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 2019

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 2019 (the "**Year under Review**") together with the comparative figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**2,850,883**	2,314,215
Cost of sales		**(2,138,067)**	(1,842,099)
GROSS PROFIT		**712,816**	472,116
Other income and gains	*4*	**18,157**	8,453
Selling and distribution expenses		**(113,670)**	(98,303)
Administrative expenses		**(128,872)**	(71,293)
Other expenses		**(3,726)**	(29,794)
Impairment losses on financial assets		**(1,008)**	–
Finance costs	*5*	**–**	(10,466)
PROFIT BEFORE TAX	*6*	**483,697**	270,713
Income tax expense	*7*	**(116,092)**	(76,623)
PROFIT FOR THE YEAR		**367,605**	194,090
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**367,605**	194,090
ATTRIBUTABLE TO:			
Owners of the parent		**367,605**	194,090

		Year ended 31 March	
		2019	2018
		RMB	*RMB*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*8*	**0.96**	0.57
Diluted	*8*	**0.96**	0.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**346,093**	324,741
Prepaid land lease payments		**42,235**	32,906
Intangible assets		**3,936**	3,644
Deferred tax assets		**8,664**	7,428
Total non-current assets		**400,928**	368,719
CURRENT ASSETS			
Inventories		**647,303**	503,542
Trade and notes receivables	*9*	**499,345**	614,443
Prepayments, other receivables and other assets		**14,362**	17,279
Pledged deposits		**14,627**	12,758
Cash and cash equivalents		**400,275**	321,760
Total current assets		**1,575,912**	1,469,782
CURRENT LIABILITIES			
Trade and notes payables	*10*	**384,866**	456,416
Other payables and accruals		**133,076**	176,748
Tax payable		**14,939**	26,485
Provision		**12,791**	11,132
Total current liabilities		**545,672**	670,781
NET CURRENT ASSETS		**1,030,240**	799,001
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,431,168**	1,167,720
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,126**	3,925
Deferred income		**13,000**	–
Total non-current liabilities		**15,126**	3,925
NET ASSETS		**1,416,042**	1,163,795
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**320,312**	320,312
Reserves		**1,095,730**	843,483
Total equity		**1,416,042**	1,163,795

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March	
	2019	2018
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**483,697**	270,713
Adjustments for:		
Finance costs	**–**	10,466
Bank interest income	**(3,096)**	(1,588)
Net loss on disposal of items of property, plant and equipment	**2,301**	15,171
Depreciation	**41,957**	41,642
Recognition of prepaid land lease payments	**1,073**	896
Amortisation of intangible assets	**944**	505
Impairment of trade and notes receivables	**981**	–
Impairment of financial assets included in prepayments, other receivables and other assets	**27**	–
	527,884	337,805
Increase in pledged deposits for notes payable	**(1,869)**	(5,828)
Increase in inventories	**(143,761)**	(23,667)
Decrease/(increase) in trade and notes receivables	**114,117**	(227,148)
Decrease/(increase) in prepayments, other receivables and other assets	**3,101**	(1,788)
(Decrease)/increase in trade and notes payables	**(71,550)**	98,139
(Decrease)/increase in other payables and accruals	**(5,769)**	93,401
Decrease in contract liabilities	**(33,167)**	–
Increase in provisions	**1,659**	2,649
Increase in deferred income	**13,000**	–
Cash generated from operations	**403,645**	273,563
Income taxes paid	**(130,673)**	(69,465)
Net cash flows from operating activities	**272,972**	204,098
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**3,096**	1,588
Purchases of items of property, plant and equipment	**(66,948)**	(40,134)
Proceeds from disposal of items of property, plant and equipment	**1,338**	801
Purchase of items of intangible assets	**(1,236)**	(1,309)
Increase in prepaid land lease payments	**(10,613)**	–
Net cash flows used in investing activities	**(74,363)**	(39,054)

