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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)

CONTINUING CONNECTED TRANSACTIONS

(1) EXCEEDED THE ORIGINAL 2021 TECHNOLOGY ANNUAL CAP

AND

(2) PROPOSED REVISION OF THE ORIGINAL 2022 AND 2023 ANNUAL CAPS

References are made to the announcement of the Company dated 19 February 2020 and the circular of the Company dated 11 March 2020 in relation to, among other things, the Existing Agreements.

EXCEEDED THE ORIGINAL 2021 TECHNOLOGY ANNUAL CAP

In or around May 2021, in the course of preparing the annual results of the Company for the year ended 31 March 2021, the management of the Company noted that the aggregate amount of Trademarks and Technology license fees and aftersales services fees paid to Tsugami Japan for the year ended 31 March 2021 amounted to approximately RMB144.3 million, which exceeded the Original 2021 Technology Annual Cap of RMB129.0 million.

REVISION OF THE ORIGINAL 2022 AND 2023 ANNUAL CAPS

In view of the historical transaction amount for the four years ended 31 March 2021, the expected strong demands in the reviving PRC market, and the expected improvement in the sales performance for the CNC high precision machine tools in the PRC and in the Other Markets after the challenges caused by COVID-19 epidemic ease, the Board anticipates that the transactions with Tsugami Japan and/or the Tsugami Japan Group pursuant to the Existing Agreements may exceed the original projection for the two years ending 31 March 2023, such that the Original 2022 and 2023 Annual Caps approved by the Independent Shareholders in 2020 will not be sufficient to meet the Company's requirements for the two years ending 31 March 2023. Accordingly, the Company proposes to revise the Original 2022 and 2023 Annual Caps. Save for the revision of the Original 2022 and 2023 Annual Caps, all terms and conditions of the Existing Agreements remain unchanged.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tsugami Japan is the controlling shareholder of the Company and therefore, members of the Tsugami Japan Group are connected persons of the Company. Accordingly, the transactions contemplated under the Existing Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the actual Trademarks and Technology license fees and aftersales services fees paid to Tsugami Japan for the year ended 31 March 2021 exceeded the Original 2021 Technology Annual Cap, the Company did not comply with Rule 14A.54 of the Listing Rules by re-complying with the announcement and shareholders' approval requirements before the Original 2021 Technology Annual Cap was exceeded. As a remedial measure, the Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, among other things, to ratify the non-compliance.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Revised Annual Caps is 5% or above, the Revised Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, consisting of all independent non-executive Directors, being Dr. Eiichi Koda, Dr. Huang Ping and Mr. Tam Kin Bor, each of whom has no interests in the transactions, has been appointed by the Board to consider and advise the Independent Shareholders as to whether to approve the ratification of the exceeding of the Original 2021 Technology Annual Cap and the Revised Annual Caps after taking into account the advice of the Independent Financial Adviser. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, among other things, to ratify the exceeding of the Original 2021 Technology Annual Cap; and to approve the Revised Annual Caps by way of ordinary resolutions.

A circular containing, among other things, (i) information relating to the exceeding of the Original 2021 Technology Annual Cap; (ii) information relating to the Revised Annual Caps; (iii) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation thereto; (iv) a letter from the Independent Financial Adviser, which sets out the opinions and recommendations of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation thereto; and (v) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 30 June 2021.

References are made to the announcement of the Company dated 19 February 2020 and the circular of the Company dated 11 March 2020 (the “**Circular**”) in relation to, among other things, the Existing Agreements.

EXCEEDED THE ORIGINAL 2021 TECHNOLOGY ANNUAL CAP

In or around May 2021, in the course of preparing the annual results of the Company for the year ended 31 March 2021, the management of the Company noted that the aggregate amount of Trademarks and Technology license fees and aftersales services fees paid to Tsugami Japan for the year ended 31 March 2021 amounted to approximately RMB144.3 million, which exceeded the Original 2021 Technology Annual Cap of RMB129.0 million. The Company promptly initiated an internal review to assess the non-compliance. In this connection, the Company engaged external legal advisers to advise the Company on the Listing Rules implication.

