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If you have sold or transferred all your shares in Precision Tsugami (China) Corporation Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed dealer, or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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 RENEWAL OF THE TECHNOLOGY LICENCE AGREEMENT, THE MASTER SALES AGREEMENT AND THE MASTER PURCHASE AGREEMENT

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 40 of this circular.

A notice convening the EGM to be held at 24/F, Admiralty Centre 1, 18 Harcourt Road, Hong Kong on Tuesday, 16 August 2022 at 10:30 a.m. or after the conclusion of the 2022 annual general meeting (whichever is the earlier) is set out on pages 46 to 49 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for holding the EGM (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Taking into account the recent developments of the novel coronavirus disease 2019 (COVID-19), the Company will implement the following prevention and control measures at the EGM to safeguard the health and safety of the Shareholders attending the EGM:

1. Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue.
2. Every Shareholder or proxy is required to wear surgical mask throughout the meeting.
3. Every Shareholder or proxy is required to complete a health declaration form before entering the venue.
4. No entry to the venue is allowed for any person who has shown any symptom of COVID-19 or is subject to quarantine order by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government").
5. Appropriate distancing and spacing in compliance with the guidances from the Hong Kong Government will be observed and as such, the Company reserves the right to limit the number of the attendees at the EGM as may be necessary to avoid over-crowding.
6. No refreshments will be served and no corporate gifts will be distributed.

Shareholders, particularly those who are subject to quarantine in relation to COVID-19, are reminded that they may appoint any person or the chairman of the EGM as a proxy to attend and vote at the EGM, instead of attending and voting in person.

* References to time and dates in this circular are to Hong Kong time and dates.

Hong Kong, 18 July 2022

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DEFINITIONS

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

“Annual Caps”	collectively, the Technology Annual Caps, the Sales Annual Caps, and the Purchase Annual Caps;
“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, to approve, among other things, (i) the renewal of the Existing Agreements; and (ii) the Annual Caps for the three years ending 31 March 2024, 31 March 2025 and 31 March 2026 by way of ordinary resolutions;
“Existing Agreements”	collectively, the Master Sales Agreement, the Master Purchase Agreement and the Technology Licence Agreement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

DEFINITIONS

“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 renewal of the Existing Agreements and the 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 renewal of the Existing Agreements and the 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 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;
“Latest Practicable Date”	12 July 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contain herein;
“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 which was subsequently 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, the principal terms of which are summarised in this circular;

DEFINITIONS

“Master Sales Agreement”	the master sales agreement dated 4 September 2017 entered into between the Company and Tsugami Japan which was subsequently 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, the principal terms of which are summarised in this circular;
“Other Markets”	markets outside the PRC and Taiwan;
“PRC”	the People’s Republic of China, but for the purpose of this circular and for geographical reference only and except where the context requires otherwise, references to the “PRC” in this circular do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchase Annual Caps”	the proposed annual cap amounts in respect of the transactions contemplated under the Master Purchase Agreement for the three years ending 31 March 2024, 2025 and 2026 as disclosed in this circular;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sales Annual Caps”	the proposed annual cap amounts in respect of the transactions contemplated under the Master Sales Agreement for the three years ending 31 March 2024, 2025 and 2026 as disclosed in this circular;
“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;

DEFINITIONS

“Technology Annual Caps”	the proposed annual cap amounts in respect of the transactions contemplated under the Technology Licence Agreement for the three years ending 31 March 2024, 2025 and 2026 as disclosed in this circular;
“Technology Licence Agreement”	the technology licence agreement dated 4 September 2017 entered into between the Company and Tsugami Japan which was subsequently 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, the principal terms of which are summarised in this circular;
“Third-party Components”	parts and components which are manufactured by third-party suppliers and procured from Tsugami Japan, excluding CNC system panels;
“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 (株式会社ツガミ), the controlling shareholder of the Company, a Japanese company incorporated in March 1937 and which is listed on the Tokyo Stock Exchange;
“Tsugami Japan Group”	Tsugami Japan and its subsidiaries (other than the Group).

LETTER FROM THE BOARD

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)

Executive Directors:

Dr. Tang Donglei (*Chairman and Chief executive officer*)

Dr. Li Zequn

Non-executive Directors:

Mr. Takao Nishijima

Ms. Mami Matsushita

Mr. Motoi Yamada

Independent non-executive Directors:

Dr. Eiichi Koda

Dr. Huang Ping

Mr. Tam Kin Bor

Registered Office:

PO Box 309

Ugland House Grand Cayman

KY 1-1104

Cayman Islands

Principal place of business

in Hong Kong:

Level 54, Hopewell Centre 183

Queen's Road East Hong Kong

Hong Kong, 18 July 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE TECHNOLOGY LICENCE AGREEMENT,
THE MASTER SALES AGREEMENT AND
THE MASTER PURCHASE AGREEMENT**

INTRODUCTION

References are made to the prospectus of the Company dated 12 September 2017, the announcements of the Company dated 22 January 2018, 19 February 2020, 8 June 2021 and 27 June 2022, and the circulars of the Company dated 12 February 2018, 11 March 2020 and 30 June 2021 in relation to, among other things, the Existing Agreements.

On 4 September 2017, the Company and Tsugami Japan entered into the Existing Agreements for an initial term of three years commencing from 25 September 2017 to 31 March 2020, which was subsequently renewed for a successive period of three years commencing from 1 April 2020. As such, the Existing Agreements will expire on 31 March 2023, and will be automatically renewed for successive periods of three years thereafter unless terminated in accordance with the Existing Agreements.

LETTER FROM THE BOARD

The Company and Tsugami Japan agreed to renew the Existing Agreements upon the expiry of their term on 31 March 2023 for a further term of three years, i.e. up to and including 31 March 2026.

The purpose of this circular is to provide you with, among other things, (i) principal terms of, and information relating to the renewal of the Existing Agreements; (ii) information relating to the Annual Caps for the three years ending 31 March 2024, 31 March 2025 and 31 March 2026; (iii) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the renewal of the Existing Agreements and the Annual Caps; (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 to the renewal of the Existing Agreements and the Annual Caps; and (v) a notice to convene the EGM.

RENEWAL OF THE EXISTING AGREEMENTS

(A) Renewal of the Technology Licence Agreement

On 4 September 2017, the Company and Tsugami Japan entered into the Technology Licence Agreement for a term of three years commencing from 25 September 2017 to 31 March 2020, which was subsequently renewed for a successive period of three years commencing from 1 April 2020. As such, the Technology Licence Agreement will expire on 31 March 2023.

The Company and Tsugami Japan agreed to renew the Technology Licence Agreement upon the expiry of its term on 31 March 2023 for a further term of three years, i.e. up to and including 31 March 2026. There has been no change in the terms of the Technology Licence Agreement since it was entered into on 4 September 2017.

The principal terms of the Technology Licence Agreement are summarised below:

Date : 4 September 2017

Parties : (a) the Company

(b) Tsugami Japan

LETTER FROM THE BOARD

- Duration : The Technology Licence Agreement shall, upon renewal, continue to be effective up to and including 31 March 2026, which will be automatically renewed for successive periods of three years thereafter unless notified by the Company to Tsugami Japan by written notice of not less than 30 days before the expiry of the renewal term or any subsequent successive periods, or otherwise terminated earlier in accordance with the Technology Licence Agreement.
- Continuing transactions : Tsugami Japan agreed to irrevocably grant to the Company:
- (a) an exclusive licence to use the Technology necessary for the manufacture of the CNC high precision machine tools of the Company and to provide aftersales services in connection with these products; and
 - (b) as the sole licensee, the right to use the Trademarks in the PRC, Hong Kong and Taiwan, and a non-exclusive licence to use the Trademarks in any regions (excluding the PRC, Hong Kong and Taiwan).

Pricing guideline

Depending on the models of the Company's CNC high precision machine tools, the Trademarks and Technology licence fees payable to Tsugami Japan shall be calculated based on a royalty rate of 1.0% or 5.0% multiplied by the total sales of such models of CNC high precision machine tools (excluding tax and other miscellaneous costs and charges).

The aftersales services fees to be charged by Tsugami Japan will be determined based on the daily rate of approximately JPY46,000 multiplied by the total number of working days of the staff of Tsugami Japan.

(B) Renewal of 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 subsequently renewed for a successive period of three years commencing from 1 April 2020. As such, the Master Sales Agreement will expire on 31 March 2023.

LETTER FROM THE BOARD

The Company and Tsugami Japan agreed to renew the Master Sales Agreement upon the expiry of its term on 31 March 2023 for a further term of three years, i.e. up to and including 31 March 2026. There has been no change in the terms of the Master Sales Agreement since it was entered into on 4 September 2017.

The principal terms of the Master Sales Agreement are summarized below:

- Date : 4 September 2017
- Parties : (a) the Company
(b) Tsugami Japan
- Duration : The Master Sales Agreement shall, upon renewal, continue to be effective up to and including 31 March 2026, which will be automatically renewed for successive periods of three years thereafter unless terminated, among other matters, by either party with not less than 30 business days' prior written notice, subject to the compliance of the Listing Rules.
- Continuing transactions : The Company agreed to sell its CNC high precision machine tools to the Tsugami Japan Group.

Pricing guideline

The transactions contemplated under the Master Sales Agreement will be conducted in the ordinary and usual course of business of the Group and that of the Tsugami Japan Group on normal commercial terms or better and on terms which are fair and reasonable and in the interests of the Group and the Shareholders as a whole. The selling price in respect of each definitive agreement under the Master Sales Agreement will be determined in line with similar products provided to the Independent Third Parties.