	Year ended 31 March	
	2019	2018
	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
Repayment of interest-bearing bank loans and other borrowings	**–**	(572,664)
Dividends paid	**(120,094)**	(13,595)
Interest paid	**–**	(10,466)
Net cash flows (used in)/from financing activities	**(120,094)**	32,813
NET INCREASE IN CASH AND CASH EQUIVALENTS	**78,515**	197,857
Cash and cash equivalents at beginning of year	**321,760**	123,903
CASH AND CASH EQUIVALENTS AT END OF YEAR	**400,275**	321,760
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**400,275**	321,760

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. During the year, the Company's subsidiaries were involved in the following principal activities:

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

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Tsugami Corporation ("**the Controlling Shareholder**"), which is incorporated in Japan and listed on the Tokyo Stock Exchange.

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 ("**IASB**") and International Accounting Standards ("**IASs**") 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 Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019. 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 (including goodwill) 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 had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as explained below regarding the impact of IFRS 9 and IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 April 2018 is as follows:

	Note	Category	IAS 39 measurement Amount RMB'000	Reclassification RMB'000	ECL RMB'000	IFRS 9 measurement Amount RMB'000	Category
Financial assets							
Trade and notes receivables	(i)	L&R[1]	614,443	–	–	614,443	AC[2]
Financial assets included in prepayments, other receivables and other assets		L&R	3,839	–	–	3,839	AC
Pledged deposits		L&R	12,758	–	–	12,758	AC
Cash and cash equivalents		L&R	321,760	–	–	321,760	AC
Total assets			952,800	–	–	952,800	
Financial liabilities							
Trade and notes payables		AC	456,416	–	N/A	456,416	AC
Financial liabilities included in other payables and accruals		AC	34,262	–	N/A	34,262	AC
Total liabilities			490,678	–	N/A	490,678	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The gross carrying amounts of the trade and notes receivables under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.2(b) to the financial statements.

Impairment

The impact of transition on the opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9 is not material.

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is not material.

(b) IFRS 15 and its amendments replace IAS 11 *Construction Contracts,* IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. 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 recognising 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 disclosures are included in note 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The impact of adoption of IFRS 15 is described below:

(i) Consideration received from customers in advance

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB96,039,000 from other payables to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

As at 31 March 2019, under IFRS 15, RMB62,872,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of CNC machine tools.

2.3 Issued But Not Yet Effective International Financial Reporting Standards

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
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 described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of- use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. For the year ended 31 March 2019, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB2,528,000 and lease liabilities of RMB2,528,000 will be recognised at 1 April 2019.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for investments in associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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 below:

	Year ended 31 March	
	2019	2018
	RMB'000	*RMB'000*
Mainland China	**1,973,516**	1,646,629
Overseas	**877,367**	667,586
	2,850,883	2,314,215

Information about major customers

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

	Year ended 31 March	
	2019	2018
	RMB'000	*RMB'000*
Customer A	**793,863**	619,631

4 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 March	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**2,847,441**	2,311,052
Rendering of services	**3,442**	3,163
	2,850,883	2,314,215

(i) Disaggregated revenue information

For the year ended 31 March 2019

	Total
	RMB'000
Type of goods or services	
Sale of goods	2,847,441
Precision lathes	2,441,490
Precision grinding machines	150,887
Precision machining centers	108,745
Other components	130,488
Precision thread and form rolling machines	15,831
Rendering of services	3,442
	2,850,883

	Total
	RMB'000
Geographical markets	
Mainland China	1,973,516
Overseas	877,367
	2,850,883

	Total
	RMB'000
Timing of revenue recognition	
Goods transferred at a point in time	2,847,441
Services rendered at a point in time	3,442
	2,850,883

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Total
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	96,039

There is no revenue recognised from performance obligations satisfied in previous periods.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 180 days from delivery, except for new customers, where payment in advance is normally required.

