


# 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



INTERIM  
**2021**  
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**” or “**Controlling Shareholder**”), a renowned Japanese CNC high precision machine tool manufacturer, for its Chinese undertakings, and has grown into the largest foreign-branded CNC machine tool manufacturer\* in the Chinese machines tools market through 18 years of rapid development since the business commencement in 2003.

The Company manufactures and sells high-end CNC machine tools including precision lathes, 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 report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. in December 2018.

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## INTERIM RESULTS REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Precision Tsugami (China) Corporation Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2021 (the “**Period under Review**”) together with the unaudited comparative figures for the corresponding period in 2020. Such results have been reviewed by the external auditor Ernst & Young and the audit committee of the Company.

### RESULTS HIGHLIGHTS

	For the six months ended 30 September		
	2021 RMB'000, except for percentages (unaudited)	2020 RMB'000, except for percentages (unaudited)	Period-on-period increase/ (decrease) %
Revenue	<b>2,370,339</b>	1,378,832	71.9%
Gross profit	<b>658,826</b>	320,620	105.5%
Gross profit margin	<b>27.8%</b>	23.3%	4.5%
Profit before tax	<b>559,836</b>	217,018	158.0%
Profit attributable to shareholders of the Company	<b>377,657</b>	148,358	154.6%
Net profit margin	<b>15.9%</b>	10.8%	5.1%
Basic earnings per share (RMB)	<b>0.99</b>	0.39	153.8%

- For the Period under Review, sales amounted to approximately RMB2,370,339,000, representing an increase of approximately 71.9% as compared to the same period last year.
- During the Period under Review, the Group reached a gross profit of approximately RMB658,826,000, representing an increase of approximately 105.5% as compared to the same period last year.
- During the Period under Review, the net profit of the Group amounted to approximately RMB377,657,000, representing an increase of approximately 154.6% as compared to the same period last year.
- For the Period under Review, basic earnings per share amounted to approximately RMB0.99, representing an increase of approximately 153.8% as compared to the same period last year.

## CORPORATE INFORMATION

### Executive Directors

Dr. Tang Donglei (*Chief Executive Officer*)  
Dr. Li Zequn

### Non-executive Directors

Mr. Takao Nishijima (*Chairman*)  
Ms. Mami Matsushita  
Mr. Kenji Yoneyama (*appointed on 1 April 2021*)

### Independent Non-executive Directors

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

### Audit Committee

Mr. Tam Kin Bor (*Chairman*)  
Mr. Kenji Yoneyama (*appointed on 1 April 2021*)  
Dr. Huang Ping

### Nomination Committee

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

### Remuneration Committee

Dr. Huang Ping (*Chairman*)  
Dr. Tang Donglei  
Mr. Tam Kin Bor

### Company Secretary

Ms. Wong Wai Yee Ella

### Registered Office

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

### Auditor

Ernst & Young  
Certified Public Accountants

### Legal Advisers as to Hong Kong Laws

Eversheds Sutherland  
37/F, One Taikoo Place  
Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

### Principal Place of Business

China Region  
No. 2001 Pingcheng Road  
Pinghu Economic and Technology  
Development District  
Zhejiang Province, 314200  
People's Republic of China (*the "PRC"*)

Hong Kong Region  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Principal Share Registrar

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square  
Grand Cayman  
KY1-1102  
Cayman Islands

### Hong Kong Branch Share Registrar

Tricor Investor Services Limited  
Level 54, 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  
MUFG Bank (China), Ltd.  
Mizuho Bank (China), Ltd.  
China Construction Bank Corporation

### Stock Code

1651

### Company Website

www.tsugami.com.cn

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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

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

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

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

## FINANCIAL REVIEW

### Revenue

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

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

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

### Gross Profit and Gross Profit Margin

During the Period under Review, gross profit increased by approximately 105.5% to approximately RMB658,826,000 as compared to the same period of last year. The overall gross profit margin also increased by approximately 4.5% to approximately 27.8% as compared to approximately 23.3% for the same period of last year, mainly due to (i) the positive effect of mass production on profit margin brought by the significant increase in the number of orders and units produced by the Company as compared to the same period of last year, which was the result of the improvement in economic environment after effective containment of the pandemic in the second half of last year, as well as the impact of overseas production capacity flowing into China because of the ongoing challenging situation of COVID-19 pandemic in overseas regions, which has led to the increase in demands for machine tools in the domestic manufacturing industry; and (ii) the increase in gross profit margin as a result of the Company's continuous efforts in cost reduction and efficiency enhancement.

