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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)

DISCLOSEABLE TRANSACTION CONSTRUCTION OF THE ANHUI PRODUCTION PLANTS

Reference is made to the announcement of the Company dated 22 March 2018 in relation to the proposed construction of the Anhui Production Plants.

On 5 April 2019, Anhui PTC entered into the First Phase Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct and install certain facilities in the Anhui Production Plants at the consideration of RMB80.35 million. As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the First Phase Construction Agreement were below 5%, the First Phase Construction Agreement and the transaction contemplated thereunder did not constitute a notifiable transaction to the Company under Chapter 14 of the Listing Rules at the material time.

On 1 August 2019 (after trading hours), Anhui PTC entered into the Second Phase Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct and install certain facilities in the Anhui Production Plants at the consideration of RMB95.18 million.

Pursuant to Rule 14.23 of the Listing Rules, the entering into of the First Phase Construction Agreement and the Second Phase Construction Agreement would be aggregated as a single transaction as the Construction Agreements were entered into by the Group with the same party in relation to the Anhui Production Plants. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Construction Agreements and the transactions contemplated thereunder, when aggregated, is 5% or above but less than 25%, the Construction Agreements and the transactions contemplated thereunder constitute a discloseable transaction to the Company, and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 22 March 2018 in relation to the proposed construction of the Anhui Production Plants.

On 5 April 2019, Anhui PTC entered into the First Phase Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct and install certain facilities in the Anhui Production Plants at the consideration of RMB80.35 million.

On 1 August 2019 (after trading hours), Anhui PTC entered into the Second Phase Construction Agreement with the Contractor, pursuant to which the Contractor agreed to construct and install certain facilities in the Anhui Production Plants at the consideration of RMB95.18 million.

THE FIRST PHASE CONSTRUCTION AGREEMENT

The principal terms of the First Phase Construction Agreement are summarized below:

Date 5 April 2019

Parties

- a) Anhui PTC; and
- b) The Contractor

The Directors confirmed that, to the best of their knowledge, information and belief having made all reasonable enquiry, the Contractor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Scope of work The Contractor will be responsible for the construction and installation works of certain facilities, including production plants 1, 2, 3 and 4 in the Anhui Production Plants in accordance with the technical specifications as required under the First Phase Construction Agreement and the construction quality prescribed by the relevant government authorities in the PRC.

Construction period The construction period of the work contemplated under the First Phase Construction Agreement will be approximately 1018 days, which has commenced currently and is expected to complete in December 2021.

Consideration The aggregate consideration payable by Anhui PTC under the First Phase Construction Agreement is RMB80.35 million.

The consideration was determined based on the estimated construction cost, the construction experience of the Contractor and the specifications of the facilities to be constructed and/or installed in the Anhui Production Plants.

The Company intends to finance the payment of the consideration with its internal resources and/or external bank financing.

Payment terms

The Consideration will be payable in cash in the following manner:

- (i) upon signing of the First Phase Construction Agreement, Anhui PTC will pay 25% of the total consideration;
- (ii) within one week upon completion of the construction of the foundation works pursuant to the First Phase Construction Agreement, Anhui PTC will pay 25% of the total consideration;
- (iii) within one week upon completion of the interim inspection, Anhui PTC will pay 30% of the total consideration;
- (iv) within one week upon completion of the inspection and acceptance, Anhui PTC will pay 17% of the total consideration; and
- (v) within one year upon completion of the construction, Anhui PTC will pay the remaining 3% of the total consideration.

Warranty

Save and except for the foundation works and major structural construction works, the Contractor will provide a certain period of quality warranty ranging from one to five years for the renovation works, installation works, heating and power supply, etc in accordance with the First Phase Construction Agreement. In respect of the foundation works and major structural construction works, the quality warranty period will be in accordance with their respective reasonable design life.

THE SECOND PHASE CONSTRUCTION AGREEMENT

The principal terms of the Second Phase Construction Agreement are summarized below:

Date 1 August 2019

Parties

- a) Anhui PTC; and
- b) The Contractor

The Directors confirmed that, to the best of their knowledge, information and belief having made all reasonable enquiry, the Contractor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Scope of work The Contractor will be responsible for the construction and installation works of certain facilities, including production plants 5, 6 and 7, warehouses and dangerous goods warehouses in the Anhui Production Plants in accordance with the technical specifications as required under the Second Phase Construction Agreement and the construction quality prescribed by the relevant government authorities in the PRC.

Construction period The construction period of the work contemplated under the Second Phase Construction Agreement will be approximately 883 days, which is expected to commence in August 2019 and complete in December 2021.

Consideration The aggregate consideration payable by Anhui PTC under the Second Phase Construction Agreement is RMB95.18 million.

The consideration was determined based on the estimated construction cost, the construction experience of the Contractor and the specifications of the facilities to be constructed and/or installed in the Anhui Production Plants.

The Company intends to finance the payment of the consideration with its internal resources and/or external bank financing.

