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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

The board of directors (the "**Board**") of Precision Tsugami (China) Corporation Limited (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2018 (the "**Year under Review**") together with the comparative figures for the corresponding period in 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**2,314,215**	1,636,281
Cost of sales		**(1,842,099)**	(1,345,080)
GROSS PROFIT		**472,116**	291,201
Other income and gains	*4*	**8,453**	3,957
Selling and distribution expenses		**(98,303)**	(76,846)
Administrative expenses		**(71,293)**	(41,527)
Other expenses		**(29,794)**	(3,795)
Finance costs	*5*	**(10,466)**	(13,060)
PROFIT BEFORE TAX	*6*	**270,713**	159,930
Income tax expense	*7*	**(76,623)**	(47,364)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**194,090**	112,566
ATTRIBUTABLE TO:			
Owners of the parent		**194,090**	112,566

		Year ended 31 March	
		2018	2017
		RMB	*RMB*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*8*	**0.57**	0.38
Diluted	*8*	**0.57**	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**324,741**	342,221
Prepaid land lease prepayments		**32,906**	33,802
Intangible assets		**3,644**	2,840
Deferred tax assets		**7,428**	5,381
Total non-current assets		**368,719**	384,244
CURRENT ASSETS			
Inventories		**503,542**	479,875
Trade and bills receivables	*9*	**614,443**	387,295
Prepayments, deposits and other receivables		**17,279**	15,491
Pledged deposits		**12,758**	6,930
Cash and cash equivalents		**321,760**	123,903
Total current assets		**1,469,782**	1,013,494
CURRENT LIABILITIES			
Trade and bills payables	*10*	**456,416**	358,277
Other payables and accruals		**176,748**	83,347
Tax payable		**26,485**	18,713
Interest-bearing bank loans and other borrowings		**–**	274,529
Provision		**11,132**	8,483
Total current liabilities		**670,781**	743,349
NET CURRENT ASSETS		**799,001**	270,145
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,167,720**	654,389
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,925**	2,492
Total non-current liabilities		**3,925**	2,492
Net assets		**1,163,795**	651,897
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**320,312**	–
Reserves		**843,483**	651,897
Total equity		**1,163,795**	651,897

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**270,713**	159,930
Adjustments for:		
Finance costs	**10,466**	13,060
Interest income	**(1,588)**	(516)
Net loss on disposal of items of property, plant and equipment	**15,171**	1,155
Depreciation	**41,642**	41,230
Recognition of prepaid land lease payments	**896**	896
Amortisation of intangible assets	**505**	327
Equity-settled share option expenses	**–**	512
	337,805	216,594
Increase in pledged deposits for bills payable	**(5,828)**	(6,930)
(Increase)/decrease in inventories	**(23,667)**	28,261
Increase in trade and bills receivables	**(227,148)**	(273,245)
Increase in prepayments, deposits and other receivables	**(1,788)**	(5,541)
Increase in trade and bills payables	**98,139**	234,423
Increase in other payables and accruals	**93,401**	26,850
Increase in provision	**2,649**	372
Cash generated from operations	**273,563**	220,784
Income taxes paid	**(69,465)**	(37,884)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**204,098**	182,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**1,588**	516
Purchases of items of property, plant and equipment	**(40,134)**	(9,785)
Proceeds from disposal of items of property, plant and equipment	**801**	109
Purchases of items of intangible assets	**(1,309)**	(936)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(39,054)**	(10,096)

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**331,403**	–
New interest-bearing bank loans and other borrowings	**298,135**	121,970
Repayment of interest-bearing bank loans and other borrowings	**(572,664)**	(225,064)
Dividends paid	**(13,595)**	(26,634)
Interest paid	**(10,466)**	(15,266)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**32,813**	(144,994)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**197,857**	27,810
Cash and cash equivalents at beginning of year	**123,903**	96,093
Cash and cash equivalents at end of year	**321,760**	123,903
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**321,760**	123,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

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

The Company is an investment holding company. The Group primarily engages in the following principal activities during the year:

- manufacture and sale of computer numerical control ("**CNC**") high precision machine tools
- provision of commercial consultation services

2 BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis Of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**''), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"), and International Accounting Standards ("**IAS**") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**'') and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2.2 Changes In Accounting Policies And Disclosures

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The adoption of the above revised standards has had no significant financial effect on these financial statements.