## Other Income and Gains

Other income and gains of the Group primarily consist of bank interest income, gain on disposal of items of property, plant and equipment, government grants, compensation income, foreign exchange gains and others. During the Period under Review, other income and gains increased by approximately RMB130,285,000 as compared to the same period of last year to approximately RMB139,706,000, primarily due to (i) the increase in government grants obtained by the Group during the Period under Review by approximately RMB23,984,000 as compared to the same period last year, and (ii) the estimated insurance compensation income from the fire which broke out in one of the production plants of the Group (the “**Factory Fire**”) (details of which are set out in the announcement of the Company dated 18 August 2021) of RMB107,403,000 during the Period under Review.

## Selling and Distribution Expenses

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

## Administrative Expenses

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

## Other Expenses

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

## Impairment Losses on Financial Assets

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



## Finance Costs

During the Period under Review, finance costs of the Group were approximately RMB1,063,000 (for the same period of last year: RMB956,000), which was due to the increase in discount interest paid for the discounting of bank bills of the Group during the Period under Review.

## Income Tax Expenses

During the Period under Review, income tax expenses of the Group increased by approximately 165.3% as compared to the same period of last year to approximately RMB182,179,000, mainly due to the increase in revenue and profit before tax.

## Profit for the Period

Owing to the factors described above, the Group's profit for the Period under Review was RMB377,657,000, representing an increase of approximately 154.6% or approximately RMB229,299,000 as compared to the same period of last year.

## Liquidity, Financial Resources and Debt Structure

During the Period under Review, the Group continued to maintain a healthy and solid liquidity position by adopting a prudent financial management approach on its financing and treasury policies. As at 30 September 2021, total cash and cash equivalents of the Group amounted to approximately RMB677,644,000 (as at 31 March 2021: approximately RMB430,115,000). Such growth was mainly due to the increase in net operating cash inflows contributed by the profit surge of the Company (for the six months ended 30 September 2021, the net operating cash inflows of the Company were approximately RMB318,051,000).

As at 30 September 2021, the Group's cash and cash equivalents were mainly held in Renminbi and partly held in Hong Kong dollars and Japanese yen.

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

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

## Capital Commitments

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

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

On 18 April 2018, Precision Tsugami (Anhui) Corporation\* (安徽津上精密機床有限公司) (“Anhui PTC”), a wholly-owned subsidiary of the Company, was established in Bowang District, Ma'anshan, Anhui Province, the PRC, with a registered capital of RMB50,000,000. The total investment amount of Anhui PTC is estimated to be approximately RMB275,000,000, including constructions of 6 production plants, 1 office building and warehouse, with a total construction amount of approximately RMB175.5 million. The construction work commenced in April 2019, with main buildings completed in October 2020 and all works completed and accepted on 31 March 2021. In addition, part of the production equipment has been included and accepted, of which RMB184,731,000 has been recognized as fixed assets, and approximately RMB34,838,000 as construction in progress as of 30 September 2021. It is expected that all equipment will be accepted and recognized as fixed assets by the end of this fiscal year. In order to achieve steady growth in the future, the registered capital of Anhui PTC has been increased to RMB150 million.

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

## Charge on Assets

As at 30 September 2021, apart from the bank deposits of approximately RMB12,396,000 (as at 31 March 2021: approximately RMB7,539,000) pledged by the Group to banks in relation to the issue of notes payable, the Group had no other assets charged to any financial institutions.

## Contingent Liabilities

As at 30 September 2021, the Group had no material contingent liabilities.

## Currency Risk and Management

Apart from a few overseas businesses settled in Japanese yen and US dollars, the sales and procurement by the Group are mainly denominated in RMB, therefore the management of the Group believes that the Company does not have significant foreign exchange risk.

