

# **PRECISION TSUGAMI CHINA**

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

**2020**

**Interim Results Presentation**  
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01

# Interim Results Summary

(April to September 2020)



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# 1.1 Interim Financial Results

- Sales revenue grew 28.2% year-on-year to RMB1.38 billion;
- Net profit was RMB150 million, and earnings per share was RMB0.39, a growth of 50.0% from the last corresponding period.

For the six months ended 30 Sep  
(Unit: RMB'000)

No.	Item	1H FY2019	1H FY2020	1H FY2021	YoY Increase /(Decrease) (%)
1	<b>Sales Revenue</b>	1,642,510	1,075,854	1,378,832	28.2%
2	<b>Gross Profit</b> (Gross Profit Margin)	413,528 (25.2%)	234,775 (21.8%)	320,620 (23.3%)	36.6%
3	<b>Operating Profit</b> (Operating Profit Margin)	280,409 (17.1%)	138,650 (12.9%)	214,635 (15.6%)	54.8%
4	<b>Net Profit</b> (Net Profit Margin)	219,309 (13.4%)	100,744 (9.4%)	148,358 (10.8%)	47.3%
5	<b>Earnings per Share</b> (RMB)	0.58	0.26	0.39	50.0%

# 1.2 Key Financial Indicators

<b>1. Safety</b>	<b>1H 2020</b>	<b>FY 2020</b>	<b>1H 2021</b>
1.1 Current Ratio: (Current Assets ÷ Current Liabilities)	<b>3.5</b>	<b>3.2</b>	<b>2.9</b>
1.2 Quick Ratio ((Current Assets – Inventories) ÷ (Current Liabilities))	<b>2.0</b>	<b>1.8</b>	<b>1.9</b>
1.3 Assets-to-Liabilities Ratio ((Total Liabilities ÷ Total Assets) × 100%)	<b>22.1%</b>	<b>23.9%</b>	<b>28.2%</b>

<b>2. Revenue</b>	<b>1H 2019</b>	<b>1H 2020</b>	<b>1H 2021</b>
2.1 Return on Equity (ROE) ((Net Profit ÷ Net Assets) × 100%)	<b>16.5%</b>	<b>7.0%</b>	<b>9.5%</b>
2.2 Return on Assets (ROA) ((Net Profit ÷ Total Assets) × 100%)	<b>10.7%</b>	<b>5.4%</b>	<b>6.8%</b>

<b>3. Cash Flow (RMB'000)</b>	<b>1H 2019</b>	<b>1H 2020</b>	<b>1H 2021</b>
3.1 Net Cash Flow Generated from Operating Activities (Note 1)	<b>20,369</b>	<b>2,195</b>	<b>98,873</b>
3.2 Cash and Cash Equivalents	<b>227,511</b>	<b>213,706</b>	<b>349,998</b>
3.3 Current account ratio (current income / current expense) x100%	<b>101%</b>	<b>100%</b>	<b>109%</b>

Note 1: During the period, cash generated from operating activities increased along with profit and payables.

<b>4. Capital Turnover</b>	<b>1H 2019</b>	<b>1H 2020</b>	<b>1H 2021</b>
4.1 Average Inventory Turnover Days (Note 2)	<b>78</b>	<b>135</b>	<b>103</b>
4.2 Average Turnover days of Trade and Bills Receivables	<b>76</b>	<b>83</b>	<b>73</b>
4.3 Average Turnover days of Trade and Bills Payables	<b>74</b>	<b>70</b>	<b>61</b>

Note 2: During the period, average inventory turnover days shortened due to lower inventory, higher sales and longer inventory turnover days.

# 1.3 Revenue by Product Category

- During the period under review, demand for the Group's CNC high precision machine tools increased driven by the rising demand from 3C, construction machinery and automation industries.