Rendering of services

The performance obligation is satisfied upon delivery of the promised service to the customers and payment is generally due within 15 to 30 days from delivery.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 are as follows:

	Total
	RMB'000
Within one year	62,872

An analysis of other income and gains is as follows:

	Year ended 31 March	
	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**3,096**	1,588
Gain on disposal of items of property, plant and equipment	**–**	159
Government grants	**3,943**	5,326
Compensation income	**188**	793
Gain on foreign exchange	**10,462**	24
Others	**468**	563
	18,157	8,453

5 FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 March	
	2019	2018
	RMB'000	*RMB'000*
Finance costs		
Interest on interest-bearing bank loans	–	5,645
Interest on discounted notes	–	4,821
	–	10,466

6 PROFIT BEFORE TAX

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

	Year ended 31 March	
	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**2,138,067**	1,842,099
Depreciation	**41,957**	41,642
Amortisation of intangible assets*	**944**	505
Research and development costs	**74,459**	16,632
Minimum lease payments under operating leases	**5,487**	4,002
Recognition of prepaid land lease payments	**1,073**	896
Auditor's remuneration		
– Annual audit	**1,370**	1,200
– Listing fees expensed off	–	1,719
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**178,683**	149,906
Pension scheme contributions	**13,052**	9,773
Social security contributions and accommodation benefits	**23,646**	13,092
Foreign exchange loss, net	**(10,462)**	11,471
Impairment of financial assets, net:		
Impairment of trade and notes receivables *(note 9)*	**981**	–
Impairment of financial assets included in prepayments, other receivables and other assets	**27**	–
Bank interest income *(note 4)*	**(3,096)**	(1,588)
Interest on interest-bearing bank loans and discounted notes *(note 5)*	–	10,466
Loss on disposal of items of property, plant and equipment	**2,301**	15,330

* The amortisation of intangible assets is included in "Administrative expenses" in the consolidated statement 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.

Hong Kong profits tax is to be provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong. 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% (2018: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "**New Corporate Income Tax Law**").

The major components of income tax expense are as follows:

	Year ended 31 March	
	2019	2018
	RMB'000	*RMB'000*
Current tax	**119,127**	77,237
Deferred tax	**(3,035)**	(614)
Total tax charge for the year	**116,092**	76,623

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	
	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**483,697**	270,713
Tax at the statutory tax rate	**119,354**	67,678
Adjustments in respect of current tax of previous periods	**(3,881)**	–
Expenses not deductible for tax	**377**	3,652
Tax losses not recognised	**25**	–
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**10,001**	5,934
Research and development super deduction	**(9,784)**	(641)
Total tax charge at the Group's effective rate	**116,092**	76,623

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 381,370,000 (2018: 338,727,671) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 March	
	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**367,605**	194,090
Shares		
Number of shares for the purpose of basic earnings per share calculation	**381,370,000**	338,727,671
Number of shares for the purpose of diluted earnings per share calculation	**381,370,000**	338,727,671

9 TRADE AND NOTES RECEIVABLES

	As at 31 March	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables*	**165,152**	236,130
Notes receivable	**335,174**	378,313
Impairment	**(981)**	–
	499,345	614,443

* Trade receivables include trade receivables from the Controlling Shareholder and other related parties.

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.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 March	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**144,776**	201,653
3 months to 6 months	**20,376**	34,477
	165,152	236,130

The movements in the loss allowance for impairment of trade and notes receivables are as follows:

	As at 31 March	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**–**	–
Impairment losses *(note 6)*	**981**	–
At the end of the year	**981**	–

Impairment under IFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns according to sales type, customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade and notes receivables using a provision matrix:

As at 31 March 2019

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.196%	–	–	–	0.196%
Gross carrying amount (RMB'000)	500,326	–	–	–	500,326
Expected credit losses (RMB'000)	981	–	–	–	981

Impairment under IAS 39 for the year ended 31 March 2018

The ageing analysis of the trade receivables as at 31 March 2018 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	As at 31 March
	2018
	RMB'000
Neither past due nor impaired	235,566
Past due but not impaired	564
	236,130

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

10 TRADE AND NOTES PAYABLES

	As at 31 March	
	2019	2018
	RMB'000	*RMB'000*
Trade payables*	**254,619**	334,322
Notes payable	**130,247**	122,094
	384,866	456,416

* Trade payables include trade payables to the Controlling Shareholder.