During the Period under Review, the Group did not enter into any foreign currency forward contracts or use any derivative contracts to hedge against its exposure. The Group manages its currency risk by closely monitoring the movement of the foreign currency rates and may consider hedging significant foreign currency exposure should the need arise.

\* For identification purpose only

## Future Plans for Material Investments or Capital Assets

Save as disclosed in this report, after the Period under Review and up to the date of this report, in order to further expand the production capacities of the Company to meet the enormous demand for CNC machine tools in the Chinese market, the Group has invested in the establishment of a new company in Pinghu, namely Precision Nakatsu (China) Corporation Limited (中津精密機床(浙江)有限公司) and completed the registration formalities in October 2021. The amount of the registered capital is US\$35,000,000. It is planned to purchase 50,000 square meters of land and approximately 25,800 square meters of plant and ancillary buildings in the preliminary stage of the investment project. The new company is expected to be able to commence operation in April 2022 with an estimated maximum annual output of approximately RMB1 billion.

## Employees and Remuneration Policy

As at 30 September 2021, the Group employed 1,987 employees (as at 31 March 2021: 1,812), of whom 13 (as at 31 March 2021: 10) were transferred employees from the Controlling Shareholder. The Group's staff costs (including salaries, bonuses, social insurance, commercial insurance and provident funds) amounted to approximately RMB153,339,000 in aggregate (including directors' emoluments) (for the six months ended 30 September 2020: RMB110,991,000), representing approximately 6.47% of total revenue of the Group during the Period under Review.

The Group offers attractive remuneration packages, including competitive fixed salaries plus performance-based annual bonuses, and continuously provides specialized training to its employees to promote their upward mobility in the organization and foster employee loyalty. The Group's employees are subject to regular job performance reviews bearing on their promotion prospects and compensation. Remuneration is determined with reference to market norms and individual employee's performance, qualifications and experience.

## OUTLOOK

During the Period under Review, especially in the first quarter, the CNC machine tools market showed a historically high level of prosperity, even with occasional signs of overheat. With the market sentiments gradually improving with sustainable optimism, and given that there are a large number of orders on hand to be delivered, the Company is confident in its business performance for the remaining year.

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

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

## EVENTS AFTER THE END OF THE PERIOD UNDER REVIEW

After the Period under Review and up to the date of this report, on 28 October 2021, the Group had established Precision Nakatsu (China) Corporation Limited (中津精密機床(浙江)有限公司) in the Pinghu Economic – Technological Development Zone\* (平湖經濟技術開發區) with a registered capital of US\$35,000,000.

## INTERIM DIVIDENDS

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

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the period from Tuesday, 7 December 2021 to Thursday, 9 December 2021 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible for the interim dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 6 December 2021.

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

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries for the Period under Review.

## OTHER INFORMATION

### PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as of the date of this report, the Company maintained the public float requirement as prescribed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") of not less than 25%.

\* For identification purpose only

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

As at 30 September 2021, 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 Securities and Futures Ordinance (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 which the Directors and chief executive 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”), 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 held	Note	Percentage of issued shares
Tang Donglei	Chief Executive Officer and executive Director	Long position	Beneficial owner	150,000	1	0.039%

Note:

- This represents the shares beneficially held by Dr. Tang Donglei in his personal capacity.

### (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
Tang Donglei	Chief Executive Officer and executive Director	Long position	Beneficial owner	3,500	2	0.007%
Takao Nishijima	Chairman and non-executive Director	Long position	Beneficial owner	18,000	3	0.036%
Mami Matsushita	Non-executive Director	Long position	Beneficial owner	5,000	4	0.010%
Kenji Yoneyama	Non-executive Director	Long position	Beneficial owner	3,500	5	0.007%

Note:

- This represents the shares beneficially held by Dr. Tang Donglei in his personal capacity.
- This represents the shares beneficially held by Mr. Takao Nishijima in his personal capacity.
- This represents the shares beneficially held by Ms. Mami Matsushita in her personal capacity.
- This represents the shares beneficially held by Mr. Kenji Yoneyama in his personal capacity.