2.3 Issued But Not Yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the financial statements:

Amendments to IFRS 1 included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 3 included in *Annual Improvements 2015-2017 Cycle*	*Business Combinations*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 11 included in *Annual Improvements 2015-2017 Cycle*	*Joint Arrangements*[2]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IAS 12 included in *Annual Improvements 2015-2017 Cycle*	*Income Taxes*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 23 included in *Annual Improvements 2015-2017 Cycle*	*Borrowing Costs*[2]
Amendments to IAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for early adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 April 2018. The Group performed a high-level assessment of the impact of adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 April 2018. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 15 on the Group. Based on the preliminary assessment, the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have a significant impact on the revenue recognition.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

As at 31 March 2018, the Group had undiscounted operating lease commitments of RMB6,385,000. The directors do not expect the adoption of IFRS 16 would result in a significant impact on the Group's results but it is expected that a certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3 OPERATING SEGMENT INFORMATION

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

Geographical information

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

Revenue information based on the locations of customers is presented as follows:

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
Mainland China	**1,646,629**	1,041,620
Overseas	**667,586**	594,661
	2,314,215	1,636,281

Information about major customers

Revenue from individual customer which amounted to more than 10% of the Group's revenue is set out below:

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
Customer A	**619,631**	531,637

4 REVENUE, OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges.

An analysis of the Group's revenue, other income and gains is as follows:

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**2,311,052**	1,636,149
Rendering of services	**3,163**	132
	2,314,215	1,636,281
Other income and gains		
Bank interest income	**1,588**	516
Gain on disposal of items of property, plant and equipment	**159**	113
Government grants *(note (a))*	**5,326**	3,134
Compensation income	**793**	–
Gain on foreign exchange	**24**	–
Others	**563**	194
	8,453	3,957

Note (a) The amount represents grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants.

5 FINANCE COSTS

An analysis of finance costs is as follows:

Group

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
Finance costs		
Interest on interest-bearing bank loans	**5,645**	11,418
Interest on discounted bills	**4,821**	1,642
	10,466	13,060

6 PROFIT BEFORE TAX

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

Group

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**1,842,099**	1,345,080
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**149,906**	113,945
Pension scheme contributions	**9,773**	7,669
Social security contributions and accommodation benefits	**13,092**	9,935
Share option expenses	**–**	512
Interest on interest-bearing bank loans and discounted bills *(Note 5)*	**10,466**	13,060
Auditor's remuneration		
Statutory audit	**1,200**	–
Listing fees expensed off	**1,719**	1,694
Loss on disposal of items of property, plant and equipment	**15,330**	1,268
Depreciation	**41,642**	41,230
Recognition of prepaid land lease payments	**896**	896
Amortisation of intangible assets*	**505**	327
Foreign exchange loss, net	**11,471**	2,061
Minimum lease payments under operating leases	**4,002**	2,330

* The amortisation of intangible assets is included in "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

7 INCOME TAX EXPENSE

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

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group.

The major components of income tax expense are as follows:

Group

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
Current tax	**77,237**	46,897
Deferred tax	**(614)**	467
Total tax charge for the year	**76,623**	47,364

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**270,713**	159,930
Tax at the statutory tax rate	**67,678**	39,982
Expenses not deductible for tax	**3,652**	3,352
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**5,934**	4,030
Others	**(641)**	–
Total tax charge at the Group's effective rate	**76,623**	47,364

8 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

As of 31 March 2018, the Company had 381,370,000 ordinary shares in issue.

On 4 September 2017, a total number of 299,999,997 capital reserves was converted to equity.