The Group sold its CNC high precision machine tools, with or without customisations, to the Tsugami Japan Group. In determining the selling prices of the CNC high precision machine tools sold to the Tsugami Japan Group, the Company will consider factors including the level of customisations, time and effort required for making various specifications and/or customisations to the CNC high precision machine tools, purchase quantity, the delivery schedule, whether sales and marketing, aftersales services and technical support services are needed, etc. No special discount will be offered to the Tsugami Japan Group by virtue of the fact that the Tsugami Japan Group is a connected person of the Company. After taking into account the above factors, the Company will provide a quotation which is comparable to at least two transactions with independent third party customers of similar products for the same period.

LETTER FROM THE BOARD

To ensure the transactions conducted pursuant to the Master Sales Agreement are priced fairly and reasonably and in the interests of the Company and its Shareholders as a whole, the Company has adopted the following internal control measures:

1. The finance department of the Company will be responsible for gathering information from time to time about the prevailing market prices and the market trend for comparable products through various channels, including, for example, conducting market price research through various independent industry information websites, discussing with third party industry players and attending events held by industry associations;
2. The Company will analyse and compare the prevailing market prices for comparable products in the market with the selling prices of the CNC high precision machine tools offered to the Tsugami Japan Group;
3. The Company will consider at least two comparable transactions with the independent third party customers of similar products for the same period to ensure no better terms are offered to the Tsugami Japan Group; and
4. The finance department of the Company will conduct regular checks on the sales transactions with the Tsugami Japan Group, monitoring the amounts of transactions and conducting assessment and evaluation on the fairness of the transaction terms and pricing terms.

(C) Renewal of 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 subsequently renewed for a successive period of three years commencing from 1 April 2020. As such, the Master Purchase Agreement will expire on 31 March 2023.

The Company and Tsugami Japan agreed to renew the Master Purchase Agreement upon the expiry of its term on 31 March 2023 for a further term of three years, i.e. up to and including 31 March 2026. There has been no change in the terms of the Master Purchase Agreement since it was entered into on 4 September 2017.

The principal terms of the Master Purchase Agreement are summarized below:

Date : 4 September 2017

Parties : (a) the Company

(b) Tsugami Japan

LETTER FROM THE BOARD

- Duration : The Master Purchase Agreement shall, upon renewal, continue to be effective up to and including 31 March 2026, which will be automatically renewed for successive periods of three years thereafter unless terminated, among other matters, by either party with not less than 30 business days' prior written notice, subject to the compliance of the Listing Rules.
- Continuing transactions : The Group may procure parts and components (including the relevant warranty costs in relation to the CNC system panels procured through Tsugami Japan), production machinery and equipment, and CNC high precision machine tools manufactured by the Tsugami Japan Group.

Pricing guideline

The transactions contemplated under the Master Purchase Agreement will be conducted in the ordinary and usual course of business of the Group and that of the Tsugami Japan Group, on normal commercial terms or better and on terms which are fair and reasonable and in the interests of the Group and its Shareholders as a whole.

In respect of the parts and components which are manufactured by independent third party suppliers but procured from the Tsugami Japan Group (including the Third-party Components and CNC system panels for the CNC high precision machine tools sold or to be sold overseas (including in Taiwan)), such products are sold to the Company at cost incurred by the Tsugami Japan Group in purchasing such products from the independent third party suppliers plus certain handling and administrative charges.

In respect of the parts and components, production machinery and equipment and CNC high precision machine tools which are manufactured and uniquely designed for the Group's needs by the Tsugami Japan Group, such products are sold to the Company at cost incurred by the Tsugami Japan Group in developing and manufacturing such products plus certain handling and administrative charges.

LETTER FROM THE BOARD

To ensure the transactions conducted pursuant to the Master Purchase Agreement are priced fairly and reasonably and in the interests of the Company and its Shareholders as a whole, the Company has adopted the following internal control measures:

1. In respect of the parts and components which are manufactured by independent third party suppliers but procured from the Tsugami Japan Group:
 - (i) The finance department of the Company will be responsible for gathering information from time to time about the market prices offered by the independent third party suppliers and the market trend for comparable parts and components through various channels including, for example, conducting market price research through various independent industry information websites, discussing with third party industry players and attending events held by industry associations;
 - (ii) Before making the purchase orders, the Company will obtain at least two quotations from the independent third party suppliers and/or review two comparable transactions with independent third party suppliers for the same period;
 - (iii) The Company will compare whether the purchase prices offered by the Tsugami Japan Group are at a more favourable level than the prices offered by the independent third party suppliers;
 - (iv) If the purchase prices offered by the Tsugami Japan Group are not at a relatively competitive level, the Company will purchase such parts and components directly from the independent third party suppliers;
2. In respect of the parts and components, production machinery and equipment and CNC high precision machine tools which are manufactured and uniquely designed for the Company's needs by the Tsugami Japan Group and are not available from independent third party suppliers:
 - (i) The Company will explore whether the Company has the production and customisation and development capabilities to develop and manufacture such products;
 - (ii) The Company will compare the time and costs incurred by the Company if the Company directly develops and manufactures such products with the purchase prices offered by the Tsugami Japan Group;
 - (iii) The Directors will carry out due and careful enquiries with the management of the Tsugami Japan Group in relation to the costs incurred by the Tsugami Japan Group in developing and manufacturing such products;

LETTER FROM THE BOARD

- (iv) If the purchase prices offered by the Tsugami Japan Group are not at a relatively competitive level, the Company will develop and manufacture such products directly;
 - (v) The procurement department of the Company will be responsible for gathering information from time to time whether there are alternative suppliers who can design and manufacture such parts and components and production machinery and equipment which suit the Company's needs at a competitive pricing; and
3. The finance department of the Company will conduct regular checks on the purchase transactions with the Tsugami Japan Group, monitoring the amounts of transactions and conducting assessment and evaluation on the fairness of the transaction terms and pricing terms.

HISTORICAL TRANSACTION AMOUNTS AND THE ANNUAL CAPS

(A) The Technology Licence Agreement

For the two years ended 31 March 2021 and 2022 and the three months ended 30 June 2022, the Company's Trademarks and Technology licence fees and after sales service fees paid to Tsugami Japan amounted to, in aggregate, approximately RMB144.3 million, RMB203.4 million and RMB55.5 million, respectively.

For the year ended 31 March 2022 and the year ending 31 March 2023, the revised technology annual caps are RMB231 million and RMB276 million, respectively.

The Technology Annual Caps for the three years ending 31 March 2024, 31 March 2025 and 31 March 2026 are set out below:

	For the year ending 31 March 2024	For the year ending 31 March 2025	For the year ending 31 March 2026
	<i>RMB(million)</i>	<i>RMB(million)</i>	<i>RMB(million)</i>
Technology Annual Caps	332.0	398.0	438.0

Basis for the Technology Annual Caps

In determining the Technology Annual Caps, the Directors considered (i) the historical Trademarks and Technology licence fees paid to Tsugami Japan for the two years ended 31 March 2021 and 2022 and the three months ended 30 June 2022; (ii) the royalty rate of 1.0% or 5.0% and the aftersales services fee payable to Tsugami Japan pursuant to the Technology Licence Agreement; (iii) the projected growth for the sales of the CNC high precision machine tools of the Group for the three years ending 31 March 2024, 2025 and 2026; and (iv) a buffer of approximately 3% to 5% for potential increase in market price of or demand for the CNC high precision machine tools of the Company for the three years ending 31 March 2024, 2025 and 2026.

LETTER FROM THE BOARD

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 is highly correlated to the overall sales performance of the Group. In this regard, considering the sales projections and expected demand for its CNC high precision machine tools both in the PRC and in the Other Markets for the three years ending 31 March 2026 as explained in the paragraphs “(B) The Master Sales Agreement – Basis for the Sales Annual Caps” and “(C) The Master Purchase Agreement – Basis for the Purchase Annual Caps” below, the Company has set the Technology Annual Caps at a similar year-on-year growth rate as that of the Sales Annual Caps and the Purchase Annual Caps. Based on the above, the Board considers the basis for the Technology Annual Caps is fair and reasonable.

(B) The Master Sales Agreement

For the two years ended 31 March 2021 and 2022 and the three months ended 30 June 2022, the Group’s total sales of its CNC high precision machine tools to the Tsugami Japan Group amounted to approximately RMB384.6 million, RMB739.7 million and RMB246.5 million, respectively.

For the year ended 31 March 2022 and the year ending 31 March 2023, the revised sales annual caps are RMB1,380 million and RMB1,650 million, respectively.

The Sales Annual Caps for the three years ending 31 March 2024, 31 March 2025 and 31 March 2026 are set out below:

	For the year ending 31 March 2024	For the year ending 31 March 2025	For the year ending 31 March 2026
	<i>RMB(million)</i>	<i>RMB(million)</i>	<i>RMB(million)</i>
Sales Annual Caps	1,980.0	2,376.0	2,613.0

Basis for the Sales Annual Caps

In determining the 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 two years ended 31 March 2021 and 2022 and the three months ended 30 June 2022; (ii) the expected demand for the CNC high precision machine tools of the Group from the Tsugami Japan Group for the three years ending 31 March 2024, 31 March 2025 and 31 March 2026 taking into account the expected recovery of the overseas economies; and (iii) a buffer of approximately 3% to 5% for potential increase in market price of the CNC high precision machine tools of the Group for the three years ending 31 March 2024, 31 March 2025 and 31 March 2026 in view of potential increase in material costs and/or labour cost.