Except as disclosed above, as at 30 September 2021, 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 2021, so far as any of the Directors or chief executive of the Company is 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:

<b>Name of substantial shareholder</b>	<b>Long/short positions</b>	<b>Capacity</b>	<b>Number of shares held</b>	<i>Note</i>	<b>Percentage of issued shares</b>
Tsugami Japan	Long position	Beneficial owner	270,000,000	1	70.90%

*Note:*

1. The 270,000,000 shares were beneficially owned by Tsugami Japan.

Except as disclosed above, as at 30 September 2021, the Directors and chief executive of the Company were not aware of any persons/entities (other than the Directors or chief executive of the Company) who had, or were deemed to have, an interest 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.

## SHARE OPTION SCHEME

During the period from 1 April 2021 to the date of this report, the Company did not have any subsisting share option scheme.

## CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

The changes in information of the Directors during the period from 1 April 2021 to the date of this report are set out as follows:

Mr. Kenji Yoneyama, a non-executive Director, ceased to be the general manager of accounting, the standing statutory auditor and director (members of the audit and supervisory committee) of Tsugami Japan; and Mr. Yoneyama has been appointed as the general manager of legal affairs department of Tsugami Japan since 16 June 2021.

Save as disclosed above, as of the date of this report, there has been no change in the information of the Directors and the chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period under Review, the Company has adopted the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code during the Period under Review.

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

The Company has adopted the Model Code as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standard as set out in the Model Code during the Period under Review.

## REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the Group’s unaudited condensed consolidated interim financial results for the six months ended 30 September 2021 including the accounting principles and standards adopted by the Group and discussed with the management in respect of the auditing, risk management, internal control and financial information. At the request of the Board, the Company’s external auditor, Ernst & Young, has carried out a review of the unaudited condensed consolidated interim financial results in accordance with Hong Kong Standard on Review Engagement 2410 issued by the Hong Kong Institute of Certified Public Accountants.

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 15 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 2021 and the related 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* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). 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.

Ernst & Young  
Certified Public Accountants  
Hong Kong  
12 November 2021





## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2021

		<b>30 September 2021 RMB'000 (Unaudited)</b>	31 March 2021 RMB'000 (Audited)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>501,318</b>	507,688
Right-of-use assets		<b>43,496</b>	44,997
Intangible assets		<b>3,669</b>	4,151
Deferred tax assets		<b>14,577</b>	16,358
		<hr/>	<hr/>
Total non-current assets		<b>563,060</b>	573,194
<b>CURRENT ASSETS</b>			
Inventories		<b>758,826</b>	675,419
Trade and notes receivables	11	<b>1,286,015</b>	988,204
Prepayments, other receivables and other assets		<b>105,389</b>	34,484
Pledged deposits		<b>12,396</b>	7,539
Cash and cash equivalents		<b>677,644</b>	430,115
		<hr/>	<hr/>
Total current assets		<b>2,840,270</b>	2,135,761
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	12	<b>922,314</b>	554,473
Other payables and accruals		<b>217,205</b>	275,398
Interest-bearing bank and other borrowings	13	<b>24,421</b>	–
Lease liabilities		<b>1,949</b>	2,279
Tax payable		<b>102,248</b>	55,314
Provision		<b>10,286</b>	7,877
		<hr/>	<hr/>
Total current liabilities		<b>1,278,423</b>	895,341
<b>NET CURRENT ASSETS</b>			
		<b>1,561,847</b>	1,240,420
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>2,124,907</b>	1,813,614

Continued/...