Payment terms

The Consideration will be payable in cash in the following manner:

- (i) upon signing of the Second Phase Construction Agreement, Anhui PTC will pay 25% of the total consideration;
- (ii) within one week upon completion of the construction of the foundation works pursuant to the Second Phase Construction Agreement, Anhui PTC will pay 25% of the total consideration;
- (iii) within one week upon completion of the interim inspection, Anhui PTC will pay 30% of the total consideration;
- (iv) within one week upon completion of the inspection and acceptance, Anhui PTC will pay 17% of the total consideration; and
- (v) within one year upon completion of the construction, Anhui PTC will pay the remaining 3% of the total consideration.

Warranty

Save and except for the foundation works and major structural construction works, the Contractor will provide a certain period of quality warranty ranging from one to five years for the renovation works, installation works, heating and power supply, etc in accordance with the Second Phase Construction Agreement. In respect of the foundation works and major structural construction works, the quality warranty period will be in accordance with their respective reasonable design life.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENTS

As disclosed in the announcement of the Company dated 22 March 2018 in relation to the proposed construction of the Anhui Production Plants, the Directors considered that the construction of the Anhui Production Plants can increase the production capacity of the Group, maintain the strong output of metal castings and CNC high precision machine tools and expand the PRC market.

In addition, while the Group acknowledges that there is a decrease in the demand from the PRC manufacturing industry for CNC high precision machine tools due to the changes in the international situation and various macroeconomic uncertainties, there is no change in the Group's assessment of the medium and long-term development of the machine tool manufacturing industry in the PRC i.e. there maintains high potential demand for CNC high precision machine tools in the process of the upgrading and transformation of the PRC manufacturing industry. The construction in relation to the Anhui Production Plants is expected to complete and put into manufacturing use in 2021.

The Board is of the view that the Construction Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

Anhui PTC is an indirect wholly-owned subsidiary of the Company and is a company which manufactures and sells metal castings and CNC high precision machine tools.

The principal activities of the Group are the manufacture and sales of a wide range of CNC high precision machine tools under the TSUGAMI brand based in the PRC.

The Contractor

The Contractor is a limited liability company established in the PRC, principally engaging in provision of construction and installation services.

LISTING RULES IMPLICATIONS

The First Phase Construction Agreement

As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the First Phase Construction Agreement were below 5%, the First Phase Construction Agreement and the transaction contemplated thereunder did not constitute a notifiable transaction to the Company under Chapter 14 of the Listing Rules at the material time.

The Second Phase Construction Agreement

Pursuant to Rule 14.23 of the Listing Rules, the entering into of the First Phase Construction Agreement and the Second Phase Construction Agreement would be aggregated as a single transaction as the Construction Agreements were entered into by the Group with the same party in relation to the Anhui Production Plants. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Construction Agreements and the transactions contemplated thereunder, when aggregated, is 5% or above but less than 25%, the Construction Agreements and the transactions contemplated thereunder constitute a discloseable transaction to the Company, and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Anhui Production Plants”	the production facilities located at Bowang District, Ma’anshan, Anhui Province, the PRC, which is intended to be developed into a production site for metal castings and CNC high precision machine tools;
“Anhui PTC”	Precision Tsugami (Anhui) Corporation* (安徽津上精密機床有限公司), an indirect wholly-owned subsidiary of the Company;

“Board”	the board of Directors;
“CNC”	the abbreviation for “computerised numerical control”;
“Company”	Precision Tsugami (China) Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Construction Agreements”	the First Phase Construction Agreement and the Second Phase Construction Agreement;
“Contractor”	Maonshan Taiping Construction Installation Engineering Limited Liability Company* (馬鞍山市太平建築安裝工程有限公司), a company established in the PRC with limited liability
“Director(s)”	the director(s) of the Company;
“First Phase Construction Agreement”	the construction agreement (and the ancillary documents pursuant thereto) entered into between Anhui PTC and the Contractor on 5 April 2019 in respect of, among other things, the construction and installation of certain facilities in the Anhui Production Plants, the principal terms of which are summarized in this announcement;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Phase Construction Agreement”	the construction agreement (and the ancillary documents pursuant thereto) entered into between Anhui PTC and the Contractor on 1 August 2019 in respect of, among other things, the construction and installation of certain facilities in the Anhui Production Plants, the principal terms of which are summarized in this announcement;
“Shareholder(s)”	shareholder(s) of the Company;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited;

“TSUGAMI brand”

Tsugami brand denoted by the trademark **TSUGAMI**.

By order of the Board
Precision Tsugami (China) Corporation Limited
Dr. Tang Donglei
Chief Executive Officer and Executive Director

Hong Kong, 1 August 2019

As at the date of this announcement, the executive Directors are Dr. Tang Donglei and Dr. Li Zequn; the non-executive Directors are Mr. Takao Nishijima, Ms. Mami Matsushita and Mr. Manabu Tanaka; and the independent non-executive Directors are Dr. Huang Ping, Dr. Eiichi Koda and Mr. Tam Kin Bor.

* *For identification purpose only*