LETTER FROM THE BOARD

As disclosed in the annual report of the Company for the year ended 31 March 2021, the revenue of the Group had increased by approximately 60.4% as compared to that of the previous year. Further, as disclosed in the annual results for the year ended 31 March 2022 announcement of the Company, the Group recorded an increase of approximately 41.8% in the Group's revenue as compared to that for the year ended 31 March 2021 and the Group's sales for the year ended 31 March 2022 had continued the growth momentum of the previous financial year. In addition, as disclosed in the annual results announcement of Tsugami Japan for the year ended 31 March 2022, the revenue of the Tsugami Japan Group recorded an increase of approximately 51.1% for the year ended 31 March 2022 as compared to that of the previous financial year. Considering that a significant portion of the CNC high precision machine tools sold in the Other Markets by the Tsugami Japan Group were supplied by the Group and the COVID-19 pandemic is gradually coming under control in the Other Markets, it is anticipated that the demand for CNC high precision machine tools from the Other Markets will continue to increase. In fact, the Group's total sales of its CNC high precision machine tools to the Tsugami Japan Group increased from approximately RMB384.6 million to approximately RMB739.7 million, representing an increase of approximately 92.3% from the year ended 31 March 2021 to the year ended 31 March 2022. As evidenced by the above results, the Board believes that there is a steady recovery of the domestic and overseas economies. Therefore, the Company expects that the sales of the Group's CNC high precision machine tools to the Tsugami Japan Group will increase accordingly.

Furthermore, the Company also reserves a buffer for a potential 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 Sales Annual Caps is fair and reasonable.

Despite there is an expected increase in demand of the Group's CNC high precision machine tools from the Tsugami Japan Group, the Board considers that there will not be any risk of reliance on the Tsugami Japan Group as the sales to the Tsugami Japan Group represented under 30% of the Company's total revenue for the two years ended 31 March 2021 and 2022 and the three months ended 30 June 2022 and the Group anticipates that there will not be a material increment for the percentage of the sales to Tsugami Japan Group represented under the Company's total revenue for the three years ending 31 March 2024, 2025 and 2026.

(C) The Master Purchase Agreement

For the two years ended 31 March 2021 and 2022 and the three months ended 30 June 2022, the Group's purchases from Tsugami Japan (including the relevant warranty costs in relation to the CNC system panels procured through Tsugami Japan) amounted to, in aggregate, approximately RMB152.4 million, RMB339.1 million and RMB58.6 million, respectively.

LETTER FROM THE BOARD

For the year ended 31 March 2022 and the year ending 31 March 2023, the revised purchase annual caps are RMB607 million and RMB726 million, respectively.

The Purchase Annual Caps for the three years ending 31 March 2024, 31 March 2025 and 31 March 2026 are set out below:

	For the year ending 31 March 2024	For the year ending 31 March 2025	For the year ending 31 March 2026
	<i>RMB(million)</i>	<i>RMB(million)</i>	<i>RMB(million)</i>
Purchase Annual Caps	898.0	1,077.0	1,185.0

Basis for the Purchase Annual Caps

In determining the Purchase Annual Caps, the Directors considered (i) the historical purchase costs paid to Tsugami Japan for the two years ended 31 March 2021 and 2022 and the three months ended 30 June 2022; (ii) the projected growth for the sales of the CNC high precision machine tools of the Group for the three years ending 31 March 2024, 2025 and 2026; (iii) the expected demand for parts and components (including the relevant warranty costs in relation to the CNC system panels procured through Tsugami Japan), production machinery and equipment and CNC high precision machine tools to cope with the Group's projected growth for the sales of its CNC high precision machine tools; and (iv) the estimated increase in production costs of parts and components and production machinery and equipment and CNC high precision machine tools.

The expected demands for procurement from the Tsugami Japan Group follows a linear relationship with the overall sales performance of the Group. Taking into account the expected growth in revenue of the Group for the three years ending 31 March 2023 as explained in "(B) The Master Sales Agreement – Basis for the 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 increase in sales volume of the CNC high precision machine tools for the three years ending 31 March 2026. Other than the anticipated increase in demand for the CNC high precision machine tools in the Other Markets, in projecting the demand for CNC high precision machine tools in the PRC market, the Group had taken into account (i) the increasing trend of energy saving and emission control in the PRC automobile market according to the "New Energy Automobile Development Plan (2021-2035)", published by the PRC State Council; (ii) the favourable PRC government policies for example, the "Made in China 2025" Strategy, a roadmap released by the PRC State Council to guide the country's advanced industrial manufacturing, in support of high precision machine tools and high-end digital machine tools; and (iii) the PRC's overall economy. The Company considers that as the PRC manufacturers' operations are resuming gradually, the PRC manufacturing industry is restoring to the pre-pandemic level.

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Further, having considered that the newly established production plant in Pinghu is expected to commence operation in 2024, thereby significantly increase the production capacity of the Group, it is fair and reasonable for the Group to upward adjust its sales targets and projections and correspondingly the Purchase Annual Caps to allow the Group to realise the Group's business potential. Based on the above, the Board considers the basis for the Purchase Annual Caps is fair and reasonable.

REASONS FOR AND BENEFITS OF RENEWAL OF THE EXISTING AGREEMENTS

In respect of the renewal of the Technology Licence Agreement, the Directors believe that licensing the Trademarks and the Technology from and provision of aftersales services by Tsugami Japan is fair and reasonable and it is in the interests of the Group and the Shareholders as a whole to renew the Technology Licence Agreement for the following reasons: (i) the Group can continue to leverage on Tsugami Japan's technical know-how and leading technology in the CNC high precision machine tool industry and developed aftersales services, in order to meet the increasing needs of the Group's customers and strengthen the market position of the Group, which is in line with the overall business strategy of the Group; (ii) currently the Company is still at the stage of enhancing its customisation and development capabilities and does not have full capacity to develop the Technology itself; (iii) when compared to similar technology for CNC high precision machine tools available from independent third parties, the prices and terms offered by Tsugami Japan are fair and reasonable, and are comparable to or better than those offered by independent third parties and (iv) the Group can continue to enjoy the goodwill of the TSUGAMI brand, which has been widely recognised by manufacturers engaged in various industries.

In respect of the renewal of the Master Sales Agreement, the Directors believe that the continuing sales to the Tsugami Japan Group will provide the Group with stable source of income and the renewal of the Master Sales Agreement is fair and reasonable and it is in the interests of the Group and the Shareholders as a whole.

In respect of the renewal of the Master Purchase Agreement, the Directors are of the view that it is fair and reasonable and in the interests of the Group and the Shareholders as a whole to renew the Master Purchase Agreement for the following reasons: (i) certain parts and components, production machinery and equipment and CNC high precision machine tools are manufactured and uniquely designed for the Group's needs by the Tsugami Japan Group; (ii) certain parts and components which are manufactured by independent third party suppliers but procured from the Tsugami Japan Group are sold to the Group at terms better than those offered by such independent third party suppliers. In addition, Tsugami Japan has undertaken not to, and will use its best efforts to procure its close associate (other than the Group) not to, sell CNC high precision machine tools in the PRC, Taiwan and other markets which the Group may intend to develop in the future. In the event that the Tsugami Japan Group receives purchase orders for its CNC high precision machine tools in the PRC or Taiwan, the Group will purchase such CNC high precision machine tools from the Tsugami Japan Group to service such purchase orders.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the renewal of the Existing Agreements have been negotiated on an arm's length basis, are fair and reasonable, on normal commercial terms and within the ordinary and usual course of business of the Group, and are in the interests of the Group and the Shareholders as a whole, and that the Annual Caps are fair and reasonable and in the interests of the Group 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 Latest Practicable Date, Tsugami Japan is interested in approximately 70.9% of the issued share capital of the Company and is the controlling shareholder of the Company and therefore, members of the Tsugami Japan Group are connected persons of the Company. Accordingly, the renewal of the Existing Agreements and the transactions contemplated constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

As Dr. Tang Donglei (being a director of Tsugami Japan), Mr. Takao Nishijima (being the supreme advisor of Tsugami Japan), Ms. Mami Matsushita (being a general manager of overseas business of Tsugami Japan) and Mr. Motoi Yamada (being a representative director of Tsugami Japan) hold directorship or senior management positions with Tsugami Japan and are considered as materially interested in the renewal of the Existing Agreements and the transactions contemplated thereunder, including the Annual Caps, each of Dr. Tang Donglei, Mr. Takao Nishijima, Ms. Mami Matsushita and Mr. Motoi Yamada has abstained from voting on the relevant board resolutions approving the renewal of the Existing Agreements and the

LETTER FROM THE BOARD

Annual Caps. Save as disclosed above, none of the Directors or proposed directors (if any) is a director or employee of Tsugami Japan and has a material interest in the renewal of the Existing Agreements and the transactions contemplated thereunder, including the Annual Caps.

As Dr. Tang Donglei has interests in 150,000 Shares, representing approximately 0.039% of the issued share capital of the Company, he will not vote at the EGM. Other than Dr. Tang Donglei, none of the other Directors hold any Shares and therefore, none of them are expected to vote at the EGM.

GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, among other things, to approve the renewal of the Existing Agreements and the Annual Caps for the three years ending 31 March 2024, 31 March 2025 and 31 March 2026 by way of ordinary resolutions.

A notice convening the EGM to be held at 24/F, Admiralty Centre 1, 18 Harcourt Road, Hong Kong on Tuesday, 16 August 2022 at 10:30 a.m. or after the conclusion of the 2022 annual general meeting (whichever is the earlier) is set out on pages 46 to 49 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for holding the EGM (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the Latest Practicable Date, Tsugami Japan and its associates controlled, and were entitled to exercise control, over the voting rights in respect of 270,000,000 Shares, representing approximately 70.90% of the issued share capital of the Company. Tsugami Japan and its associates shall, therefore, abstain from voting on the resolutions for approving the renewal of the Existing Agreements and the Annual Caps. To the best of the Directors' knowledge and information after having made all reasonable enquiries, other than Tsugami Japan and/or its associates and Dr. Tang Donglei, no other Shareholder is required to abstain from voting at the EGM for the proposed resolutions approving the renewal of the Existing Agreements and the Annual Caps.