On 25 September 2017, the Company issued 60,000,000 new shares upon listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

On 16 October 2017, a total number of 13,500,000 shares was issued by the Company at HK$5.6 per share upon the exercise of over-allotment share options granted to the relevant underwriter in connection with the Global Offering. The additional gross proceeds received by the Company in connection with the over-allotment share issue were approximately HK$75,600,000.

On 15 January 2018 and 23 January 2018, the exercise in full of the outstanding share options resulted in the issue of 7,870,000 additional shares of the Company.

The Group had no potentially dilutive ordinary shares in issue as at 31 March 2018.

The calculations of earnings per share attributable to ordinary equity holders of the Company for the years ended 31 March 2018 and 2017 are based on the following data:

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**194,090**	112,566
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**338,727,671**	300,000,000
Effect of dilution – weighted average number of ordinary shares		
Share options	**–**	6,651,508
	338,727,671	306,651,508

9 TRADE AND BILLS RECEIVABLES

Group

	As at 31 March	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables*	**236,130**	190,542
Bills receivable	**378,313**	196,753
	614,443	387,295

* Trade receivables include trade receivables from the Controlling Shareholder and another related party.

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with certain major customers with good repayment history and high reputations are on credit. The credit period is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk.

Trade receivables are unsecured and non-interest-bearing.

Ageing analysis by invoice date

An ageing analysis of the trade receivables based on the invoice date and net of provisions, is as follows:

	As at 31 March	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**201,653**	169,239
3 months to 6 months	**34,477**	21,303
	236,130	190,542

Trade receivables not individually nor collectively impaired

An ageing analysis of the trade receivables that are not considered to be individually nor collectively impaired is as follows:

Group

	As at 31 March	
	2018	2017
	RMB'000	*RMB'000*
Neither past due nor impaired	**235,566**	190,266
Past due but not impaired	**564**	276
	236,130	190,542

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10 TRADE AND BILLS PAYABLES

Group

	2018	2017
	RMB'000	*RMB'000*
Trade payables*	**334,322**	289,437
Bills payable	**122,094**	68,840
	456,416	358,277

* Trade payables include trade payables to the Controlling Shareholder.

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

	As at 31 March	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**334,235**	289,437
Over 3 months	**87**	–
	334,322	289,437

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

11. DIVIDENDS

The dividends declared and paid by the Group to Tsugami Corporation (the "**Controlling Shareholder**") during the year are as follows:

	Year ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
Dividends to the Controlling Shareholder	**13,595**	26,634

On 27 June 2018, the Board of the Group declared the payment of a final dividend of HK$0.16 per share, amounting to HK$61,019,000 (equivalent to approximately RMB50,408,000) for the year ended 31 March 2018. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 March 2018, manufacturing industries in China, including automotive industry and general machining industry, continued to show strong demand for machine tools, and foreign markets also remained sound. Under the influence of such macro circumstance, the Group sustained great momentum in sales performance since the second half of last financial year, with each of its major models recording good sales results. The sales amounted to approximately RMB2,314,215,000, representing an increase of approximately 41.4% as compared to last year.

Facing strong market demand, in addition to the efforts of the Group's strong sales force, the Group also fully leveraged on its capabilities of procurement and manufacturing in-house to meet customers' requirement within short delivery time. Such capabilities are also vitally important for the Group to secure sales orders.

Precision lathes, being the main products of the Group, received wider recognition in the market as an industry leader and achieved sales of approximately RMB1,911,640,000 for the year ended 31 March 2018, representing an increase of 42.9% as compared to last year.

The increase in sales and production volumes led to economies of scale, which, together with the improvement in operating efficiency, fostered a gross profit of approximately RMB472,116,000 for the year ended 31 March 2018, representing an increase of approximately 62.1% as compared to last year, while the gross profit margin of the Group also increased from approximately 17.8% to approximately 20.4% during the same year.

Also, due to the increase in sales volume, the net profit of the Group amounted to approximately RMB194,090,000, representing an increase of approximately 72.4% as compared to last year.

Sales, gross profit and net profit of the Group were the highest since inception of the Group.