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

	As at 31 March	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**254,215**	334,235
Over 3 months	**404**	87
	254,619	334,322

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

11 DIVIDENDS

	Year ended 31 March	
	2019	2018
	RMB'000	*RMB'000*
Final dividends paid for the year ended 31 March 2018 – HK$0.16 per ordinary share (2018: dividends paid to the Controlling Shareholder)	**53,024**	13,595
Interim dividends paid for the six month ended 30 September 2018 – HK$0.2 per ordinary share (2018: Nil)	**67,070**	–
	120,094	13,595

On 27 June 2019, the Board of the directors declared the payment of a final dividend of HK$0.15 per share, amounting to HK$57,205,000 (equivalent to approximately RMB49,070,000) for the year ended 31 March 2019. The source of the proposed dividend payment is scheduled to consist of the following: 1) investment income of RMB18,900,000 to be distributed from the subsidiaries of the Company; 2) usage of retained profits of RMB6,672,000 of the Company at the end of year; and 3) usage of share premium reserve of RMB23,498,000 of the Company. 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 2019, the Group maintained the great growth momentum in performance from the previous financial year. The sales amounted to approximately RMB2,850,883,000, representing an increase of approximately 23.2% as compared to last year. The net profit amounted to approximately RMB367,605,000, representing an increase of approximately 89.4% as compared to last year. Such sales and net profit hit the record of the Group.

Earnings per share amounted to RMB0.96, representing an increase of 68.4% as compared to last year.

During the Year under Review, continuous international tension and fluctuation in the macro economic environment have a greater impact on the manufacturing industry of China. In the first half of the Year under Review (for the six months ended 30 September 2018), the macro economy maintained the stable momentum developed from the previous financial year. Generally, the manufacturing industry of China had a strong demand for high-end CNC machine tools. In the second half of the Year under Review (for the six months ended 31 March 2019), trade frictions between China and the United States and the slowdown development in private economy led to the downturn in the macro economy and the weakened demand for high-end CNC machine tools from the manufacturing industry of China.

In the abovementioned circumstances, the Group still obtained satisfactory results by leveraging on its advanced technology, brand influence, efforts of its sales team and production plants. At the beginning of the Year under Review, the Group further enhanced its productivity by allocating more staff and making improvement in the bottleneck process and overcame the challenge brought by the supply shortage of certain key parts and components of the CNC high precision machine tools. In the second half of the Year under Review, the Group continued to improve its performance by expanding its business scope, adopting new technology and launching new products as compared to the excellent performance achieved in the second half of the previous financial year.

Precision lathes, being the main products of the Group, continuously maintained the leading position in the PRC market, and achieved a sales of approximately RMB2,441,490,000 during the Year under Review, representing an increase of 26.7% as compared to last year.

The demand for precision machining centres had decreased significantly as compared to last year due to the adjustment to the production for smartphone related products at the beginning of the Year under Review. As a result, sales of precision machining centre products of the Group decreased by approximately 30.2% as compared to last year, amounted to approximately RMB108,745,000 for the Year under Review.