The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

The register of members of the Company will be closed from Thursday, 11 August 2022 to Tuesday, 16 August 2022 (both days inclusive) during which period no transfer of Share(s) will be effected. In order to determine the entitlement to attend and vote at the EGM, all transfers of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10 August 2022. Shareholders whose names appear on the register of members of the Company on Thursday, 11 August 2022 will be entitled to attend and vote at the EGM.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 20 to 21 of this circular which contains its recommendation to the Independent Shareholders. In addition, your attention is drawn to the letter of advice from the Independent Financial Adviser set out on pages 22 to 40 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons considered by it in formulating its advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the renewal of 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, and that the Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to, among other things, the renewal of the Existing Agreements and the Annual Caps.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular and the notice of the EGM set out in this circular.

By order of the Board

Precision Tsugami (China) Corporation Limited

Dr. Tang Donglei

Chairman, Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

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)

18 July 2022

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE TECHNOLOGY LICENCE AGREEMENT,
THE MASTER SALES AGREEMENT,
THE MASTER PURCHASE AGREEMENT AND
THE PROPOSED ANNUAL CAPS**

We refer to the circular of the Company dated 18 July 2022 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been authorised by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the renewal of 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, and that the Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser set out on pages 22 to 40 of the Circular which contains its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons considered by it in formulating its advice.

Having considered the renewal of the Existing Agreements and the Annual Caps, and the factors and reasons considered by, and the advice of the Independent Financial Adviser in relation thereto as set out on pages 22 to 40 of the Circular, we are of the opinion that the renewal of 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, and that the Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the renewal of the Existing Agreements and the Annual Caps.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Dr. Huang Ping

Dr. Eiichi Koda

Mr. Tam Kin Bor

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the renewal of the Existing Agreements and the proposed Annual Caps, which has been prepared for the purpose of inclusion in this circular.



18 July 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE TECHNOLOGY LICENCE AGREEMENT,
THE MASTER SALES AGREEMENT,
THE MASTER PURCHASE AGREEMENT AND
THE PROPOSED ANNUAL CAPS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the renewal of the Existing Agreements and the proposed Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 18 July 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

References are made to the announcement of the Company dated 27 June 2022, the circulars of the Company dated 11 March 2020 and 30 June 2021 in relation to, among other things, the Existing Agreements. On 4 September 2017, the Company and Tsugami Japan entered into the Existing Agreements for an initial term of three years commencing from 25 September 2017 to 31 March 2020, which was subsequently renewed for a successive period of three years commencing from 1 April 2020. As such, the Existing Agreements will expire on 31 March 2023, which will be automatically renewed for successive periods of three years thereafter unless terminated in accordance with the Existing Agreements. The Company and Tsugami Japan agreed to renew the Existing Agreements upon the expiry of their term on 31 March 2023 for a further term of three years, i.e. up to and including 31 March 2026. There has been no change in the terms of the Existing Agreements since they were entered into on 4 September 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Tsugami Japan is interested in approximately 70.9% of the issued share capital of the Company and is the controlling shareholder of the Company and therefore, members of the Tsugami Japan Group are connected persons of the Company. Accordingly, the renewal of the Existing Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Technology Annual Caps, the Sales Annual Caps and the Purchase Annual Caps, respectively, is 5% or above, the renewal of the Existing Agreements and the proposed Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all three independent non-executive Directors, namely, Dr. Eiichi Koda, Dr. Huang Ping and Mr. Tam Kin Bor, has been established by the Company to advise the Independent Shareholders on, among other things, whether the renewal of 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, and that the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Lego Corporate Finance Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company, Tsugami Japan or any other parties that could reasonably be regarded as relevant to our independence. In the last two years prior to the Latest Practicable Date, we had acted as an independent financial adviser to the Company in relation to the continuing connected transactions in respect of the ratification of the exceeding of the original 2021 technology annual cap and the adoption of the revised annual caps pursuant to the Existing Agreements, details of which were disclosed in the circular of the Company dated 30 June 2021. Apart from normal professional fees paid or payable to us in connection with the previous engagement and this appointment, no arrangement exists whereby we had received or will receive any fees or benefits from the Company. Accordingly, we consider that we are eligible to give independent advice in respect of renewal of the Existing Agreements and the proposed Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the information, facts and representations contained or referred to in the Circular and the information, opinions and representations provided or expressed to us by the Directors and/or the management of the Company (the "Management"). We have assumed that all the information, facts and representations contained or referred to in the Circular, and all the information, opinions and representations

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

provided or expressed by the Directors and/or the Management, for which they are solely responsible, were true, accurate and complete in all material respects at the time when they were provided and continue to be so as at the Latest Practicable Date and that they may be relied upon in formulating our opinion. We have also assumed that all such opinions and statements of intention or belief expressed by the Directors and/or the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiries.

The Directors have confirmed to us that no material facts have been withheld or omitted from the information provided, representations made or opinions expressed. We have no reason to suspect that any relevant information has been withheld or omitted, and we are not aware of any facts or circumstances which would render the information provided, representations made or opinions expressed to us untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information currently available, and that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and/or the Management, and we have not conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the renewal of the Existing Agreements and the proposed Annual Caps. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the renewal of the Existing Agreements and the proposed Annual Caps, we have considered the following principal factors and reasons:

1. Background information of the Group and Tsugami Japan

1.1 The Group

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.

1.2 Tsugami Japan

Tsugami Japan, the controlling shareholder of the Company, 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.

2. Financial information of the Group

Set out below is a summary of the consolidated financial information of the Company as extracted from the annual report of the Company for the year ended 31 March 2021 (the “**2020-2021 Annual Report**”) and the annual results announcement for the year ended 31 March 2022 (the “**2021-2022 Annual Results**”).

	Year ended 31 March		
	2022	2021	2020
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	4,419,887	3,116,976	1,943,569
Gross profit	1,173,029	765,307	392,093
Profit attributable to Shareholders for the year	667,404	391,952	155,823

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 March 2021

Revenue of the Group amounted to approximately RMB3,117.0 million for the year ended 31 March 2021, representing an increase of approximately 60.4% as compared to that of approximately RMB1,943.6 million for the year ended 31 March 2020. According to the 2020-2021 Annual Report, such increase was primarily the results of (i) the comprehensive recovery of the domestic manufacturing industry starting from March and April 2020, coupled with the strong demand for high-end CNC machine tools in the automobile parts and components industry from the second half of the year; (ii) effective containment of the COVID-19 pandemic in the PRC; and (iii) the spread of the pandemic in other parts of the world, leading to a shift in demand towards manufacturing in the PRC. As a result of the foregoing, the Group's gross profit and profit attributable to Shareholders increased by approximately 95.2% and 151.5% for the year ended 31 March 2021, respectively, as compared to that for the year ended 31 March 2020.

For the year ended 31 March 2022

Revenue of the Group amounted to approximately RMB4,419.9 million for the year ended 31 March 2022, representing an increase of approximately 41.8% as compared to that of approximately RMB3,117.0 million for the year ended 31 March 2021. As disclosed in the 2021-2022 Annual Results, such increase in the total revenue was primarily due to (i) the continuation of the economic expansion during the year starting from the second half of 2020, coupled with the strong demand for high-end CNC machine tools in the automobile parts and components industry; (ii) the Group's early deployment of new factories, which enabled it to have sufficient production capacity to meet the strong domestic market demand and secure more orders; and (iii) the Group's ongoing efforts on cost reduction and efficiency enhancement, which have significantly improved the cost-effectiveness of the Group's products.

In particular, (i) precision lathes recorded sales of approximately RMB3,870.0 million during the financial year, representing a year-on-year increase of approximately 43.3%; (ii) the precision machining centres recorded sales of approximately RMB233.9 million during the financial year, representing a year-on-year increase of approximately 18.8%; and (iii) precision grinding machines and others (including sales of precision thread and form rolling machines, parts and components and after-sales service income) experienced increases in various sales activities, with sales of approximately RMB169.6 million and RMB146.3 million for the year ended 31 March 2022, respectively, representing increases of approximately 57.1% and 32.0%, as compared to last year.

As a result of the foregoing, the Group's gross profit and the profit attributable to Shareholders increased by approximately 53.3% and 70.3% for the year ended 31 March 2022, respectively, as compared to that for the year ended 31 March 2021.

3. Reasons for and benefits of the renewal of the Existing Agreements

(i) Technology Licence Agreement

Tsugami Japan, is a long-established renowned CNC high precision machine tool manufacturer with over 80 years of establishment and is recognised worldwide for its CNC high precision machine tools. According to the Letter from the Board, leveraging on the goodwill of the TSUGAMI brand, the Group has been widely recognised by manufacturing enterprises engaged in various industries including, automobile parts and components, IT communications and electronics and industrial automation. As advised by the Management, in order to strengthen the Group's leading position in the industry, the Group will continue to focus on deploying new technologies and applications, improvement of the production system, increase production capacity and efficiency, reduce production costs, improve product quality and enhance the distribution channels and sales network of the Group. The Directors are of the view, and we concur, that the renewal of the Technology Licence Agreement will allow the Group to continuously utilise the trademarks licensed by, and technical know-how and aftersales service supports provided by Tsugami Japan which enable the Group to leverage on the industry leading technology of Tsugami Japan in order to meet customers' increasing needs for the CNC high precision machine tools and to strengthen the market position of the Group, which we consider to be in line with the overall business strategy of the Group.