Basic earnings per share during the year amounted to approximately RMB0.57, representing an increase of approximately 50% as compared to last year.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2018, total revenue increased by approximately 41.4%, or approximately RMB677,934,000, from approximately RMB1,636,281,000 for last year to approximately RMB2,314,215,000. Such increase was primarily the results of (i) precision lathes, as leading products in the market, received broader recognition from customers and achieved sales of approximately RMB1,911,640,000, representing an increase of approximately 42.9%; and (ii) other models, such as precision machining centres and others (primarily including accessory parts and components), saw considerable sale increases and achieved sales of approximately RMB170,858,000 and approximately RMB112,927,000, representing increases of approximately 41.5% and approximately 66.3% respectively, as compared to last year.

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

	For the year ended 31 March 2018	**Proportion (%)**	For the year ended 31 March 2017	Proportion (%)	**Year-on-year increase (%)**
Precision lathes	**1,911,640**	**82.6%**	1,337,990	81.7%	**42.9%**
Precision machining centres	**170,858**	**7.4%**	120,755	7.4%	**41.5%**
Precision grinding machines	**106,672**	**4.6%**	98,453	6.0%	**8.3%**
Precision thread and form rolling machines	**12,118**	**0.5%**	11,159	0.7%	**8.6%**
Others	**112,927**	**4.9%**	67,924	4.2%	**66.3%**
Total	**2,314,215**	**100%**	1,636,281	100%	**41.4%**

Gross Profit and Gross Profit Margin

For the year ended 31 March 2018, gross profit increased by approximately 62.1% to approximately RMB472,116,000 as compared to last year, mainly due to the increase in sales volume as a result of the Group's continued expansion of new regions and market shares of new customer and new usage. The Group's overall gross profit margin also increased from approximately 17.8% for the year ended 31 March 2017 to approximately 20.4% for the year ended 31 March 2018. Such increase was mainly attributable to economies of scale resulting from the increase in sales volume during the Year under Review.

Other Income and Gains

Other income and gains of the Group primarily consist of bank interest income, gain on disposal of items of property, plant and equipment, government grants, compensation income, gain on foreign exchange and others. For the year ended 31 March 2018, other income and gains increased by approximately 113.6% to approximately RMB8,453,000 primarily due to the increases in bank interest income by approximately RMB1,072,000 and government grants by approximately RMB2,192,000.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff salaries and benefits, transportation and insurance costs, warranty expenses, travelling expenses, office utility expenses, marketing and advertisement expenses and depreciation costs. During the Year under Review, selling and distribution expenses of the Group increased by approximately 27.9% as compared to last year to approximately RMB98,303,000, representing approximately 4.2% of the Group's revenue for the Year under Review. Such increase was mainly attributable to the increase in selling and distribution expenses along with the sharp rise in revenue during the Year under Review.

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits for management, administrative and financial personnel, including the share-based payment by virtue of the Pre-IPO Share Option, administrative costs, customisation and development expenses, depreciation expenses relating to property, plant and equipment used for administrative purposes, amortisation expenses for the management information systems, other taxes and levies, and listing expenses.

During the Year under Review, administrative expenses increased by approximately 71.7% as compared to last year to approximately RMB71,293,000, mainly due to a large amount of listing expenses and an increase of staff salaries and benefits being recorded during the Year under Review.

Other Expenses

Other expenses primarily include exchange losses, losses on the disposal of fixed assets and others. During the Year under Review, other expenses increased by approximately RMB25,999,000 as compared to last year to approximately RMB29,794,000, mainly due to the increase in foreign exchange losses arising from the larger fluctuations of the exchange rate of HK dollars against Renminbi and the increase in losses on the disposal of fixed assets (especially buildings) of the production plant four of the Company.

Finance Costs

During the Year under Review, finance costs decreased by approximately 19.9% as compared to last year to approximately RMB10,466,000, mainly due to the decrease in interest on bank borrowings of the Group of approximately RMB5,773,000 as a result of the repayment of bank borrowings with proceeds from the initial public offering in the third quarter of 2017, in spite of the increase in interest on discounting bills of approximately RMB3,179,000.