Benefiting from the strong demand from the automobile industry in the first half of the Year under Review, sales of precision grinding machines reached approximately RMB150,887,000, representing an increase of approximately 41.4%.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2019, the total revenue increased by approximately 23.2%, or approximately RMB536,668,000, from approximately RMB2,314,215,000 last year to approximately RMB2,850,883,000 this year. Such increase was primarily the results of (i) precision lathes, as the leading products in the market, receiving broader recognition from customers and achieving sales of approximately RMB2,441,490,000 this year, representing an increase of approximately 26.7%; and (ii) other models, such as precision grinding machines and others (primarily including accessory parts and components), seeing considerable sale increases and achieving sales of approximately RMB150,887,000 and approximately RMB133,930,000 this year, respectively, representing increases of approximately 41.4% and approximately 18.6% 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 2019	**Proportion (%)**	For the year ended 31 March 2018	Proportion (%)	**Year-on-year increase (%)**
Precision lathes	**2,441,490**	**85.6%**	1,926,794	83.3%	**26.7%**
Precision grinding machines	**150,887**	**5.3%**	106,672	4.6%	**41.4%**
Precision machining centres	**108,745**	**3.8%**	155,704	6.7%	**(30.2%)**
Precision thread and form rolling machines	**15,831**	**0.6%**	12,118	0.5%	**30.6%**
Others	**133,930**	**4.7%**	112,927	4.9%	**18.6%**
Total	**2,850,883**	**100%**	2,314,215	100%	**23.2%**

* For certain model of machine last year has been reclassified to confirm with the presentation for this year.

Gross Profit and Gross Profit Margin

For the year ended 31 March 2019, gross profit increased by approximately 51.0% to approximately RMB712,816,000 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, new customer and new usage. The Group's overall gross profit margin also increased from approximately 20.4% for the year ended 31 March 2018 to approximately 25.0% for the year ended 31 March 2019. 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 2019, other income and gains increased by approximately 114.8% to approximately RMB18,157,000, primarily due to the increases in net gain on foreign exchange, while a net loss on foreign exchange was recorded for last year.

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 15.6% as compared to last year to approximately RMB113,670,000 this year, representing approximately 4.0% 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, 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 80.8% as compared to last year to approximately RMB128,872,000 this year, mainly due to the increases in research and development expenses and staff salaries and benefits being increased 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 decreased by approximately RMB26,068,000 as compared to last year to approximately RMB3,726,000 this year, mainly due to the decrease in foreign exchange losses arising from the larger fluctuation of the exchange rate of HK dollars against Renminbi and the absence of losses on the disposal of fixed assets (especially buildings) of the production plant four of the Company from last year as no loss of such item occurred during the Year under Review.

Impairment Losses on Financial Assets

During the Year under Review, impairment losses on financial assets increased to approximately RMB1,008,000 this year as compared to nil last year, mainly due to the impacts of adopting IFRS 9's expected credit losses.

Finance Costs

During the Year under Review, the Group did not have any finance costs, mainly due to no interest on bank borrowings of the Group recorded as a result of the repayment of bank borrowings with proceeds from the initial public offering in the third quarter of 2017, and no interest on discounting bills occurred as there was no bills being discounted.

Income Tax Expenses

During the Year under Review, income tax expenses increased by approximately 51.5% as compared to last year to approximately RMB116,092,000 this year, 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 89.4% from approximately RMB194,090,000 for the year ended 31 March 2018 to approximately RMB367,605,000 for the year ended 31 March 2019.

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 2019, the total cash and cash equivalents of the Group amounted to approximately RMB400,275,000 (as at 31 March 2018: approximately RMB321,760,000). Such increase was mainly due to the increase in net cash flows from operating activities.

As at 31 March 2019, the Group's cash and cash equivalents were mainly held in Renminbi, and part of them were held in Hong Kong dollars and Japanese yen.

As at 31 March 2019, the Group recorded net current assets of approximately RMB1,030,240,000 (as at 31 March 2018: approximately RMB799,001,000). Capital expenditures for the year ended 31 March 2019 amounted to approximately RMB78,797,000, which was mainly utilised to finance the plant construction, addition of processing equipment, addition of prepaid land lease payments and purchase of software.