(ii) Master Sales Agreement and Master Purchase Agreement

To the best knowledge of the Directors, the CNC high precision machine tools manufactured by the Group are varied from those manufactured by Tsugami Japan in terms of functionality and models, which certain specific products could only be produced exclusively by Tsugami Japan. In order to ensure there is a clear business delineation and not to create direct competition between the business of the Group and that of Tsugami Japan, and to ensure that the Group has full autonomy on its business operations, Tsugami Japan has undertaken to the Group in a deed of non-competition that it will not, and will use its best efforts to procure its close associates (other than the Group) not to participate in, or engage in or develop any business which is in direct competition with the Group. As such, the Directors are of the view that there is a clear delineation between the business of the Group and that of Tsugami Japan, taking into account the geographical location of sales and distribution, the business focus and customer groups. For example, when Tsugami Japan Group receives purchase orders for its CNC high precision machine tools in the PRC or Taiwan, instead of Tsugami Japan to confront the sales transactions, the Group will purchase such CNC high precision machine tools from Tsugami Japan Group to serve such purchase orders, and vice versa. In this regard, we concur with the Directors' view that the undertaking of non-competition would ensure the geographical delineation of customer groups and sales markets between the Group and Tsugami Japan Group, and therefore protect the interests of the Group.

Furthermore, the Group also procured parts and components (including the CNC systems panels) and production machinery and equipment from Tsugami Japan for manufacturing its CNC high precision machine tools in the PRC. As advised by the Management, owing to the long-term business relationship between Tsugami Japan and the suppliers of such products, the price offered by these third-party suppliers to Tsugami Japan would be more favourable than the price offered to the Group for the same products.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above and, in addition, (i) the renewal of the Technology Licence Agreement, the Master Sales Agreement and the Master Purchase Agreement are a continuation of the Existing Agreements under the same agreement terms and pricing mechanism; (ii) the continuing connected transactions contemplated under the Existing Agreements are considered as the principal business activities of the Group; (iii) the Group has established and maintained long-term business relationship with Tsugami Japan Group; and (iv) through the renewal of the Existing Agreements, the Group can ensure stable income stream and steady supply of the parts and components, production machinery and equipment and CNC high precision machine tools for the Group, we are of the view that the proposed continuing connected transactions in relation to the renewal of the Existing Agreements are in ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Existing Agreements

(i) Technology Licence Agreement

The principal terms of the Technology Licence Agreement are summarised below:

- Date : 4 September 2017
- Parties : (a) the Company
(b) Tsugami Japan
- Duration : The Technology Licence Agreement shall, upon renewal, continue to be effective up to and including 31 March 2026, which will be automatically renewed for successive periods of three years thereafter unless notified by the Company to Tsugami Japan by written notice of not less than 30 days before the expiry of the renewal term or any subsequent successive periods, or otherwise terminated earlier in accordance with the Technology Licence Agreement.
- Continuing transactions : Tsugami Japan agreed to irrevocably grant to the Company:
- (a) an exclusive licence to use the Technology necessary for the manufacture of the CNC high precision machine tools of the Company and to provide aftersales services in connection with these products; and
 - (b) as the sole licensee, the right to use the Trademarks in the PRC, Hong Kong and Taiwan, and a nonexclusive licence to use the Trademarks in any regions (excluding the PRC, Hong Kong and Taiwan).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing guideline

Depending on the models of the Company's CNC high precision machine tools, the Trademarks and Technology licence fees payable to Tsugami Japan shall be calculated based on a royalty rate of 1.0% or 5.0% multiplied by the total sales of such models of CNC high precision machine tools (excluding tax and other miscellaneous costs and charges).

The aftersales services fee to be charged by Tsugami Japan will be determined based on the daily rate of approximately JPY46,000 multiplied by the total number of working days of the staff of Tsugami Japan.

As part of our due diligence works, we have shortlisted five continuing connected transactions in the period from 1 January 2020 up to the Latest Practicable Date, on non-exhaustive basis, in relation to the grant/use of trademark, patent and/or technology licence entered into by the relevant listed issuers on the Stock Exchange with their respective connected persons. Based on our review of the relevant announcements and/or circulars, we noted that the royalty rate in respect of grant/use of trademark, patent and/or technology licence under such five continuing connected transactions ranged from 0.8% to 12.0% of the relevant sales. Accordingly, the royalty rate of 1.0% or 5.0% payable to Tsugami Japan by the Group is within such range. Further as confirmed with the Management, the daily aftersales services fees of approximately JPY46,000 to be charged by Tsugami Japan is in general favourable to the Group as compared to the standard daily rate charged by Tsugami Japan for its staff in provision of the similar services in Japan. However, due to the continual COVID-19 pandemic and travel restrictions such as entry restrictions and quarantine measures imposed by the PRC government, there is neither any aftersales services provided nor any aftersales services fee charged by Tsugami Japan to the Group for the two years ended 31 March 2022, the Company expected that the aftersales services provided by Tsugami Japan may resume in or after 2023.

(ii) Master Sales Agreement

The principal terms of the Master Sales Agreement are summarised below:

Date	:	4 September 2017
Parties	:	(a) the Company (b) Tsugami Japan
Duration	:	The Master Sales Agreement shall, upon renewal, continue to be effective up to and including 31 March 2026, which will be automatically renewed for successive periods of three years thereafter unless terminated, among other matters, by either party with not less than 30 business days' prior written notice, subject to the compliance of the Listing Rules.
Continuing transactions	:	The Group agreed to sell its CNC high precision machine tools to the Tsugami Japan Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing guideline

The transactions contemplated under the Master Sales Agreement will be conducted in the ordinary and usual course of business of the Group and that of the Tsugami Japan Group, on normal commercial terms or better and on terms which are fair and reasonable and in the interests of the Group and the Shareholders as a whole. The selling price in respect of each definitive agreement under the Master Sales Agreement will be determined in line with similar products provided to the Independent Third Parties. Before entering into the separate sales contract with Tsugami Japan, among other things, the Company will analyse and compare the prevailing market prices for similar products in the market with the selling prices offered to Tsugami Japan Group and taking into account factors including the level of customisations, time and effort required for making various specifications and/or customisations to the CNC high precision machine tools, purchase quantity, the delivery schedule, whether sales and marketing, aftersales services and technical support services are needed, etc., and provide a quotation which is comparable to at least two transactions with independent third party customers of similar products for the same period. We are of the view that such arrangements are justifiable for the Company to ensure the selling price for Tsugami Japan Group is fair and reasonable.

(iii) Master Purchase Agreement

The principal terms of the Master Purchase Agreement are summarised below:

- Date : 4 September 2017
- Parties : (a) the Company
(b) Tsugami Japan
- Duration : The Master Purchase Agreement shall, upon renewal, continue to be effective up to and including 31 March 2026, which will be automatically renewed for successive periods of three years thereafter unless terminated, among other matters, by either party with not less than 30 business days' prior written notice, subject to the compliance of the Listing Rules.
- Continuing transactions : The Group may procure parts and components (including the relevant warranty costs in relation to the CNC system panels procured through Tsugami Japan), production machinery and equipment, and CNC high precision machine tools manufactured by the Tsugami Japan Group.

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Pricing guideline

The transactions contemplated under the Master Purchase Agreement will be conducted in the ordinary and usual course of business of the Group and that of the Tsugami Japan Group, on normal commercial terms or better and on terms which are fair and reasonable and in the interests of the Group and its Shareholders as a whole. In respect of purchase of parts and components which are manufactured by independent third party suppliers but procured from the Tsugami Japan Group, before making the purchase orders, the Company will obtain at least two quotations from the independent third party suppliers and/or review two comparable transactions with independent third party suppliers for the same period. In respect of the parts and components, production machinery and equipment and CNC high precision machine tools which are manufactured and uniquely designed for the Group's needs by the Tsugami Japan Group and are not available from independent third party suppliers, the Company will compare the time and costs incurred by the Group if the Group directly develops and manufactures such products with the purchase prices offered by the Tsugami Japan Group. The Group will only procure from Tsugami Japan Group when the purchase price offered to the Group is at a relatively competitive level. Having considered the above, we are of the view that such arrangements are justifiable for the Company to ensure the purchase price for Tsugami Japan Group is fair and reasonable.

5. Historical transaction amounts

The actual transaction amounts and respective annual caps for transactions under the Existing Agreements for the two years ended 31 March 2022 and for the three months ended 30 June 2022 are set out as below:

	For the year ended 31 March		For the three months ended
	2021	2022	30 June
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Technology Licence Agreement:			
Actual transaction amounts	144.3	203.4	55.5
Annual caps	129.0	231.0 ^(Note 1)	276.0 ^(Note 1)
Utilisation rates (%)	111.9%	88.1%	80.4% ^(Note 2)
Master Sales Agreement:			
Actual transaction amounts	384.6	739.7	246.5
Annual caps	840.0	1,380.0 ^(Note 1)	1,650.0 ^(Note 1)
Utilisation rates (%)	45.8%	53.6%	59.8% ^(Note 2)

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	For the year ended 31 March		For the three months ended
	2021	2022	30 June
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Master Purchase Agreement:			
Actual transaction amounts	152.4	339.1	58.6
Annual caps	358.0	607.0 ^(Note 1)	726.0 ^(Note 1)
Utilisation rates (%)	42.6%	55.9%	32.3% ^(Note 2)

Notes:

1. The original annual caps for the Existing Agreements for the two years ended 31 March 2023 have been revised, for more details, please refer to the circular of the Company dated 30 June 2021.
2. For illustrative purpose only, the utilisation rates of the annual caps for the year ending 31 March 2023 were calculated by annualising the actual transaction amounts for the three months ended 30 June 2022 without taking into account any other factors such as the potential price fluctuation of the CNC high precision machine tools and part and components, and thus the actual utilisation rates for the year ending 31 March 2023 may vary.