(Unit: RMB'000)

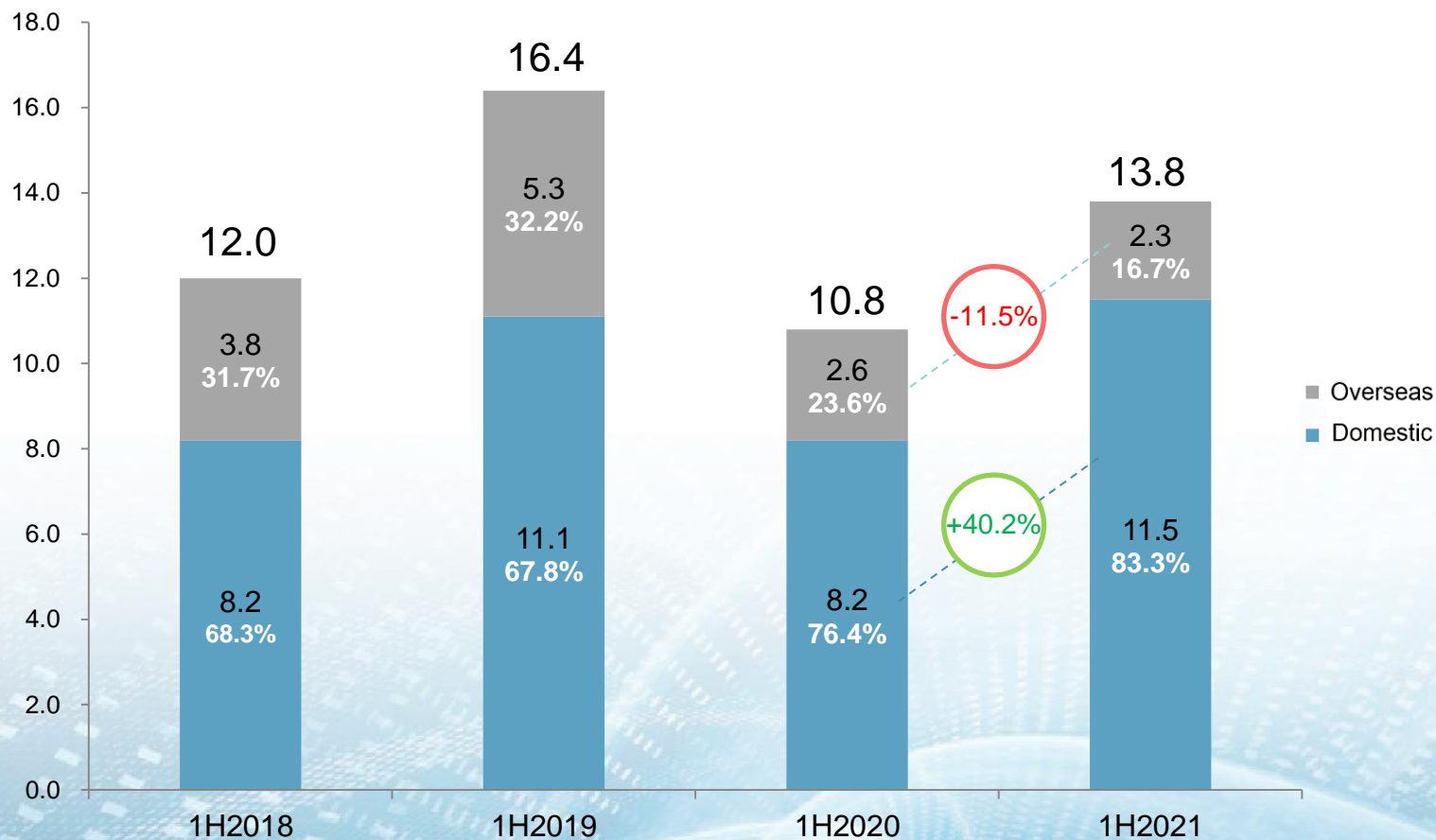
Model	1H FY2019	Proportion (%)	1H FY2020	Proportion (%)	1H FY2021	Proportion (%)	YoY Increase/(Decrease) (Amount%)
<b>1. Precision Lathes</b>	1,427,079	86.9%	913,581	84.9%	1,191,741	86.5%	30.4%
<b>2. Precision Machining Centres</b>	51,228	3.1%	79,963	7.4%	92,519	6.7%	15.7%
<b>3. Precision Grinding Machines</b>	86,430	5.3%	40,520	3.8%	47,070	3.4%	16.2%
<b>4. Precision Thread Rolling Machines</b>	7,936	0.5%	4,721	0.4%	5,831	0.4%	23.5%
<b>5. Others*</b>	69,837	4.2%	37,069	3.5%	41,671	3.0%	12.4%
<b>Total</b>	<b>1,642,510</b>	<b>100%</b>	<b>1,075,854</b>	<b>100%</b>	<b>1,378,832</b>	<b>100%</b>	<b>28.2%</b>