Income Tax Expenses

During the Year under Review, income tax expenses increased by approximately 61.8% as compared to last year to approximately RMB76,623,000, mainly due to the significant increase in revenue and profit before tax.

Profit for the Year

As a result of the factors described above, the Group's profit for the year increased by approximately 72.4% from approximately RMB112,566,000 for the year ended 31 March 2017 to approximately RMB194,090,000 for the year ended 31 March 2018.

Liquidity, Financial Resources and Debt Structure

During the Year under Review, the Group continued to maintain a healthy and solid liquidity position by adopting a prudent financial management approach towards its funding and treasury policies. As at 31 March 2018, total cash and cash equivalents of the Group amounted to approximately RMB321,760,000 (as at 31 March 2017: approximately RMB123,903,000). Such increase was mainly due to the receipt of net proceeds of approximately HK$327,700,000 from the listing of the Company's shares on the Main Board of the Stock Exchange (including the additional proceeds from the exercise of the over-allotment option), proceeds from the exercise of the share option scheme of approximately HK$11,805,000 and the increase in net cash flows from operating activities.

As at 31 March 2018, the Group's cash and cash equivalents were mainly held in Renminbi and Hong Kong dollars and part of them were held in Japanese yen.

As at 31 March 2018, the Group recorded net current assets of approximately RMB799,001,000 (as at 31 March 2017: approximately RMB270,145,000). Capital expenditures for the year ended 31 March 2018 amounted to approximately RMB41,443,000, which was mainly utilised to finance the plant construction, the addition of processing equipment and purchase of software.

Bank loans, which are used for our general working capital, purchases of production plant machinery and equipment, purchases of parts and components and payment of dividends, are denominated in Renminbi. As at 31 March 2018, the Group had no outstanding bank loans (31 March 2017: approximately RMB257,031,000) and no discounted bills with recourse (31 March 2017: approximately RMB17,498,000). As at 31 March 2018, the Group had no bank loans and other borrowings and hence no applicable gearing ratio, calculated by dividing total bank loans and other borrowings by total equity (31 March 2017: approximately 42.1%).

An analysis of the Group's key liquidity ratios is as follows:

	For the year ended 31 March	
	2018	2017
Average inventory turnover days *(Note 1)*	**97**	134
Average turnover days of trade and bills receivables *(Note 2)*	**79**	56
Average turnover days of trade and bills payables *(Note 3)*	**81**	65

	As at 31 March	
	2018	2017
Current ratio *(Note 4)*	**2.2**	1.4

Notes:

1. Average inventory turnover days are calculated based on the average balance of inventory at the beginning and end of the relevant financial year divided by the cost of sales for the relevant financial year multiplied by 365 days.

2. Average turnover days of trade and bills receivables are calculated based on the average balances of trade and bills receivables at the beginning and end of the relevant financial year divided by the revenue for the relevant financial year multiplied by 365 days.

3. Average turnover days of trade and bills payables are calculated based on the average balances of trade and bills payables at the beginning and end of the relevant financial year divided by the cost of sales for the relevant financial year multiplied by 365 days.

4. Current ratio is calculated based on total current assets divided by total current liabilities as at the end of the relevant financial year.

Average inventory turnover days

The Group's average inventory turnover days for the year ended 31 March 2018 were approximately 97 days, representing a decrease of approximately 37 days as compared to last year, mainly due to the fact that the sales for the year ended 31 March 2018 substantially increased by approximately 41.4% while there was no remarkable increase in the inventories.

Average turnover days of trade and Bills Receivables

The Group's average turnover days of trade and bills receivables for the year ended 31 March 2018 were approximately 79 days, representing an increase of approximately 23 days as compared to last year, mainly due to the substantial increase in sales for the year ended 31 March 2018 and the decrease in discounting of bank acceptance bills received from customers in light of the abundant liquidity following the listing of the Company. The relevant trade receivables remained in the normal credit period.