As illustrated in the table above, we noted that the historical transaction amount under the Technology Licence Agreement for the year ended 31 March 2021 amounted to approximately RMB144.3 million, which exceeded its original annual cap of RMB129.0 million. Accordingly, the original annual caps for the Technology Licence Agreement for the two years ending 31 March 2023 have been revised. We noted that the existing annual cap of the Technology Licence Agreement was close to full utilisation for the year ended 31 March 2022, which implied that the Company had taken a prudent approach in estimating the transaction amount for the Technology Licence Agreement during the revising process. On an annualised basis, the annual cap of the Technology Licence Agreement for the year ending 31 March 2023 is also expected to be substantially utilised based on the actual transaction amount for the three months ended 30 June 2022.

On the contrary, we noted that the Group recorded comparatively lower utilisation rates for the Master Sales Agreement and the Master Purchase Agreement for the two years ended 31 March 2022. We have discussed with the Management in such regard and reviewed the 2020-2021 Annual Report and 2021-2022 Annual Results, from which we understood that the comparatively low utilisation rates of the annual caps were mainly attributable to the continual spread and negative impact of the COVID-19 pandemic in the Other Markets, which brought down the sales of the CNC high precision machine tools in such markets for the year ended 31 March 2021. Notwithstanding, we noted that the actual transaction amounts under the Master Sales Agreement and Master Purchase Agreement for the year ended 31 March 2022 amounted to approximately RMB739.7 million and RMB339.1 million, representing a year-on-year growth of approximately 92.3% and 122.5%, respectively, which have demonstrated significant growth in the transaction amounts for the year ended 31 March 2022.

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6. The proposed Annual Caps

The proposed Annual Caps for the transactions contemplated under the renewed Technology Licence Agreement, Master Sales Agreement and Master Purchase Agreement, respectively, for the three years ending 31 March 2026 are set out as below:

	For the year ending 31 March		
	2024	2025	2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed Annual Caps:			
Technology Licence Agreement	332.0	398.0	438.0
Master Sales Agreement	1,980.0	2,376.0	2,613.0
Master Purchase Agreement	898.0	1,077.0	1,185.0

As disclosed in the Letter from the Board, the proposed Technology Annual Caps were determined with reference to (i) the historical Trademarks and Technology licence fees paid to Tsugami Japan for the two years ended 31 March 2022 and the three months ended 30 June 2022; (ii) the royalty rate of 1.0% or 5.0% and the aftersales services fee payable to Tsugami Japan pursuant to the Technology Licence Agreement; (iii) the projected growth for the sales of the CNC high precision machine tools of the Group for the three years ending 31 March 2026; and (iv) a buffer of approximately 3% to 5% for potential increase in market price of or demand for the CNC high precision machine tools of the Company for the three years ending 31 March 2026 .

The proposed Sales Annual Caps were determined with reference to (i) the historical sales amounts for the CNC high precision machine tools of the Group to the Tsugami Japan Group for the two years ended 31 March 2022 and the three months ended 30 June 2022; (ii) the expected demand for the CNC high precision machine tools of the Group from the Tsugami Japan Group for the three years ending 31 March 2026 taking into account the expected recovery of the overseas economies; and (iii) a buffer of approximately 3% to 5% for potential increase in market price of the CNC high precision machine tools of the Group for the three years ending 31 March 2026 in view of potential increase in material costs and/or labour cost.

The proposed Purchase Annual Caps were determined with reference to (i) the historical purchase costs paid to Tsugami Japan for the two years ended 31 March 2022 and the three months ended 30 June 2022; (ii) the projected growth for the sales of the CNC high precision machine tools of the Group for the three years ending 31 March 2026; (iii) the expected demand for parts and components (including the relevant warranty costs in relation to the CNC system panels procured through Tsugami Japan), production machinery and equipment and CNC high precision machine tools to cope with the Group's projected growth for the sales of its CNC high precision machine tools; and (iv) the estimated increase in production costs of parts and components and production machinery and equipment and CNC high precision machine tools.

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Furthermore, from analysing the historical transaction amounts, we were given to understand that the Trademarks and Technology licence fees and procurement costs payable to Tsugami Japan Group were, to certain extent, driven by the overall sales performance of the Group. Hence, in determining the proposed Technology Annual Caps and the proposed Purchase Annual Caps for the three years ending 31 March 2026, the Company made reference to the proportion of respective historical transaction amounts over the total revenue of the Group for the five years ended 31 March 2022 in order to eliminate the effect of the COVID-19 pandemic.

In assessing the fairness and reasonableness of the proposed Sales Annual Caps, we have considered the following factors:

- (i) We have reviewed the computation table of the proposed Annual Caps and noted that the proposed Sales Annual Caps were calculated with reference to the actual transaction amounts for the five years ended 31 March 2022. During the pre-pandemic years (i.e. the two years ended 31 March 2019), the sales of the Group's CNC high precision machine tools to the Tsugami Japan Group contributed approximately 27.4% and 28.9% of the total revenue of the Group for the respective year. Accordingly, the Company has adopted a percentage of 30.0% of the estimated revenue for computing the proposed Sales Annual Caps for the three years ending 31 March 2026, which is at a similar level under the pre-pandemic market environment.
- (ii) We have also reviewed the computation of the Group's target sales for the three years ending 31 March 2026. We noted that an estimated year-on-year growth of approximately 20% of the target sales of the Group was applied by the Company for the two years ending 31 March 2025 which is at the same level to that for the year ending 31 March 2023 and approximately 10% estimated year-on-year growth was applied for the year ending 31 March 2026. Provided that the Group experienced revenue growth of approximately 60.4% and 41.8% for the two years ended 31 March 2022 as compared to that of the respective previous year, we consider that the applied estimated growth rate of 20% and 10% of the target sales of the Group for the two years ending 31 March 2025 and the year ending 31 March 2026, respectively, are justifiable.
- (iii) For illustrative purpose, the annualised sales transaction amount for the year ending 31 March 2023 (based on the actual sales transaction amount for the three months ended 30 June 2022) amounted to approximately RMB986.0 million. The Directors are of the view, and we concur, that (i) the actual transaction amount for the year ending 31 March 2023 is expected to be higher than the annualised transaction amount of approximately RMB986.0 million; and (ii) the sales of the Group's CNC high precision machine tool to Tsugami Japan Group are expected to continue to increase for the three years ending 31 March 2026 for the following reasons: We have reviewed the monthly sales revenue from Tsugami Japan Group to the Group for the year ended 31 March 2022, and we noted that the sales revenue of the

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second-half year outperformed the first-half year by approximately 65.1% and the actual sales amount from April to June 2022 only accounted for approximately 20% of the total sales amount for the year ended 31 March 2022. As advised by the Directors, the sales pattern for the year ending 31 March 2023 is expected to be similar to that for the year ended 31 March 2022. For illustrative purpose, if we assume that the actual sales amount from April to June 2023 accounts for 20% of the annual sales amount, the annualised sales amount for the year ending 31 March 2023 would be approximately RMB1,232.5 million, which represents an utilisation rate of the existing annual cap of approximately 74.7%. We have also reviewed the annual results announcement of Tsugami Japan for the year ended 31 March 2022 and noted that the revenue of the Tsugami Japan Group recorded an increase of approximately 51.1%, from approximately JPY61,662 million for the year ended 31 March 2021 to approximately JPY93,174 million for the year ended 31 March 2022. We have discussed with the Management and understood that, the sales of the high precision machine tools contributed to the majority of the revenue of Tsugami Japan for prolonged years and due to the high vaccination rate and various measures imposed against the COVID-19 pandemic, the spread of the COVID-19 pandemic is gradually under control in the Other Markets. Concurrently, a significant portion of the CNC high precision machine tools sold in the Other Markets by Tsugami Japan Group were supplied by the Group. Therefore, the demand of high precision machine tools from the Other Markets and Tsugami Japan was recovering for the year ended 31 March 2022. In fact, the actual transaction amounts of the Master Sales Agreement for the year ended 31 March 2022 amounted to approximately RMB739.7 million, representing a year-on-year growth of approximately 92.3% as compared to that of approximately RMB384.6 million for the year ended 31 March 2021.

Based on the factors as discussed above and the other reasons as discussed below (including the strategic expansion plan implemented by the Group and the expected increasing selling price of the CNC high precision machine tools), we are of the view that the proposed Sales Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

In order to further assess the fairness and reasonableness of the proposed Annual Caps, we have discussed with the Management on the bases and assumptions underlying the determination of the proposed Annual Caps as below:

- (i) We were given to understand that the Company estimated the target sales of the Group to form the basis of determining the proposed Annual Caps for the three years ending 31 March 2026. In such, we have obtained and reviewed the computation of the target sales of the Group for the three years ending 31 March 2026, which were determined based on the historical and estimated sales of the Group for the nine years ending 31 March 2026. We noted that the estimated year-on-year growth of approximately 20% of the target sales of the Group applied by the Company for the two years ending 31 March 2025 is at the same level to that for the year ending 31

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March 2023 while the Company estimated a year-on-year growth of approximately 10% on the target sales of the Group for the year ending 31 March 2026. As discussed in the sub-section headed “2. Financial information of the Group” above, the revenue of the Group for the year ended 31 March 2022 increased by approximately 41.8% as compared to that of the previous year. Therefore, we are of the view that the target sales of the Group with year-on-year growth of approximately 20% and 10% for the two years ending 31 March 2025 and the year ending 31 March 2026, respectively, are justifiable.

