	68,840
	<b>364,912</b>	358,277

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

### Ageing analysis of trade payables by invoice date

An ageing analysis of the outstanding trade payables as at 30 September 2017 and 31 March 2017, based on the invoice date, is as follows:

	<b>30 September 2017 RMB'000 (Unaudited)</b>	31 March 2017 RMB'000 (Audited)
Within 3 months	<b>240,133</b>	289,437
3 months to 6 months	<b>7,824</b>	-
	<b>247,957</b>	289,437

## 10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below is an analysis of the carrying amounts of financial instruments by category, held by the Group as at 30 September 2017 and 31 March 2017:

### Group

	<b>30 September 2017 RMB'000 (Unaudited)</b>	31 March 2017 RMB'000 (Audited)
<i>Financial assets</i>		
<b>Loans and receivables</b>		
Trade and bills receivables	<b>306,073</b>	387,295
Financial assets included in prepayments, deposits and other receivables	<b>3,833</b>	2,635
Pledged deposits	<b>12,387</b>	6,930
Cash and cash equivalents	<b>357,187</b>	123,903
	<b>679,480</b>	520,763
<i>Financial liabilities</i>		
<b>Financial liabilities measured at amortised cost</b>		
Trade and bills payables	<b>364,912</b>	358,277
Financial liabilities included in other payables and accruals	<b>19,251</b>	11,154
Interest-bearing bank loans and other borrowings	<b>24,342</b>	274,529
	<b>408,505</b>	643,960

## 11. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

### Group

	<b>30 September 2017 RMB'000 (Unaudited)</b>	31 March 2017 RMB'000 (Audited)
<b>Current</b>		
Discounted bills with recourse	<b>24,342</b>	17,498
Bank loans, unsecured	—	257,031
	<b>24,342</b>	274,529
Bank loans and other borrowings bearing interest at rates per annum in the range of	<b>N/A</b>	2.10%-4.39%
Repayable within one year or on demand	<b>24,342</b>	274,529

## 12. CAPITAL COMMITMENTS

The Group had the following capital commitments at 30 September 2017 and 31 March 2017:

	<b>30 September 2017 RMB'000 (Unaudited)</b>	31 March 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	<b>1,500</b>	2,520



## 13. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Name and relationship

Name of related party	Relationship with the Group
Tsugami Corporation	The Controlling Shareholder
Tsugami Korea Co., Ltd.	Company controlled by the Controlling Shareholder
Tsugami Machinery K.K.	Company controlled by the Controlling Shareholder
Tsugami Thailand Co., Ltd.	Company controlled by the Controlling Shareholder

### (b) The Group had the following material transactions with related parties during the six months ended 30 September 2017 and 2016:

	Note	For the six months ended 30 September	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Sales of goods to</b>			
Tsugami Corporation (Note 3)	(i)	359,229	287,355
Tsugami Korea Co., Ltd.		6,399	2,116
		<u>365,628</u>	<u>289,471</u>
<b>Purchases of materials from</b>			
Tsugami Corporation	(i)	149,487	239,409
<b>Purchases of equipment from</b>			
Tsugami Corporation	(i)	6,806	–
<b>Licence fee to</b>			
Tsugami Corporation	(i)	55,081	32,428
<b>Service fee to</b>			
Tsugami Corporation	(i)	4,685	7,499

Note:

- (i) The sales to and purchases from related parties were made and the licence fee and service fee were paid to a related party according to prices mutually agreed after taking into account the prevailing market prices.

## 13. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (c) Outstanding balances with related parties

#### Group

	<b>30 September 2017 RMB'000 (Unaudited)</b>	31 March 2017 RMB'000 (Audited)
<b>Amount due from the Controlling Shareholder</b>		
Tsugami Corporation		
Trade receivables	<u>38,420</u>	<u>53,397</u>
<b>Amount due from a company controlled by the Controlling Shareholder</b>		
Tsugami Korea Co., Ltd.		
Trade receivables	<u>1,997</u>	<u>4,163</u>
<b>Amount due to the Controlling Shareholder</b>		
Tsugami Corporation		
Trade payables	<u>19,187</u>	<u>87,248</u>

The amounts due from/to related companies are interest-free, unsecured and repayable on demand.

## 14. EVENTS AFTER THE REPORTING PERIOD

On 16 October 2017, a total number of 13,500,000 shares were issued by the Company at HK\$5.60 per share upon the exercise of over-allotment share option granted to the relevant underwriters in connection with the Global Offering. The additional gross proceeds received by the Company in connection with the over-allotment share issue were approximately HK\$75,600,000 (equivalent to approximately RMB63,763,000).

## 15. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the board of directors on 13 November 2017.