Average turnover days of trade and bills payables

The Group's average turnover days of trade and bills payables for the year ended 31 March 2018 were approximately 81 days, representing an increase of approximately 16 days as compared to last year, mainly due to the increase in output and purchase of parts and components arising from the substantial increase in sales for the year ended 31 March 2018, which led to a corresponding increase in the balance of trade and bills payables.

Current Ratio

As at 31 March 2018, the Group's current ratio was approximately 2.2 times, while it was approximately 1.4 times as at 31 March 2017, mainly due to the increase in net current assets of the Group as a result of the increases in cash and cash equivalents and trade and bills receivables and the decrease in bank loans and other borrowings.

Contingent Liabilities

As at 31 March 2018, the Group had no material contingent liabilities.

Currency Risk and Management

The sales and procurement by the Group are mainly denominated in Renminbi and JPY. In order to reduce exchange exposure, the Group has started and gradually settled part of its sales to the Controlling Shareholder and its subsidiaries (other than the Group) and part of our procurement from the Controlling Shareholder in Renminbi instead of JPY.

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

Use of Net Proceeds from Listing

The Company has completed the initial public offering (including the issuance of over-allotment shares) and received net proceeds of approximately HK$327.7 million. The net proceeds were and will be utilized in the manner consistent with that stated in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 12 September 2017 (the "**Prospectus**"). During the period from the initial public offering and up to 31 March 2018, the net proceeds from the initial public offering have been utilized as shown in the table below:

	Net proceeds from the initial public offering *HK$ million*	**Utilized amount from the date of initial public offering to 31 March 2018** *HK$ million*	**Unutilized amount as at 31 March 2018** *HK$ million*
Rebuilding and renovating part of the Group's production plant four	42.4	25.6	16.8
Purchasing and replacing production machinery and equipment for the Group's Pinghu production plants	17.4	12.8	4.6
Expanding the Group's sales network and increasing the Group's market penetration in the PRC	1.7	0.9	0.8
Repaying the Group's bank loans	266.2	266.2	0

The unutilized net proceeds of the Group have been placed for the time being as interest-bearing deposits with licensed banks in the PRC and Hong Kong.

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

On 21 March 2018 (after trading hours), Precision Tsugami (China) Corporation* (津上精密機床（浙江）有限公司), a wholly-owned subsidiary of the Company, and the Administrative Commission of Anhui Bowang High-tech Industrial Development Zone* (安徽博望高新技術產業開發區管理委員會) entered into an investment agreement in relation to the proposed construction of a new production plant in Bowang District, Ma'anshan, Anhui Province, the PRC (the "**Anhui Investment**") by the Company through a wholly-owned subsidiary to be established at Bowang District, Ma'anshan, Anhui Province, the PRC (such wholly-owned subsidiary, Precision Tsugami (Anhui) Corporation* (安徽津上精密機床有限公司), was established on 18 April 2018). As at the date of this announcement, the total investment amount from the Anhui Investment is expected be approximately RMB200 million. For details, please refer to the announcement published by the Company on 22 March 2018.

Save for the expansion plan as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and the Anhui Investment, the Group did not hold any other significant investment nor make any material acquisition or disposal of subsidiaries and associated companies during the Year under Review.

Employees and Remuneration Policy

As at 31 March 2018, the Group employed 1,753 employees (31 March 2017: 1,454), of whom 20 were transferred employees from the Controlling Shareholder. The Group's staff costs (including salaries, bonuses, social insurance, provident funds and share incentive plan) amounted to RMB172,771,000 in aggregate, representing approximately 7.5% of the total revenue of the Group during the Year under Review.

The Group offers attractive remuneration packages, including competitive fixed salaries plus performance-based annual bonuses, and continuously provides tailored trainings to its employees to promote their upward mobility in the organisation and foster employee loyalty. The Group's employees are subject to regular job performance reviews bearing on their promotion prospects and compensation. Remuneration is determined with reference to market norms and individual employee's performance, qualifications and experience. As disclosed in the Prospectus, the Company adopted a pre-IPO share option scheme on 14 March 2014 to award and motivate its employees who had made contributions to the Group.