- (ii) The “Made in China 2025” strategy, a roadmap released by the State Council of the PRC in July 2015 to guide the country’s advanced industrial manufacturing, has pictured a steady progress in industrial capability, smart manufacturing, innovation, as well as product quality and branding. Sectors that boost manufacturing innovation, including the Internet of Things, smart appliances and high-end consumer electronics, are the major priority for funding, according to the Ministry of Industry and Information Technology of the PRC. It is specifically stated that in high-end digital control machine tools sector, the PRC government will focus and provide support on (a) developing precision machine tools which are capable of high speed, high efficiency and functional flexibility, and developing manufacturing equipment and integrated manufacturing systems; (b) accelerating research of frontier technologies and equipment like high-end digital control machine tools and additive manufacturing; (c) reliability, stability and precision of major parts like high-end numerical systems, servomotors, bearings and grating to realize industrialisation; and (d) improving user process certification.
- (iii) According to the National Bureau of Statistics of China, the gross domestic product of China reached approximately RMB114.4 trillion in 2021, representing a year-on-year growth of approximately 8.1% as compared to that of 2020. Furthermore, the manufacturing Purchasing Managers’ Index (the “PMI”), an indication of each month of economic activities in the PRC manufacturing sector, was only 35.7% in February 2020. After recording the lowest manufacturing PMI in 2020, save for the manufacturing PMI recorded at 49.6% in September 2021 and 49.2% in October 2021, the manufacturing PMI had surpassed the threshold of 50% for consecutive 24 months, being the period from March 2020 to February 2022. The manufacturing PMI trend indicates the PRC manufacturers’ operations are resuming gradually. In light of the foregoing, the Directors are of the view, and we concur that, both economic parameters demonstrated that the PRC’s overall economy and manufacturing industry has restored to pre-pandemic levels and there is potential increasing demand of high-end manufacturing equipment in the PRC.
- (iv) According to the 2021-2022 Annual Results and our discussion with the Management, in order to further expand the production capacities of the Group to meet the enormous demand for CNC machine tools in the PRC 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) in October

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2021. The Company 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 expanding the existing plant, the expanded plant will cover an area of approximately 13,000 square meters and is expected to commence operation in 2024 with an estimated production capacity of 4,000-4,500 units of CNC precision machine tools and an annual production value of approximately RMB1.0 billion, representing an increase of the overall production capacity of the Group by approximately 30%.

We further noted that, given the gradually increasing market demand and sales of the Group, and having adjusted its sales projections upward to better reflect the growth potential of the Group's business and sales performance, the Group has planned to implement strategies such as (i) increasing the number of production staff, especially for assembling and precision adjustment and testing; (ii) extending the operating hours per day and number of working days per month; (iii) adding additional production machineries and equipment to further expand its production capacity; and (iv) engaging additional subcontracting partners for machining and metal processing and focus more internal resources on key production processes, for example, assembling and precision adjustment and testing. As and when circumstances require, the Group will also consider and implement additional means to further increase its production capacity. Having considered the newly established company and the additional measures to further increase the Group's production capacity, the Directors are of the view, and we concur that, the Group will have sufficient production capability to fulfil the increasing demand for the Group's CNC high precision machine tools by 2026.

- (v) We have discussed with the Management and were given to understand that the Company reserved a buffer of approximately 3% to 5% for potential upward adjustments to the selling prices 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). For our due diligence purpose, we have obtained and reviewed the salary expense records of the Group for the two years ended 31 March 2022 and noted that the salary expenses was growing steadily and recorded an annual growth rate of approximately 29.9%. We have also obtained and reviewed five sample notices of increase in the selling price of the major raw materials issued by the suppliers of the Group and noted that the average selling price of major raw materials has increased by approximately 8.6% in 2022. In view of the above, we consider that it is fair and reasonable for the Group to adopt a buffer of approximately 3% to 5% in computing the proposed Annual Caps to correspond to the potential increase in the production costs and the selling prices of its CNC high precision machine tools.
- (vi) We have reviewed the 2020-2021 Annual Report and the 2021-2022 Annual Results and noted that, in recent years, the growth in production capacity of the Chinese manufacturing industry has transformed from quantitative to qualitative. From being

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labor-intensive to technology-intensive, transformation and upgrading have gradually become the mainstream phenomenon across the industry, and the standard required for automation, numerical control and precision of manufacturing equipment are getting higher. The Directors are of the view, and we concur that, there is potential for the demand for high-end manufacturing equipment to grow.

Having considered the foregoing, in particular, (i) the reasons for and benefits of renewal of the Existing Agreements; (ii) the anticipated industry growth and demand of the Group's products; (iii) the expected growth of the selling prices of the Group's CNC high precision machine tools; and (iv) the existing scale of operation and development plans of the Group, we concur with the Directors' view that the proposed Annual Caps and the major factors considered as the bases of determining the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

However, the Shareholders should note that as the proposed Annual Caps are determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to 31 March 2026, they do not represent any forecasts or estimations of the Group's financial performance. Consequently, we express no opinion as to how closely the actual future transaction amounts of the continuing connected transactions will correspond with the relevant proposed Annual Caps.

7. Internal control measures

We were given to understand by the Management, that the Group has adopted internal control measures when conducting the continuing connected transactions contemplated under the Existing Agreements. The Company has assigned specific responsibilities to the senior management, finance department and procurement department of the Company in performing regular checks on the continuing connected transactions, monitoring the amounts of transactions and conducting assessment and evaluation on the fairness of the transaction terms and pricing terms to ensure the continuing connected transactions with Tsugami Japan Group are in accordance with respective Existing Agreements.

In particular, we noted that the Company shall pay the Trademark and Technology licence fees to Tsugami Japan pursuant to the Technology Licence Agreement, and the licence fees payable to Tsugami Japan shall be calculated based on a royalty rate of 1.0% or 5.0% multiplied by the total sales of CNC high precision machine tools (excluding tax and other miscellaneous costs and charges), while the adopted royalty rates were determined based on the model of the CNC high precision machine tools. For our due diligence purpose, we have reviewed eight sample invoices issued by Tsugami Japan to the Group during the period from 1 April 2020 to 31 March 2022 and noted that the royalty rates of the Trademark and Technology licence fees charged by Tsugami Japan were in line with the pricing guideline.

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In addition, we noted that to ensure the transactions conducted pursuant to the Master Sales Agreement are priced fairly and reasonably and in the interests of the Company and its Shareholders as a whole, the Company will consider at least two comparable transactions with the independent third-party customers of similar products for the same period to ensure no better terms are offered to the Tsugami Japan Group. For our due diligence purpose, we have reviewed eight sample transactions entered into between the Group and Tsugami Japan Group during the period from 1 April 2020 to 31 March 2022 and compared each of the sample transactions with two randomly-selected transactions with independent third-party customers of the Group conducted at or around the same period. Based on our review, we noted that the selling prices charged by the Group to Tsugami Japan Group were no less favourable than those charged by the Group to the relevant independent third-party customers for the similar type of products.

Moreover, we noted that, to ensure the transactions conducted pursuant to the Master Purchase Agreement are priced fairly and reasonably and in the interests of the Company and its Shareholders as a whole, before marking the purchase orders for the parts and components from the Tsugami Japan Group, the Company will obtain at least two quotations from the independent third-party suppliers and/or review two comparable transactions with independent third-party suppliers for the same period. For our due diligence purpose, we have reviewed eight sample transactions entered into between the Group and Tsugami Japan Group during the period from 1 April 2020 to 31 March 2022 and compared each of the sample transactions with two randomly-selected transactions with independent third-party suppliers of the Group conducted at or around the same period. Based on our review, we noted that the selling prices charged by Tsugami Japan Group to the Group were no more favourable than those charged by relevant independent third-party suppliers to the Group for the similar type of products.

Furthermore, we noted from the annual report of the Company for each of the two years ended 31 March 2020 and 2021, that the independent non-executive Directors of the Company had reviewed the historical continuing connected transactions in relation to the Existing Agreements and confirmed such continuing connected transactions were (i) entered into in the ordinary and usual course of business of the Company; (ii) conducted on normal commercial terms; and (iii) conducted pursuant to the Existing Agreements governing the relevant transactions on terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In determining the prices and terms of the said continuing connected transactions conducted during respective financial year, the Company has complied with the pricing guidelines and adopted internal control measures. We also noted that auditor of the Company had confirmed, in accordance to Rule 14A.56 of the Listing Rules, to the Board that the historical continuing connected transactions were, in all material respects, in accordance with the Existing Agreements.

As confirmed by the Company, the Company will continue to comply with the relevant annual review requirements under the Listing Rules on an on-going basis.

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Given the above, we concur with the Directors' view that the Group has implemented effective internal control measures to ensure that the continuing connected transactions with Tsugami Japan Group will be conducted on normal commercial terms and in accordance with the Existing Agreements.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the continuing connected transactions to be conducted in relation to the renewal of the Existing Agreements are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Technology Licence Agreement, the Master Sales Agreement and the Master Purchase Agreement (including the proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the renewal of the Technology Licence Agreement, the Master Sales Agreement and the Master Purchase Agreement and the transactions thereunder (including the proposed Annual Caps).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). She has over 15 years of experience in the securities and investment banking industries.