\*Others : includes revenue from sales of parts and after-sales service

# 1.4 Domestic and Overseas Sales Revenue and Distribution

- Domestic sales grew 40.2% year-on-year to a record high of RMB1.15 billion, accounting for 83.3% of total sales;
- Affected by the pandemic, overseas sales dropped from the last corresponding period.

(Unit: RMB hundred million)

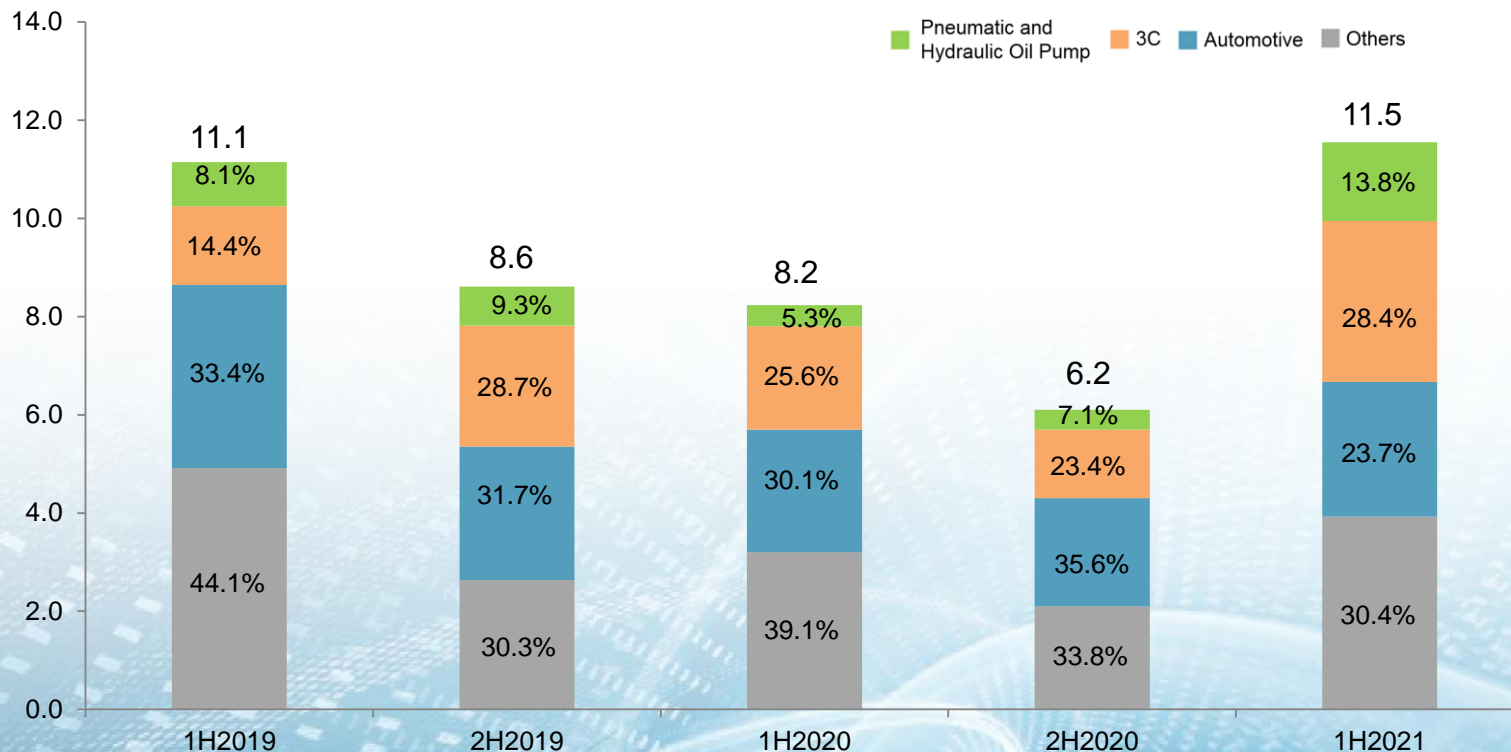




# 1.5 Distribution of Domestic Downstream Customers by Industry

- Benefitting from strong market demand in domestic 3C industry, sales increased by 57.8% year-on-year and its proportion of sales remained high;
- Sales of pneumatic and hydraulic oil pump industry surged 268.2% year-on-year and its proportion of sales also increased notably;
- The automotive industry achieved year-on-year sales value growth of 1.8%, in which the new energy vehicle segment sales achieved significant year-on-year growth.

(Unit: RMB hundred million)



# 02

## Interim Business Review



- 2.1 / Progress of new model promotion
- 2.2 / Construction of new Anhui plant
- 2.3 / Implementation of improvement proposals
- 2.4 / Stable Dividend Payout Policy

# 2.1 Progress of new model promotion

Model	Launch Time	Promotion Progress
<b>BM163-III</b>	July 2019	Expands into high precision smartphone lens gasket market and becomes one of the top optical lens enterprises in China by capitalizing on ultra high performance capability.
<b>S205A</b>	October 2019	Leverages its high rigidity and special cutting advantages, receiving positive feedbacks from customers and possessing an edge in key product competition with major competitors.



**BM163-III**



**S205A**

## 2.2 Construct New Plant in Anhui

- Completion of new plant construction in Anhui;
- Installation of equipment at molding workshops, which is expected to commence production in April 2021;
- Expect to provide 18,000 tons of tool castings annually.