OUTLOOK

The management of the Group predicts that the overall CNC high precision machine tool market will maintain good momentum in the coming year. The Group will strive to explore its potential in order to enhance its production capacities. Given the insufficient supply of key parts and components by certain supplier since October 2017, the Group has been actively sourcing new suppliers while seeking close cooperation with the said supplier with the aim of minimizing impacts on production.

As the macro economy and industrial output value of China maintain sustained growth, the management of the Group believes that the CNC high precision machine tool industry in China will be further strengthened. The rapid development of industries that apply CNC high precision machine tools in China including the automobile industry, consumer electronic product industry and industrial automation industry, will directly promote the sales volume and expansion of the CNC high precision machine tool industry in China. In addition, the Chinese government continues to adopt policies that actively encourage the development of the manufacturing technology of machine tools in recent years in order to strengthen the competitiveness of machine tools made in China, which will create more business opportunities for the CNC high precision machine tool industry in China.

In light of the great potential for future growth in the CNC high precision machine tool industry in China, the management of the Group is confident about the prospect for the development of the Group in the future. Going forward, the Group will seize market opportunities more actively, explore new application fields, and maintain and improve its market position in the CNC high precision machine tool industry in China continuously. The Group will continue to put more efforts in the market exploration and promotion for the key products, make more investments in new products and upgrade the existing models, and further expand its sales and distribution network as well as the customer base in China in order to increase its sales volume.

In order to meet the needs of future development, the production plant four of the Group is undergoing renovation with two new plants under construction, and the new production plant in Anhui Province is also about to commence construction. The Group will also maintain stable relationship with quality suppliers to achieve mass production of the CNC high precision machine tool so as to offer more competitive pricing.

The Group will continue to adhere to the customer-oriented principle in sales activities and provide more effective customer services with better quality. It will increase the number of sales and services centres in current traditional areas so as to achieve a 2-hour after-sales service circle. In addition, the Group will expand its sales network from traditional areas to the whole nation based on its existing solid foundation. It will explore other areas outside of Guangdong, Zhejiang, Jiangsu and Shanghai to set up new sales and services centres. The Group established flagship showrooms in Wuhan and Tianjin and new centres in Chengdu, Foshan, Changsha, Liuzhou, Suzhou and Shijiazhuang during the Year under Review. The Group currently plans to establish new centres in Jinan, Zhengzhou, Nanchang and other cities in 2018.

The Group will further improve its operational and financial performance in order to strengthen its leading position in the industry and create satisfactory returns for its shareholders.

EVENTS AFTER THE END OF THE YEAR UNDER REVIEW

In the announcement of the Company dated 22 March 2018 in relation to the Anhui Investment, it was disclosed, among other things, that the Company intended to construct new production plant in Bowang District, Ma'anshan, Anhui Province, the PRC through a wholly-owned subsidiary to be established at Bowang District, Ma'anshan, Anhui Province, the PRC. On 18 April 2018, Precision Tsugami (Anhui) Corporation, a wholly-owned subsidiary of the Company, has been established with registered capital of RMB50 million for the abovementioned purpose. Furthermore, Ma'anshan Land Resources Bureau* (馬鞍山國土資源局), as transferor, and Precision Tsugami (Anhui) Corporation, as transferee, entered into a land use right transfer agreement in respect of an acquisition of land use right of a parcel of land located at Bowang District, Ma'anshan, Anhui Province, the PRC at a consideration of RMB10.2 million on 7 June 2018.

DIVIDENDS

The Board recommended the payment of a final dividend of HK$0.16 per share, amounting to HK$61,019,000 (equivalent to approximately RMB50,408,000) for the year ended 31 March 2018 to the shareholders of the Company whose names appear on the register of members of the Company as at Monday, 27 August 2018.

The payment of the proposed final dividend is subject to approval by shareholders of the Company at the annual general meeting for the financial year of 2018 (the "**AGM**"). The final dividend is expected to be paid to the shareholders of the Company on Friday, 7 September 2018.