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 September 2021

	30 September 2021 RMB'000 (Unaudited)	31 March 2021 RMB'000 (Audited)
	<i>Notes</i>	
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	581	1,013
Deferred tax liabilities	41,288	28,953
Other liabilities	8,500	7,300
Deferred income	17,691	18,000
	<hr/>	<hr/>
Total non-current liabilities	68,060	55,266
	<hr/>	<hr/>
<b>Net assets</b>	2,056,847	1,758,348
	<hr/>	<hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	319,836	319,836
Reserves	1,737,011	1,438,512
	<hr/>	<hr/>
<b>Total equity</b>	2,056,847	1,758,348
	<hr/>	<hr/>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the parent					
	Issued capital RMB'000	Merger reserve* RMB'000	Share premium reserve* RMB'000	Statutory reserve fund* RMB'000	Retained profits* RMB'000	Total RMB'000
<b>At 1 April 2021 (audited)</b>	<b>319,836</b>	<b>(39,964)</b>	<b>327,267</b>	<b>176,207</b>	<b>975,002</b>	<b>1,758,348</b>
Total comprehensive income for the period	-	-	-	-	377,657	377,657
Dividend distribution	-	-	-	-	(79,158)	(79,158)
<b>At 30 September 2021 (unaudited)</b>	<b>319,836</b>	<b>(39,964)</b>	<b>327,267</b>	<b>176,207</b>	<b>1,273,501</b>	<b>2,056,847</b>

	Attributable to owners of the parent						
	Issued capital RMB'000	Treasury shares RMB'000	Merger reserve* RMB'000	Share premium reserve* RMB'000	Statutory reserve fund* RMB'000	Retained profits* RMB'000	Total RMB'000
<b>At 1 April 2020 (audited)</b>	<b>320,312</b>	<b>(747)</b>	<b>(39,964)</b>	<b>330,070</b>	<b>141,104</b>	<b>718,088</b>	<b>1,468,863</b>
Total comprehensive income for the period	-	-	-	-	-	148,358	148,358
Ordinary shares repurchased	-	(2,532)	-	-	-	-	(2,532)
Ordinary shares cancelled	(316)	2,265	-	(1,949)	-	-	-
Dividend distribution	-	-	-	-	-	(51,143)	(51,143)
<b>At 30 September 2020 (unaudited)</b>	<b>319,996</b>	<b>(1,014)</b>	<b>(39,964)</b>	<b>328,121</b>	<b>141,104</b>	<b>815,303</b>	<b>1,563,546</b>

\* These reserve accounts comprise the consolidated reserves of RMB1,737,011,000 and RMB1,244,564,000 in the condensed consolidated statements of financial position as at 30 September 2021 and 2020, respectively.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	559,836	217,018
<b>Adjustments for:</b>		
Finance costs	1,063	956
Interest income	(5,865)	(6,587)
Provision for impairment of trade receivables	355	351
Provision for impairment of financial assets at fair value through other comprehensive income	898	5,205
Provision/(reversal of provision) for impairment of prepayments, other receivables and other assets	338	(3)
Net gain on disposal of items of property, plant and equipment	(3)	(5)
Depreciation of property, plant and equipment	25,839	21,680
Depreciation of right-of-use assets	1,762	1,321
Reversal impairment loss of inventories	(9,215)	(2,884)
Amortisation of intangible assets	580	474
	<b>575,588</b>	<b>237,526</b>
(Increase)/decrease in pledged deposits for notes payable	(4,857)	1,376
(Increase)/decrease in inventories	(74,192)	33,658
Increase in trade and notes receivables	(299,064)	(241,268)
Increase in prepayments, other receivables and other assets	(71,243)	(16,954)
Increase in trade and notes payables	367,841	123,443
Increase/(decrease) in other payables and accruals	9,990	(3,611)
Increase in other liabilities	1,200	1,200
(Decrease)/increase in contract liabilities	(68,183)	9,078
Decrease in deferred income	(309)	–
Increase in provision	2,409	306
Cash generated from operations	<b>439,180</b>	<b>144,754</b>
Income taxes paid	<b>(121,129)</b>	<b>(45,881)</b>
<b>Net cash flows from operating activities</b>	<b>318,051</b>	<b>98,873</b>

Continued/...

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

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	5,865	6,587
Purchases of items of property, plant and equipment	(27,239)	(24,989)
Proceeds from disposal of financial assets at fair value through profit or loss	–	120,000
Proceeds from disposal of items of property, plant and equipment	7,773	177
Purchase of intangible assets	(98)	(47)
<b>Net cash flows (used in)/from investing activities</b>	<b>(13,699)</b>	<b>101,728</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	24,421	–
Repurchase of shares	–	(2,532)
Dividends paid	(79,158)	(51,143)
Interest paid	(1,063)	(956)
Principal portion of lease payments	(1,023)	(982)
<b>Net cash flows used in financing activities</b>	<b>(56,823)</b>	<b>(55,613)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>247,529</b>	<b>144,988</b>
Cash and cash equivalents at beginning of period	430,115	205,010
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>677,644</b>	<b>349,998</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	677,644	349,998

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021

### 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 2 July 2013, and its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 25 September 2017. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman KY 1-1104, Cayman Islands.