(1) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

(2) DISCLOSURE OF INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or which will be required, pursuant to the Model Code 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:

Long position in the shares and the underlying shares of the Company

Name	Position	Long/short positions	Capacity	Number of shares held in the Company <i>Note</i>	Percentage of shareholding in the Company
Tang Donglei	Chairman, chief executive officer and executive Director	Long position	Beneficial owner	150,000 <i>1</i>	0.039%

Note:

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

Long positions in the shares and the underlying shares of the associated corporation of the Company (within the meaning of Part XV of the SFO) – Tsugami Japan

Name	Position	Long/short positions	Capacity	Number of shares held in the Company	Note	Percentage of shareholding in the Company
Tang Donglei	Chairman, chief executive officer and executive Director	Long position	Beneficial owner	3,500	2	0.007%
Takao Nishijima	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%

Notes:

2. This represents the shares beneficially held by Dr. Tang Donglei in his personal capacity.
3. This represents the shares beneficially held by Mr. Takao Nishijima in his personal capacity.
4. This represents the shares beneficially held by Ms. Mami Matsushita in her personal capacity.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(3) SUBSTANTIAL SHAREHOLDER**Substantial shareholder's interests or short positions in the shares and underlying shares of the Company**

As at the Latest Practicable Date, so far as any of the Directors or chief executive of the Company are aware, the following entity had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which will have to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 2 and 3 of Part XV of the SFO or which ought to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Name of substantial shareholder	Long/short positions	Capacity	Number of shares	<i>Note</i>	Percentage of issued shares
Tsugami Japan	Long position	Beneficial owner	270,000,000	1, 4	70.9%
FIL Limited	Long position	Interest held by controlled corporation(s)	23,399,000	2, 4	6.14%
Pandanus Associates Inc.	Long position	Interest held by controlled corporation(s)	23,399,000	2, 4	6.14%
Pandanus Partners L.P.	Long position	Interest held by controlled corporation(s)	23,399,000	2, 4	6.14%
FMR LLC	Long position	Interest held by controlled corporation(s)	19,446,603	3, 4	5.11%

Notes:

- The 270,000,000 shares were beneficially owned by Tsugami Japan.
- Pandanus Associates Inc. held 100% interests in Pandanus Partners L.P., which in turn held 37.01% interests in FIL Limited. FIL Limited held 100% interests in FIL Asia Holdings Pte Limited, which was deemed to be interested in 20,999,000 shares of the Company in long position. Furthermore, FIL Limited held 82.00% interests in 483A Bay Street Holdings LP, which was deemed to be interested in 2,400,000 shares of the Company in long position. Therefore, each of Pandanus Associates Inc. and Pandanus Partners L.P. was deemed to be interested in 23,399,000 shares of the Company in long position held by FIL Limited.
- The 19,446,603 shares of the Company in long position comprised 4,787,150 shares directly held by FIAM LLC and 14,659,453 shares directly held by Fidelity Management & Research Company LLC. FIAM LLC and Fidelity Management & Research Company LLC are wholly-owned subsidiaries of FMR LLC, which was deemed to be interested in 19,446,603 shares of the Company in long position.
- The percentage of issued shares is calculated on the basis of 380,804,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

(4) INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors are not aware that any of them or any of their associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

(5) DIRECTORS' INTEREST IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had (i) any direct or indirect interests in any assets which have been since 31 March 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any contract or arrangement at the Latest Practicable Date which is significant in relation to the business of the Group.

(6) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

(7) MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 March 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

(8) EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice for inclusion in this circular:

Independent Financial Adviser	Qualification
Lego Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Lego Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Lego Corporate Finance Limited (i) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 March 2022 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

(9) GENERAL

- (a) The Company's registered office is at PO Box 309, Ugland House, Grand Cayman, KY 1-1104, Cayman Islands.
- (b) The company secretary of the Company is Ms. Wong Wai Yee Ella. Ms. Wong is a Chartered Secretary, a Chartered Governance Professional and a fellow of both the The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute (formerly 'The Institute of Chartered Secretaries and Administrators').
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

(10) DOCUMENTS ON DISPLAY

Copies of the following documents will be on display for inspection on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.tsugami.com.cn from the date of this circular up to and including the date of the EGM:

- (a) the Technology Licence Agreement;
- (b) the Master Sales Agreement;
- (c) the Master Purchaser Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;
- (e) the letter from Lego Corporate Finance Limited, the text of which is set out on pages 22 to 40 of this circular; and
- (f) the letter of consent from Lego Corporate Finance Limited referred to in the paragraph headed "EXPERT AND CONSENT" in this appendix.

NOTICE OF EGM

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Precision Tsugami (China) Corporation Limited (the “**Company**”) will be held at 24/F, Admiralty Centre 1, 18 Harcourt Road, Hong Kong on Tuesday, 16 August 2022 at 10:30 a.m. or after the conclusion of the 2022 annual general meeting (whichever is the earlier) for the purpose of considering and, if thought fit, with or without amendment, passing the following resolutions:

ORDINARY RESOLUTIONS

“THAT:

- (i) the proposed renewal of the technology licence agreement (the “**Technology Licence Agreement**”) dated 4 September 2017 entered into between the Company and Tsugami Corporation (株式會社ツガミ) (“**Tsugami Japan**”) (a copy of which will be produced to the EGM marked as “A” and signed by the chairman of the EGM for the purpose of identification) for a renewal term of three years, i.e. up to and including 31 March 2026 be and is hereby approved, confirmed and ratified;
- (ii) the proposed renewal of the master sales agreement (the “**Master Sales Agreement**”) dated 4 September 2017 entered into between the Company and Tsugami Japan (a copy of which will be produced to the EGM marked as “B” and signed by the chairman of the EGM for the purpose of identification) for a renewal term of three years, i.e. up to and including 31 March 2026 be and is hereby approved, confirmed and ratified;
- (iii) the proposed renewal of the master purchase agreement (the “**Master Purchase Agreement**”) dated 4 September 2017 entered into between the Company and Tsugami Japan (a copy of which will be produced to the EGM marked as “C” and signed by the chairman of the EGM for the purpose of identification) for a renewal term of three years, i.e. up to and including 31 March 2026 be and is hereby approved, confirmed and ratified;

(the Technology Licence Agreement, the Master Sales Agreement, and the Master Purchase Agreement, collectively, the “**Existing Agreements**”);

NOTICE OF EGM

- (iv) the proposed annual cap amounts in respect of the transactions contemplated under the Technology Licence Agreement for the three years ending 31 March 2024, 2025 and 2026 (the “**Technology Annual Caps**”) as set out in the Company’s circular dated 18 July 2022 (the “**Circular**”) be and are hereby approved, confirmed and ratified;
- (v) the proposed annual cap amounts in respect of the transactions contemplated under the Master Sales Agreement for the three years ending 31 March 2024, 2025 and 2026 (the “**Sales Annual Caps**”) as set out in the Circular be and are hereby approved, confirmed and ratified;
- (vi) the proposed annual cap amounts in respect of the transactions contemplated under the Master Purchase Agreement for the three years ending 31 March 2024, 2025 and 2026 (the “**Purchase Annual Caps**”) as set out in the Circular be and are hereby approved, confirmed and ratified;
- (the Technology Annual Caps, the Sales Annual Caps, and the Purchase Annual Caps, collectively, the “**Annual Caps**”);
- (vii) any one director of the Company be and is hereby authorised to do all acts and things, take such necessary actions and to approve, execute and deliver all deeds, agreements and documents in relation to the renewal of the Existing Agreements and the Annual Caps on behalf of the Company which he/she (or his/her properly appointed attorney) may consider necessary.”

By order of the Board

Precision Tsugami (China) Corporation Limited

Dr. Tang Donglei

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 18 July 2022

NOTICE OF EGM

Notes:

1. The register of members of the Company will be closed from Thursday, 11 August 2022 to Tuesday, 16 August 2022 (both days inclusive) during which period no transfer of Share(s) will be effected. In order to determine the entitlement to attend and vote at the EGM, all transfers of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10 August 2022. Shareholders whose names appear on the register of members of the Company on Thursday, 11 August 2022 will be entitled to attend and vote at the EGM.
2. A form of proxy for use at the EGM is enclosed in the circular to the shareholders of the Company dated 18 July 2022.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
4. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxies to attend and vote in his or her stead. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
5. In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
6. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting convened by the above notice or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
7. As of the date of this notice, 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. Motoi Yamada; and the independent non-executive directors of the Company are Dr. Eiichi Koda, Dr. Huang Ping and Mr. Tam Kin Bor.

NOTICE OF EGM

PRECAUTIONARY MEASURES FOR THE EGM

Taking into account the recent developments of the novel coronavirus disease 2019 (COVID-19), the Company will implement the following prevention and control measures at the EGM to safeguard the health and safety of the Shareholders attending the EGM:

1. Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue.
2. Every Shareholder or proxy is required to wear surgical mask throughout the meeting.
3. Every Shareholder or proxy is required to complete a health declaration form before entering the venue.
4. No entry to the venue is allowed for any person who has shown any symptom of COVID-19 or is subject to quarantine order by the Government of the Hong Kong Special Administrative Region (the “**Hong Kong Government**”).
5. Appropriate distancing and spacing in compliance with the guidances from the Hong Kong Government will be observed and as such, the Company reserves the right to limit the number of the attendees at the EGM as may be necessary to avoid over-crowding.
6. No refreshments will be served and no corporate gifts will be distributed.

Shareholders, particularly those who are subject to quarantine in relation to COVID-19, are reminded that they may appoint any person or the chairman of the EGM as a proxy to attend and vote at the EGM, instead of attending and voting in person. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.tsugami.com.cn).