Reasons for exceeding the Original 2021 Technology Annual Cap

The preliminary findings of the Company's internal review are summarised as follows:

- During the six months ended 30 September 2020, the Company noted that the sales performance of the Company's CNC high precision machine tools had shown signs of slowing down. By the end of the six months ended 30 September 2020, only approximately 49% of the Original 2021 Technology Annual Cap was deployed. Taking into account that (i) when determining the Original 2021 Technology Annual Cap and the Original 2022 and 2023 Technology Annual Caps, the management of the Company has considered the projected sales performance with reasonable basis (please refer to "Historical transaction amounts and the Annual Caps – Basis for the Technology Annual Caps" of the Circular) after due and careful enquiry; and (ii) historically, the sales performance for the Company's CNC high precision machine tools in the second half of the financial year was usually not as strong as the first half of the financial year, in particular, sales in the last quarter of the financial year was generally less due to the Chinese New Year, the Company was confident that the Original 2021 Technology Annual Cap would not be exceeded at the time.
- It turned out that the sales performance of the Company was unexpectedly strong in the second half of the financial year ended 31 March 2021, in particular, the Company recorded unprecedented sales revenue for the last quarter of the financial year ended 31 March 2021. The total sales of the Company's CNC high precision machine tools for the second half and last quarter of the financial year ended 31 March 2021 reached approximately RMB1,740 million and RMB980 million, respectively, representing an increase of approximately 100.5% and 168.5% compared to the second half and last quarter of the financial year ended 31 March 2020, respectively. The Directors believe that this was because the automobile parts and components industry has recovered completely from the downturn and began to grow significantly and the orders of the Group from the overseas markets have also improved gradually since the beginning of the fourth quarter of the financial year ended 31 March 2021, with signs of recovery to normal levels. In addition, the strong demand from the domestic market drove the increase in the Group's sales revenue and profit significantly.
- As the Trademarks and Technology license fees and aftersales services fees paid to Tsugami Japan pursuant to the Technology Licence Agreement correlate positively to the sales of the Group's CNC high precision machine tools, there was an increase of approximately 28.4% in the Trademarks and Technology license fees and aftersales services fees paid to Tsugami Japan pursuant to the Technology License Agreement from the first half to the second half of the financial year ended 31 March 2021.

- Against the background described above and due to inadvertent oversight, the Company failed to detect that the Original 2021 Technology Annual Cap has already been quickly deployed during the second half of the financial year ended 31 March 2021 to a point where it was finally exceeded in March 2021, the last month of the 2021 financial year to which the Original 2021 Technology Annual Cap applied.

As the Original 2021 Technology Annual Cap was exceeded in March 2021, the last month to which the Original 2021 Technology Annual Cap applied, there is no continuing non-compliance for the Company as at the date of this announcement. The Company confirms that the Trademarks and Technology license fees and aftersales services fees paid and payable to Tsugami Japan as at the date of this announcement are still within the annual cap for the current financial year for transactions contemplated under the Technology Licence Agreement.

The Company also confirms that the annual caps for the financial year ended 31 March 2021 and the current financial year for transactions contemplated under the Master Sales Agreement and the Master Purchase Agreement have not been exceeded.

Remedial Measures and internal control measures

The Company has adopted and implemented a management system for connected transactions, and the Board and various internal departments of the Company are responsible for the control and management in respect of continuing connected transactions.

In order to improve the Company's compliance with the applicable Listing Rules requirements going forward, the Company will take steps to further strengthen its internal monitoring procedures to prevent recurrence of similar non-compliance incidents as follows:

- (a) the finance manager of the Company will closely monitor the actual transaction amounts incurred pursuant to the continuing connected transactions of the Company on a monthly basis. The senior management of the Company will monitor and double-check these actual transaction amounts. If the actual transaction amount(s) reaches 80% or more of the relevant annual cap(s) at any time, the matter shall promptly be escalated to the executive Directors and the Board, who will decide whether appropriate measure shall be taken, including but not limited to revising the relevant annual cap(s) and seeking approval from the Independent Shareholders in accordance with the requirements of the Listing Rules, if necessary;
- (b) the management of the Company will closely monitor the sales performance of the CNC high precision machine tools and regular assessments will be carried out to monitor the projected sales to assess whether an exceeding of the annual cap(s) may occur, having regard to the number of months that are remaining in the given financial year and the amount of annual cap(s) that have been deployed;
- (c) the Company will arrange for regular training for its employees, including the business operation, finance and compliance departments, to strengthen their knowledge of the Listing Rules and enhance their awareness of the importance of compliance with the Listing Rules; and
- (d) the Company's internal audit department will monitor the effectiveness and adequacy of the internal monitoring procedures, and will make recommendations and report to the Audit Committee of the Company on a regular basis.