Photo of new Anhui plant site



Molding Workshops Equipment Installation

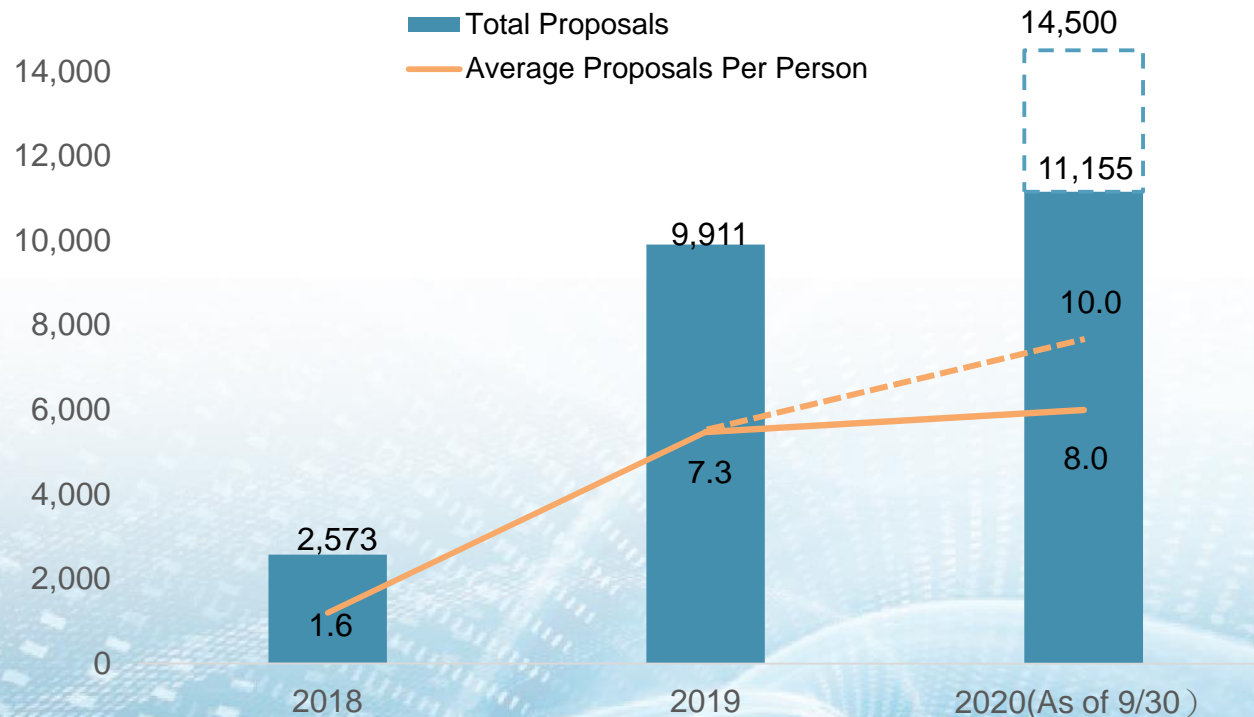


Main entrance

## 2.3 Implementation of improvement proposals

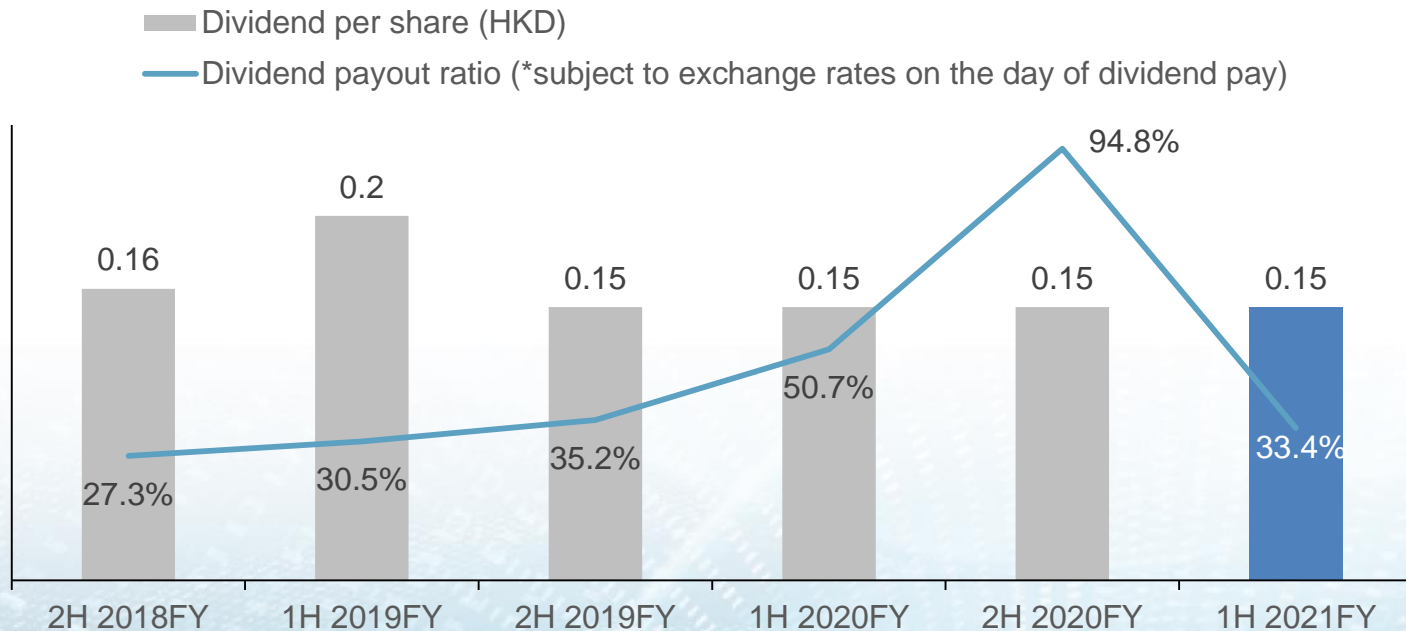
- Active participation by all staff in improvement proposal activities, are an effective method for the Company to reduce costs and improve efficiency, and it is also a source of strength for the company's growth;
- As of 30 September 2020, 11,155 proposals and 8.0 proposals per person were recorded, both at historical high.