The Company is an investment holding company. During the period, the Group was primarily involved in the manufacture and sale of computer numerical control (“**CNC**”) high precision machine tools.

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

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2021.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

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

*Interest Rate Benchmark Reform – Phase 2*

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the manufacture and sale of CNC high precision machine tools. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

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



## 5. REVENUE

An analysis of revenue is as follows:

### Segments

	For the six months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Types of goods or services</b>		
Sale of goods	2,367,259	1,376,536
Rendering of services	3,080	2,296
Total revenue from contracts with customers	<u>2,370,339</u>	<u>1,378,832</u>
<b>Geographical information</b>		
Mainland China	2,017,233	1,147,968
Overseas	353,106	230,864
Total revenue from contracts with customers	<u>2,370,339</u>	<u>1,378,832</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	2,367,259	1,376,536
Services rendered at a point in time	3,080	2,296
Total revenue from contracts with customers	<u>2,370,339</u>	<u>1,378,832</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories sold	1,719,370	1,060,332
Cost of services provided	1,358	764
Reversal of write-down of inventories to net realisable value	(9,215)	(2,884)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	131,452	96,524
Pension scheme contributions	8,617	4,120
Social security contributions and accommodation benefits	13,270	10,347
Interest income	(5,865)	(6,587)
Interest on lease liabilities	21	33
Lease payments not included in the measurement of lease liabilities	1,179	1,450
Interest arising from discounted bills	1,042	923
Provision for impairment of trade receivables	355	351
Provision for impairment of financial assets at fair value through other comprehensive income	898	5,205
Provision/(reversal of provision) for impairment of prepayments, other receivables and other assets	338	(3)
Net gain on disposal of items of property, plant and equipment	(3)	(5)
Depreciation of property, plant and equipment	25,839	21,680
Depreciation of right-of-use assets	1,762	1,321
Amortisation of intangible assets	580	474
Insurance compensation from fire incident	(107,403)	–
Loss from fire incident	107,403	–
Exchange differences, net	1,558	227

## 7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in that jurisdiction.

Hong Kong profits tax is provided at the rate of 16.5% (six months ended 30 September 2020: 16.5%).

The provision for Mainland China current income tax is based on the statutory rate of 25% (six months ended 30 September 2020: 25%, except for a high-tech technology enterprise of the Group in Mainland China, which was taxed at a preferential rate of 15%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

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

	<b>For the six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Income tax:</b>		
Current tax	<b>168,063</b>	58,787
Deferred tax	<b>14,116</b>	9,873
	<hr/>	<hr/>
<b>Total tax charge for the period</b>	<b>182,179</b>	68,660
	<hr/>	<hr/>

## 8. DIVIDENDS

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

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the reporting periods. The calculations of basic and diluted earnings per share are based on:

	<b>For the six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent	<u>377,657</u>	<u>148,358</u>
	<b>Number of shares</b>	
	<b>30 September</b>	30 September
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>380,804,000</u>	<u>380,973,344</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired assets at a cost of RMB27,239,000 (30 September 2020: RMB24,989,000).

Assets with a net book value of RMB7,770,000 were disposed of by the Group during the six months ended 30 September 2021 (30 September 2020: RMB172,000), resulting in a net gain on disposal of RMB2,600 (30 September 2020: RMB5,000).

During the six months ended 30 September 2021, no impairment loss was recognised on property, plant and equipment (30 September 2020: nil).

## 11. TRADE AND NOTES RECEIVABLES

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

\* Trade receivables include trade receivables from the Controlling Shareholder and other related parties.