The Board's View

The Board has taken the non-compliance seriously and is of the view that it is of utmost importance to and remains committed to satisfactorily addressing, resolving and ratifying it. The Board considers that the exceeding of the Original 2021 Technology Annual Cap was an isolated event, and the Company will take steps to strengthen its internal control and compliance procedures to prevent recurrence of a similar event in the future. The Board believes that the exceeding of the Original 2021 Technology Annual Cap does not bring about any material impact on the business and operations of the Company, nor does it have a material financial impact on the Company.

REVISION OF THE ORIGINAL 2022 AND 2023 ANNUAL CAPS

The Company proposes to revise the Original 2022 and 2023 Annual Caps as follows:

(A) The Technology Licence Agreement

On 4 September 2017, the Company and Tsugami Japan entered into the Technology License Agreement for a term of three years commencing from 25 September 2017 to 31 March 2020, which was then renewed upon the expiry of its initial term on 31 March 2020 for a further term of three years, i.e. up to and including 31 March 2023. There has been no change in the terms of the Technology License Agreement since it was entered into on 4 September 2017.

Historical transaction amounts

	For the year ended 31 March 2018 <i>RMB(million)</i>	For the year ended 31 March 2019 <i>RMB(million)</i>	For the year ended 31 March 2020 <i>RMB(million)</i>	For the year ended 31 March 2021 <i>RMB(million)</i>
Trademarks and Technology license fees and aftersales services fees	107.5	128.5	90.4	144.3

Revision of annual caps

	For the year ending 31 March 2022 <i>RMB(million)</i>	For the year ending 31 March 2023 <i>RMB(million)</i>
Original 2022 and 2023 Technology Annual Caps	161.0	193.0
Revised Technology Annual Caps	231.0	276.0

Basis for the Revised Technology Annual Caps

In determining the Revised Technology Annual Caps, the Directors considered (i) the historical Trademarks and Technology licence fees and aftersales services fees paid to Tsugami Japan for the four years ended 31 March 2021; (ii) the actual orders and agreements on hand for the CNC high precision machine tools of the Group to be produced and delivered for the year ending 31 March 2022; (iii) the royalty rate of 1.0% or 5.0% and the aftersales services fee payable to Tsugami Japan pursuant to the Technology Licence Agreement; (iv) the projected growth for the sales of the CNC high precision machine tools of the Group for the two years ending 31 March 2023, with reference to the total sales of the Group for the year ended 31 March 2021; and (v) the estimated increase in market price of or demand for the CNC high precision machine tools of the Group for the two years ending 31 March 2023.

As the Trademarks and Technology licence fees payable to Tsugami Japan shall be calculated based on the royalty rate multiplied by the total sales of the CNC high precision machine tools, the Trademarks and Technology licence fees are highly correlated to the overall sales performance of the Group. In this regard, the Company has set the Revised Technology Annual Caps taking into account the sales projections and expected demand for its CNC high precision machine tools both in the PRC and in the Other Markets for the two years ending 31 March 2023 as explained in the paragraphs “(B) The Master Sales Agreement – Basis for the Revised Sales Annual Caps”. Based on the above, the Board considers the basis for the Revised Technology Annual Caps are fair and reasonable.

(B) The Master Sales Agreement

On 4 September 2017, the Company and Tsugami Japan entered into the Master Sales Agreement for a term of three years commencing from 25 September 2017 to 31 March 2020, which was then renewed upon the expiry of its initial term on 31 March 2020 for a further term of three years, i.e. up to and including 31 March 2023. There has been no change in the terms of the Master Sales Agreement since it was entered into on 4 September 2017.