(Unit : proposal)



## 2.4 Stable Dividend Payout Policy

- The Company strives for both sales revenue and market share growth, creating investment gains for shareholders through organic growth;
- Despite the unsatisfactory sales revenue in FY2020, the Company opt on a stable dividend payment;
- Dividend of HKD0.15 per share paid in the first half of FY2021.



03



# Appendix

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

Interim Period Ended 30 September

No.	(RMB'000)	FY2019 Interim	FY2020 Interim	FY2021 Interim
1	<b>Revenue</b>	<b>1,642,510</b>	<b>1,075,854</b>	<b>1,378,832</b>
2	Cost of Sales	(1,228,982)	(841,079)	(1,058,212)
3	<b>Gross profit</b>	<b>413,528</b>	<b>234,775</b>	<b>320,620</b>
4	Other income and gains	13,696	12,046	9,421
5	Selling and distribution expenses	(61,772)	(54,672)	(59,108)
6	Administrative expenses	(71,347)	(41,453)	(46,877)
7	Impairment losses on financial assets	-	(4,544)	(5,553)
8	Other operating expenses	(1,250)	(549)	(529)
9	Finance costs	-	(49)	(956)
10	<b>Profit before tax</b>	<b>292,855</b>	<b>145,554</b>	<b>217,018</b>
11	Income tax expense	(73,546)	(44,810)	(68,660)
12	<b>Profit and total comprehensive income for the year</b>	<b>219,309</b>	<b>100,744</b>	<b>148,358</b>
13	<b>Profit attributable to equity holders of the Company</b>	<b>0.58</b>	<b>0.26</b>	<b>0.39</b>



# Appendix II. Consolidated Statement of Financial Position

No.	(RMB'000)	FY2020 Interim	FY2020	FY2021 Interim
1.	Property, plant and equipment	437,194	452,116	455,253
2.	Right-of-use assets	-	45,590	44,572
3.	Other Intangible assets	4,068	3,592	3,165
4.	Deferred tax assets	10,970	10,416	11,823
5.	<b>Total non-current assets</b>	<b>498,555</b>	<b>511,714</b>	<b>514,813</b>
6.	Inventories	610,187	618,849	588,075
7.	Trade and notes receivables	498,577	437,789	673,501
8.	Prepayments, other receivables and other assets	24,166	18,987	36,028
9.	Pledged deposits	12,123	17,088	15,712
10.	Financial assets at fair value through profit or loss	25,000	120,000	-
11.	Cash and cash equivalents	213,706	205,010	349,998
12.	<b>Total current assets</b>	<b>1,383,759</b>	<b>1,417,723</b>	<b>1,663,314</b>
13.	<b>Total assets</b>	<b>1,882,314</b>	<b>1,929,437</b>	<b>2,178,127</b>
14.	Trade and notes payables	270,091	297,185	420,628
15.	Other payables and accruals	90,825	122,053	127,520
16.	Tax payable	22,819	12,030	24,929
17.	Lease liabilities due within one years	1,587	1,560	1,445
18.	Provision	7,120	6,344	6,650
19.	<b>Total current liabilities</b>	<b>392,442</b>	<b>439,172</b>	<b>581,172</b>
20.	Lease liabilities	1,433	1,427	954
21.	Deferred income tax liabilities	4,603	2,075	13,355
22.	Other liabilities	3,700	4,900	6,100
23.	Deferred income	13,000	13,000	13,000
24.	<b>Total non-current liabilities</b>	<b>22,736</b>	<b>21,402</b>	<b>33,409</b>
25.	<b>Total liabilities</b>	<b>415,178</b>	<b>460,574</b>	<b>614,581</b>
26.	Issued capital	320,312	320,312	319,996
27.	Treasury shares			(1,014)
28.	Reserves	1,146,824	1,149,298	1,244,564
29.	<b>Total equity</b>	<b>1,467,136</b>	<b>1,468,863</b>	<b>1,563,546</b>
30.	<b>Total liabilities and equity</b>	<b>1,882,314</b>	<b>1,929,437</b>	<b>2,178,127</b>