As at 31 March 2019, the Group had no outstanding bank loans (31 March 2018: nil) and no discounted bills with recourse (31 March 2018: nil). As at 31 March 2019, the Group had no bank loans and other borrowings and hence no applicable gearing ratio, calculated by dividing the total bank loans and other borrowing by the total equity (31 March 2018: not applicable).

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

	For the year ended 31 March	
	2019	2018
Average inventory turnover days *(Note 1)*	**98**	97
Average turnover days of trade and notes receivables *(Note 2)*	**71**	79
Average turnover days of trade and notes payables *(Note 3)*	**72**	81

	As at 31 March	
	2019	2018
Current ratio *(Note 4)*	**2.9**	2.2

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 notes receivables are calculated based on the average balances of trade and notes 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 notes payables are calculated based on the average balances of trade and notes 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 2019 were approximately 98 days, basically no change compared to last year.

Average turnover days of trade and notes receivables

The Group's average turnover days of trade and bills receivables for the year ended 31 March 2019 were approximately 71 days, representing a decrease of approximately 8 days as compared to last year. The turnover of the Group's trade and notes receivables has maintained at a reasonable level, the improvement over the previous year was mainly due to the increase in sales for the year ended 31 March 2019. Although the average balance of the trade and notes receivables has also increased due to improvement of the Group's liquidity, so that the Group discounted less bank acceptance bills, the ratio for increase in average balance of trade and notes receivables was lower than the increase in sales. The relevant trade receivables remained in the normal credit period.

Average turnover days of trade and notes payables

The Group's average turnover days of trade and notes payables for the year ended 31 March 2019 were approximately 72 days, representing a decrease of approximately 9 days as compared to last year, mainly due to the increase in cost of sales for the year ended 31 March 2019 was higher than the increase in average balance of trade and notes payables.

Current ratio

As at 31 March 2019, the Group's current ratio was approximately 2.9 times, while it was approximately 2.2 times as at 31 March 2018, mainly due to the increase in net current assets of the Group as a result of the increases in cash and cash equivalents and inventories and the decreases in trade payables and other payables and accruals.

Capital Commitment

The capital commitment of the Group at the end of the Reporting Period is as follows:

	As at 31 March	
	2019	2018
	RMB'000	*RMB'000*
Contracted but not provided:		
Land and buildings	**1,801**	77,100

Contingent Liabilities

As at 31 March 2019, the Group had no material contingent liabilities (31 March 2018: nil).

Currency Risk and Management

Apart from a few overseas businesses that are settled in JPY, the sales and procurement by the Group are mainly denominated in Renminbi, therefore, the management of the Group believes that the Company does not have significant exchange risk.

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 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 utilised 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 2019, the net proceeds from the initial public offering have been utilised as shown in the table below:

	Net proceeds from the initial public offering (including the issuance of over-allotment shares)	**Utilised amount from the date of initial public offering to 31 March 2018**	**Utilised amount for the year ended 31 March 2019**	**Unutilised amount as at 31 March 2019**
	HK$ million	*HK$ million*	*HK$ million*	*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	–	–

The rebuilding and renovating part of the Group's production plant four mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus was completed and put into use during the year ended 31 March 2019. The construction costs beyond the net proceeds for the construction work at the Group's production plant four were supplemented by the Group's internal resources. In order to improve the Group's processing capacity of parts and components, the net proceeds for purchasing and replacing the production machinery and equipment of Pinghu production plant was also fully utilised. As at the end of the Year under Review, the plans described in the section headed "Future Plans and Use of Proceeds" of the Prospectus were completed.

The Directors of the Group are of the view that there was no significant change or delay in the use of the Group's proceeds during the Year under Review.