Historical transaction amounts

	For the year ended 31 March 2018 <i>RMB(million)</i>	For the year ended 31 March 2019 <i>RMB(million)</i>	For the year ended 31 March 2020 <i>RMB(million)</i>	For the year ended 31 March 2021 <i>RMB(million)</i>
Total sales of CNC high precision machine tools to the Tsugami Japan Group	634.5	822.7	490.1	384.6

Revision of annual caps

	For the year ending 31 March 2022 <i>RMB(million)</i>	For the year ending 31 March 2023 <i>RMB(million)</i>
Original 2022 and 2023 Sales Annual Caps	1,050.0	1,260.0
Revised Sales Annual Caps	1,380.0	1,650.0

Basis for the Revised Sales Annual Caps

In determining the Revised Sales Annual Caps, the Directors considered (i) the historical sales amounts for the CNC high precision machine tools of the Group to the Tsugami Japan Group for the four years ended 31 March 2021; (ii) the actual orders and agreements on hand for the CNC high precision machine tools of the Group to be produced and delivered to the Tsugami Japan Group for the year ending 31 March 2022; (iii) the expected demand for the CNC high precision machine tools of the Group from the Tsugami Japan Group for the two years ending 31 March 2023, with reference to the expected increase in total demand for the CNC high precision machine tools of the Group in the Other Markets after challenges caused by COVID-19 epidemic ease; and (iv) the estimated increase in market price of the CNC high precision machine tools of the Group for the two years ending 31 March 2023.

As disclosed in the positive profit alert announcement of the Company dated 20 April 2021, the Group is expected to record an increase of approximately 150% in the profit attributable to the Shareholders for the year ended 31 March 2021 as compared to that for the year ended 31 March 2020, primarily due to the impact of COVID-19 epidemic in the PRC has been getting under control, the domestic manufacturing sector in the PRC has started to recover with the orders of the Group from the Other Markets also improved gradually since the beginning of the fourth quarter of the financial year ended 31 March 2021. Particularly for the Other Markets, the actual orders and agreements on hand for the Company's CNC high precision machine tools received and signed in the two months ended 31 May 2021 have increased by approximately 135% comparing to the two months ended 31 May 2020. The Company expects that sales performance in the Other Markets, which has been suppressed by COVID-19 epidemic, will follow a reviving trend similar to that in the PRC market as the impact of COVID-19 epidemic was under control in the Other Markets. Furthermore, the Company also expects there will be an upward adjustment of the selling price of its CNC high precision machine tools in view of the general increasing cost of production (including but not limited to labour and raw material costs).

Based on the above, the Board considers the basis for the Revised Sales Annual Caps are fair and reasonable.

(C) The Master Purchase Agreement

On 4 September 2017, the Company and Tsugami Japan entered into the Master Purchase Agreement for a term of three years commencing from 25 September 2017 to 31 March 2020, which was then renewed upon the expiry of its initial term on 31 March 2020 for a further term of three years, i.e. up to and including 31 March 2023. There has been no change in the terms of the Master Purchase Agreement since it was entered into on 4 September 2017.

Historical transaction amounts

	For the year ended 31 March 2018 <i>RMB(million)</i>	For the year ended 31 March 2019 <i>RMB(million)</i>	For the year ended 31 March 2020 <i>RMB(million)</i>	For the year ended 31 March 2021 <i>RMB(million)</i>
Purchases from Tsugami Japan	295.0	236.5	170.0	152.4

Revision of annual caps

	For the year ending 31 March 2022 <i>RMB(million)</i>	For the year ending 31 March 2023 <i>RMB(million)</i>
Original 2022 and 2023 Purchase Annual Caps	448.0	538.0
Revised Purchase Annual Caps	607.0	726.0

Basis for the Revised Purchase Annual Caps

In determining the Revised Purchase Annual Caps, the Directors considered (i) the historical purchase costs paid to Tsugami Japan for the four years ended 31 March 2021; (ii) the actual orders and agreements on hand for the CNC high precision machine tools of the Group to be produced and delivered for the year ending 31 March 2022; (iii) the projected growth for the sales of the CNC high precision machine tools of the Group for the two years ending 31 March 2023 as the challenges caused by COVID-19 epidemic ease; and (iv) the expected increase in production costs of parts and components leading to an increase in procurement cost to be incurred by the Group.