PUBLIC FLOAT

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance since the listing of the shares of the Company on 25 September 2017. The Company has complied with the code provisions of the CG Code set out therein throughout the period from the listing date and up to 31 March 2018.

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

The Company has adopted the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the directors of the Company (the "**Directors**"). Having made due and careful inquiries with all the Directors, the Company confirms that all the Directors have complied with the required standard as set out in the Model Code during the period from the listing date and up to 31 March 2018.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") consists of three members, namely Mr. Tam Kin Bor, Dr. Huang Ping and Ms. Mami Matsushita, of whom Mr. Tam Kin Bor and Dr. Huang Ping are independent non-executive Directors and Ms. Mami Matsushita is a non-executive Director. The chairman of the Audit Committee is Mr. Tam Kin Bor. The primary duties of the Audit Committee include, among others, reviewing the financial statements, annual reports and accounts and interim reports of the Group, making recommendations in respect of the appointment, re-appointment and removal of external auditor, reviewing and supervising the financial reporting process, risk management and internal control system of the Group, and reviewing the accounting policies and practices adopted by the Group.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2018 including the accounting principles and standards adopted by the Group and discussed with the management in respect of the auditing, risk management, internal control and financial information.

REMUNERATION COMMITTEE

As at the date of this announcement, the remuneration committee of the Company (the "**Remuneration Committee**") consists of three members, namely Dr. Huang Ping, Mr. Tam Kin Bor and Dr. Tang Donglei, of whom Dr. Huang Ping and Mr. Tam Kin Bor are independent non-executive Directors and Dr. Tang Donglei is the chief executive officer and an executive Director. The chairman of the Remuneration Committee is Dr. Huang Ping. The primary duties of the Remuneration Committee include, among others, making recommendations to the Board regarding policy and structure for the remuneration of all Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing remuneration policies, making recommendations to the Board on the remuneration packages of Directors and senior management of the Group and reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

NOMINATION COMMITTEE

As at the date of this announcement, the nomination committee of the Company (the "**Nomination Committee**") consists of three members, namely Mr. Takao Nishijima, Mr. Tam Kin Bor and Dr. Eiichi Koda, of whom Mr. Tam Kin Bor and Dr. Eiichi Koda are independent non-executive Directors and Mr. Takao Nishijima is the chairman of the Board and a non-executive Director. The chairman of the Nomination Committee is Mr. Takao Nishijima. The primary duties of the Nomination Committee include, among others, considering and recommending to the Board suitably qualified persons to act as a Director, reviewing the structure, size and composition of the Board on a regular basis and as required, evaluating the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

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

On 13 October 2017, the over-allotment option described in the Prospectus was fully exercised by the Sole Global Coordinator in respect of an aggregate of 13,500,000 Shares at HK$5.60 per Share, representing 15% of the offer shares initially available under the global offering. During the period from the listing date and up to the date of this announcement, apart from the over-allotment option exercised on 13 October 2017 and the over-allotment shares issued on 16 October 2017 thereunder, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held in Hong Kong on Monday, 20 August 2018. Notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 15 August 2018 to Monday, 20 August 2018, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to qualify for the right to attend and vote at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 14 August 2018. In addition, the register of members of the Company will be closed from Friday, 24 August 2018 to Monday, 27 August 2018, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 23 August 2018.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statements of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and relevant notes thereto for the year ended 31 March 2018 as set out in the preliminary results announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by Ernst & Young on the preliminary results announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tsugami.com.cn). The Company's annual report for the year ended 31 March 2018 will be dispatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 27 June 2018

As at the date of this announcement, the executive directors of the Company are Dr. Tang Donglei and Mr. Yoshimasa Hashimoto; the non-executive directors are Mr. Takao Nishijima, Ms. Mami Matsushita, Mr. Tatsushi Hidano and Dr. Ng Lai Man Carmen; and the independent non-executive directors are Dr. Huang Ping, Dr. Eiichi Koda and Mr. Tam Kin Bor.

* *for identification purpose only*