# Appendix III. Consolidated Statement of Cash Flows

## Interim Period Ended 30 September

No.	(RMB'000)	FY2019 Interim	FY2020 Interim	FY2021 Interim
	<b>Cash flows from operating activities</b>			
1.	Profit before tax	292,855	145,554	217,018
	<b>Adjustment for:</b>			
2.	Finance costs	-	49	956
3.	Interest income	(1,969)	(2,791)	(6,587)
4.	Provision/(reversal) for impairment of trade receivables	36	(35)	351
5.	Reversal for impairment of prepayments, other receivables and other assets	-	(27)	(3)
6.	Provision for impairment of financial assets at fair value through other comprehensive income	-	4,606	5,205
7.	Net gain on disposal of items of property, plant and equipment	317	(159)	(5)
8.	Depreciation of property, plant and equipment	20,838	22,632	21,680
9.	Recognition of prepaid land lease payments	519	-	-
10.	Depreciation of right-of-use assets	-	1,341	1,321
11.	Amortization of intangible assets	371	469	474
12.	<b>Adjusted profit before tax</b>	<b>312,967</b>	<b>171,639</b>	<b>240,410</b>
13.	Decrease in pledged deposits for notes payable	(7,841)	2,504	1,376
14.	Decrease in inventories	(99,688)	37,116	30,774
15.	Increase in trade and notes receivables	(161,893)	(1,618)	(241,268)
16.	Increase in prepayments, other receivables and other assets	900	(11,144)	(16,954)
17.	Increase/(decrease) in trade and notes payables	95,711	(114,755)	123,443
18.	Decrease in other payables and accruals	(121,213)	(13,751)	(3,611)
19.	Increase in other liabilities	-	-	1,200
20.	Increase/(decrease) in contract liabilities	58,999	(24,800)	9,078
21.	Increase/(decrease) in provision	2,637	(5,671)	306
22.	<b>Cash generated from operations</b>	<b>80,579</b>	<b>39,500</b>	<b>144,574</b>
23.	Income taxes paid	(60,210)	(37,305)	(45,881)
24.	<b>Net cash flows from operating activities</b>	<b>20,369</b>	<b>2,195</b>	<b>98,873</b>

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

## Interim Period Ended 30 September

No.	(RMB'000)	FY2019 Interim	FY2020 Interim	FY2021 Interim
	<b>Cash flows from investing activities</b>			
25.	Interest received	1,969	2,791	6,587
26.	Purchases of items of property, plant and equipment	(52,903)	( 114,092 )	(24,989)
27.	Proceeds from disposal of financial assets at fair value through profit or loss	-	-	120,000
28.	Proceeds from disposal of items of property, plant and equipment	585	518	177
29.	Purchase of financial assets at fair value through profit or loss	-	( 25,000 )	-
30.	Purchase of intangible assets	(631)	( 601 )	(47)
31.	Purchase of prepaid land lease payments	(10,613)	-	-
32.	<b>Net cash flows used in investing activities</b>	<b>(61,593)</b>	<b>( 136,384 )</b>	<b>101,728</b>
	<b>Cash flows from financing activities</b>			
33.	Repurchase of shares	-	-	( 2,532 )
34.	Dividends paid	(53,025)	( 51,289 )	(51,143)
35.	Interest paid	-	(49)	(956)
36.	Principal portion of lease payments	-	( 1,042 )	(982)
37.	<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(53,025)</b>	<b>( 52,380 )</b>	<b>(55,613)</b>
38.	<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(94,249)</b>	<b>( 186,569 )</b>	<b>144,988</b>
39.	Cash and cash equivalents at beginning of period	<b>321,760</b>	<b>400,275</b>	<b>205,010</b>
40.	<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>227,511</b>	<b>213,706</b>	<b>349,998</b>
	<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
41.	Cash and cash equivalents	<b>227,511</b>	<b>213,706</b>	<b>349,998</b>



# Q&A Session