The expected demands for procurement from the Tsugami Japan Group follow a linear relationship with the overall sales performance of the Group. Taking into account the expected growth of revenue of the Group for the two years ending 31 March 2023 as explained in “(B) The Master Sales Agreement – Basis for the Revised Sales Annual Caps” above, the Company believes there will be, in particular, an increase in demand for parts and components and production machinery and equipment to meet the continuously increasing sales volume of the CNC high precision machine tools for the two years ending 31 March 2023.

Based on the above, the Board considers the basis for the Revised Purchase Annual Caps are fair and reasonable.

REASONS FOR AND BENEFITS OF REVISING THE ORIGINAL 2022 AND 2023 ANNUAL CAPS

In view of the historical transaction amount for the four years ended 31 March 2021, the expected strong demands in the reviving PRC market, and the expected improvement in the sales performance for the CNC high precision machine tools in the PRC and in the Other Markets after the challenges caused by COVID-19 epidemic ease, the Board anticipates that the transactions with Tsugami Japan and/or the Tsugami Japan Group pursuant to the Existing Agreements may exceed the original projection for the two years ending 31 March 2023, such that the Original 2022 and 2023 Annual Caps approved by the Independent Shareholders in 2020 will not be sufficient to meet the Company's requirements for the two years ending 31 March 2023. Accordingly, the Company proposes to revise the Original 2022 and 2023 Annual Caps. Save for the revision of the Original 2022 and 2023 Annual Caps, all terms and conditions of the Existing Agreements remain unchanged.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser) are of the view that the Revised Annual Caps in respect of the transactions contemplated under the Existing Agreements are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY

The Company is an established foreign-owned CNC high precision machine tool manufacturer in the PRC. 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.

INFORMATION OF TSUGAMI JAPAN

Tsugami Japan is a long-established Japanese manufacturer of machine tools established in March 1937 and has been listed on the Tokyo Stock Exchange for over 60 years. The Tsugami Japan Group primarily engages in the design, research, development, manufacture and sales of machine tools.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tsugami Japan is the controlling shareholder of the Company and therefore, members of the Tsugami Japan Group are connected persons of the Company. Accordingly, the transactions contemplated under the Existing Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the actual Trademarks and Technology license fees and aftersales services fees paid to Tsugami Japan for the year ended 31 March 2021 exceeded the Original 2021 Technology Annual Cap, the Company did not comply with Rule 14A.54 of the Listing Rules by re-complying with the announcement and shareholders' approval requirements before the Original 2021 Technology Annual Cap was exceeded. As a remedial measure, the Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, among other things, to ratify the non-compliance.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Revised Annual Caps is 5% or above, the Revised Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, consisting of all independent non-executive Directors, being Dr. Eiichi Koda, Dr. Huang Ping and Mr. Tam Kin Bor, each of whom has no interests in the transactions, has been appointed by the Board to consider and advise the Independent Shareholders as to whether to approve the ratification of the exceeding of the Original 2021 Technology Annual Cap and the Revised Annual Caps after taking into account the advice of the Independent Financial Adviser. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, among other things, to ratify the exceeding of the Original 2021 Technology Annual Cap; and to approve the Revised Annual Caps by way of ordinary resolutions.

A circular containing, among other things, (i) information relating to the exceeding of the Original 2021 Technology Annual Cap; (ii) information relating to the Revised Annual Caps; (iii) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation thereto; (iv) a letter from the Independent Financial Adviser, which sets out the opinions and recommendations of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation thereto; and (v) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 30 June 2021.