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 established in Bowang District, Ma'anshan, Anhui Province, the PRC. As at the date of this announcement, the total investment amount from the Anhui Investment is expected to be approximately RMB200 million. On 18 April 2018, Precision Tsugami (Anhui) Corporation* (安徽津上精密機床有限公司), a wholly-owned subsidiary of the Company, was established for the above purpose with a registered capital of RMB50 million. In addition, on 7 June 2018, Ma'anshan Land Resources Bureau (as the transferor) and Precision Tsugami (Anhui) Corporation (as the transferee) entered into a land use right transfer agreement in relation to the acquisition of the land use right of a piece of land located in Bowang District, Ma'anshan, Anhui Province, the PRC at a consideration of RMB10,200,000.

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 2019, the Group employed 1,572 employees (31 March 2018: 1,753), of whom 21 (31 March 2018: 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 RMB215,381,000 (2018: 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 their 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.

OUTLOOK

The trade frictions between China and the United States has showed a long-term trend accompanying with other uncertainties, it may have a relatively larger negative impact on China's manufacturing industry and the economy as a whole. This may result in a decline in the demand for high-end CNC machine tools. In this regard, the management of the Group is cautious about the Group's development in the coming year. According to the information currently available, the performance of the Group in the first quarter of the coming financial year will be lower than that of the first quarter of the Year under Review, and there is a possibility of a certain degree of decline in performance in the coming financial year.

However, in the long run, the management of the Group has always believed that the transformation and upgrading of the Chinese economy and the CNC machine tool market will continue to expand. In the fourth quarter of the Year under Review, the Group achieved a relatively satisfactory number of orders in the domestic market, according to the management's opinion, this was because the demand suppressed by the difficult economic situation in the second and third quarters was released to a certain degree in the fourth quarter after signs of the slight easing of the trade frictions between China and the United States. It is proven that China's manufacturing industry has potential demand for high-end CNC machine tools.

The Group will strive not to be plagued by the short-term changes in the economic situation. It will concentrate more to enhance its own strength, further adjust its production system, increase production efficiency, reduce costs and improve product quality. The Group will continue to improve the manufacturing systems, expand the number of distributors and explore new industries and customers. The Group will also be committed to creating new growth potentials by continuous investing in new products and core technologies and enriching product lines.

The construction of the two plants of the Group's production plant four was completed and put into use, and the new Anhui production plant project is also under construction. The Group will adjust its plan based on actual demand in the future to prepare capacity for future sales of the Group.

The Group will further improve its operational and financial performance, strengthen its leading position in the industry and create an ideal return for shareholders of the Company.

EVENTS AFTER THE END OF THE YEAR UNDER REVIEW

The Directors are not aware of any material events relating to the business or financial performance of the Group after the Year under Review and up to the date of this announcement.

DIVIDENDS

The Board recommended the payment of a final dividend of HK$0.15 per share, amounting to HK$57,205,000 (equivalent to approximately RMB49,070,000) for the year ended 31 March 2019 to the shareholders of the Company whose names appear on the register of members of the Company as at Wednesday, 28 August 2019.

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 2019 (the "**AGM**"). The final dividend is expected to be paid to the shareholders of the Company on Wednesday, 4 September 2019.

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 during the year ended 31 March 2019.

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 year ended 31 March 2019.

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 Mr. Manabu Tanaka, of whom Mr. Tam Kin Bor and Dr. Huang Ping are independent non-executive Directors and Mr. Manabu Tanaka 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 2019 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 the 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 reappointment 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

During the Year under Review, 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, 19 August 2019. 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, 14 August 2019 to Monday, 19 August 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 13 August 2019. In addition, the register of members of the Company will be closed from Monday, 26 August 2019 to Wednesday, 28 August 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 23 August 2019.

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 2019 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 2019 will be dispatched to the shareholders of the Company and published on the above websites in due course.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

The Board of the Company hereby announces that with effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the "**Branch Share Registrar**"), will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Board of the Company also announces that the Company's principal place of business in Hong Kong will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 2 July 2019.

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

Hong Kong, 27 June 2019

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

* *for identification purpose only*