Customers are usually required to make payments in advance before the Group delivers goods to them. However, the Group's trading terms with certain major customers with good repayment history and high reputations are on credit. The credit period is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly and actively monitored by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

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

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

## 12. TRADE AND NOTES PAYABLES

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

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

## 12. TRADE AND NOTES PAYABLES (Continued)

An ageing analysis of the outstanding trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 September 2021 RMB'000 (Unaudited)</b>	31 March 2021 RMB'000 (Audited)
Within 3 months	<b>804,266</b>	484,960
Over 3 months	<b>190</b>	123
	<b><u>804,456</u></b>	<u>485,083</u>

Trade payables are non-interest-bearing, and trade payables to third parties are normally settled on terms within 90 days.

## 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>Effective Interest rate</b>	<b>Maturity</b>	<b>30 September 2021 RMB'000 (Unaudited)</b>	31 March 2021 RMB'000 (Audited)
<b>Current</b>				
Bank loans-secured	2.45%-2.52%	Within 1 year	<b><u>24,421</u></b>	–
Analysed into:				
Bank loans payable:				
Within one year or on demand			<b><u>24,421</u></b>	–

Notes:

Group's bank loans were secured by pledge of the Group's notes amounting to RMB24,421,000 (31 March 2021:Nil).

## 14. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>30 September 2021 RMB'000 (Unaudited)</b>	31 March 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	<b>11,710</b>	7,085
Machinery	<b>1,141</b>	746
	<b><u>12,851</u></b>	<u>7,831</u>

## 15. 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.	A company controlled by the Controlling Shareholder

### (b) The Group had the following material transactions with related parties during the six months ended 30 September 2021 and 2020:

	Note	For the six months ended 30 September	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Sales of goods to</b>			
Tsugami Corporation	(i)	<b>242,179</b>	217,126
Tsugami Korea Co., Ltd.	(i)	<b>29,581</b>	6,454
		<b>271,760</b>	223,580
<b>Purchases of goods from</b>			
Tsugami Corporation	(i)	<b>184,299</b>	76,063
<b>Purchases of equipment from</b>			
Tsugami Corporation	(i)	<b>3,448</b>	–
<b>Licence fee to</b>			
Tsugami Corporation	(i)	<b>107,959</b>	63,176
<b>Service fee to</b>			
Tsugami Corporation	(i)	<b>2,515</b>	2,662

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 the prices mutually agreed after taking into account the prevailing market prices.

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

### (c) Outstanding balances with related parties

		<b>30 September 2021 RMB'000 (Unaudited)</b>	31 March 2021 RMB'000 (Audited)
<b>Amount due from the Controlling Shareholder</b>			
Tsugami Corporation			
Trade receivables	(i)	<u>93,455</u>	<u>77,015</u>
<b>Amount due from a company controlled by the Controlling Shareholder</b>			
Tsugami Korea Co., Ltd.			
Trade receivables	(i)	<u>7,561</u>	<u>1,972</u>
<b>Amounts due to the Controlling Shareholder</b>			
Tsugami Corporation			
Trade payables	(ii)	<u>84,808</u>	37,346
Other payables	(iii)	<u>50</u>	<u>50</u>
		<u><b>84,858</b></u>	<u>37,396</u>

*Notes:*

- (i) The amounts due from related parties in the trade receivables were trade in nature, unsecured, interest-free and repayable within 90 days.
- (ii) The amounts due to a related party in trade payables were trade in nature, unsecured, interest-free and repayable. The outstanding balances were repayable within 90 days.
- (iii) The amounts due to a related party in other payables and accruals were non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.



## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade and notes payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fixed interest rates of these instruments or the short-term maturities of these instruments.

Notes receivable held both to collect cash flows and to sell in financial assets at fair value through other comprehensive income are measured using the discounted cash flow method.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### *Assets measured at fair value:*

##### As at 30 September 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	990,402	–	990,402

##### As at 31 March 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	751,625	–	751,625

## **17. EVENTS AFTER THE REPORTING PERIOD**

On 12 November 2021, the board of directors has declared an interim dividend of HK\$0.4 per share in aggregate of HK\$152,321,600 payable to the equity holders of the Company for the six months ended 30 September 2021.

## **18. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION**

The unaudited interim financial information was approved and authorised for issue by the board of directors on 12 November 2021.