DEFINITIONS

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

“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;
“connected person”	has its meaning as given to it under the Listing Rules;
“controlling shareholder”	has its meaning as given to it under the Listing Rules;

“COVID-19”	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness caused by a new strain of coronavirus and characterised especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, among other things, to ratify the exceeding of the Original 2021 Technology Annual Cap; and to approve the Revised Annual Caps by way of ordinary resolutions;
“Existing Agreements”	collectively, the Master Sales Agreement, Master Purchase Agreement and Technology Licence Agreement;
“Group”	the Company and its subsidiaries;
“Independent Board Committee”	the committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders as to voting at the EGM on, among other things, the resolutions approving the ratification of the exceeding of the Original 2021 Technology Annual Cap and the Revised Annual Caps;
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which is the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the ratification of the exceeding of the Original 2021 Technology Annual Cap and the Revised Annual Caps;
“Independent Shareholders”	Shareholders other than Tsugami Japan and its associates, and any other Shareholder(s) who are considered as materially interested in the Existing Agreements and the transactions contemplated thereunder including the ratification of the exceeding of the Original 2021 Technology Annual Cap and the Revised Annual Caps;
“Independent Third Parties”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made reasonable enquiries, is/are independent of and not connected with (within the meaning of the Listing Rules) the Company, any Director, chief executive or substantial shareholder of the Company, its subsidiaries or any of their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Purchase Agreement”	the master purchase agreement dated 4 September 2017 entered into between the Company and Tsugami Japan and renewed upon its expiry of its initial term on 31 March 2020 for a further term of three years, i.e. up to and including 31 March 2023;

“Master Sales Agreement”	the master sales agreement dated 4 September 2017 entered into between the Company and Tsugami Japan and renewed upon its expiry of its initial term on 31 March 2020 for a further term of three years, i.e. up to and including 31 March 2023;
“Original 2021 Technology Annual Cap”	the original annual cap amount for the year ended 31 March 2021 in respect of the Technology Licence Agreement;
“Original 2022 and 2023 Annual Caps”	collectively, the Original 2022 and 2023 Technology Annual Caps, the Original 2022 and 2023 Sales Annual Caps, and the Original 2022 and 2023 Purchase Annual Caps;
“Original 2022 and 2023 Purchase Annual Caps”	the original annual cap amounts for the two years ending 31 March 2023 respectively in respect of the Master Purchase Agreement as disclosed in this announcement;
“Original 2022 and 2023 Sales Annual Caps”	the original annual cap amounts for the two years ending 31 March 2023 respectively in respect of the Master Sales Agreement as disclosed in this announcement;
“Original 2022 and 2023 Technology Annual Caps”	the original annual cap amounts for the two years ending 31 March 2023 respectively in respect of the Technology Licence Agreement as disclosed in this announcement;
“Other Markets”	markets outside the PRC and Taiwan;
“PRC”	the People’s Republic of China;
“Revised Annual Caps”	collectively, the Revised Technology Annual Caps, the Revised Sales Annual Caps, and the Revised Purchase Annual Caps;
“Revised Purchase Annual Caps”	the proposed annual cap amounts for the two years ending 31 March 2023 respectively in respect of the Master Purchase Agreement as disclosed in this announcement;
“Revised Sales Annual Caps”	the proposed annual cap amounts for the two years ending 31 March 2023 respectively in respect of the Master Sales Agreement as disclosed in this announcement;
“Revised Technology Annual Caps”	the proposed annual cap amounts for the two years ending 31 March 2023 respectively in respect of the Technology Licence Agreement as disclosed in this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Technology”	technical information and related intellectual property rights of Tsugami Japan for manufacturing certain types of CNC high precision machine tools of the Company and to provide aftersales services in connection with these products;
“Technology Licence Agreement”	the technology licence agreement dated 4 September 2017 entered into between the Company and Tsugami Japan and renewed upon its expiry of its initial term on 31 March 2020 for a further term of three years, i.e. up to and including 31 March 2023;
“Trademark(s)”	the trademarks licensed by Tsugami Japan to the Company from time to time pursuant to the Technology Licence Agreement;
“TSUGAMI brand”	Tsugami brand denoted by the trademark TSUGAMI ;
“Tsugami Japan”	Tsugami Corporation (株式會社ツガミ), the controlling shareholder of the Company, a Japanese company incorporated in March 1937 and listed on the Tokyo Stock Exchange;
“Tsugami Japan Group”	Tsugami Japan and its subsidiaries (other than the Group).

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

Hong Kong, 8 June 2021

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