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 2020

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 2020 (the "**Year under Review**") together with the comparative figures for the corresponding period in 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**1,943,569**	2,850,883
Cost of sales		**(1,551,476)**	(2,138,067)
GROSS PROFIT		**392,093**	712,816
Other income and gains	*4*	**16,937**	18,157
Selling and distribution expenses		**(106,443)**	(113,670)
Administrative expenses		**(77,810)**	(128,872)
Impairment losses on financial assets		**196**	(1,008)
Other expenses		**(1,484)**	(3,726)
Finance costs	*5*	**(76)**	–
PROFIT BEFORE TAX	*6*	**223,413**	483,697
Income tax expense	*7*	**(67,590)**	(116,092)
PROFIT FOR THE YEAR		**155,823**	367,605
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**155,823**	367,605
ATTRIBUTABLE TO:			
Owners of the parent		**155,823**	367,605

	Notes	Year ended 31 March **2020** ***RMB'000***	 2019 *RMB'000*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year	*8*	**0.41**	0.96
Diluted			
– For profit for the year	*8*	**0.41**	0.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**452,116**	346,093
Right-of-use assets		**45,590**	–
Prepaid land lease payments		**–**	42,235
Intangible assets		**3,592**	3,936
Deferred tax assets		**10,416**	8,664
Total non-current assets		**511,714**	400,928
CURRENT ASSETS			
Inventories		**618,849**	647,303
Trade and notes receivables	*9*	**437,789**	499,345
Prepayments, other receivables and other assets		**18,987**	14,362
Financial assets at fair value through profit or loss		**120,000**	–
Pledged deposits		**17,088**	14,627
Cash and cash equivalents		**205,010**	400,275
Total current assets		**1,417,723**	1,575,912
CURRENT LIABILITIES			
Trade and notes payables	*10*	**297,185**	384,866
Other payables and accruals		**122,053**	133,076
Lease liabilities		**1,560**	–
Tax payable		**12,030**	14,939
Provision		**6,344**	12,791
Total current liabilities		**439,172**	545,672
NET CURRENT ASSETS		**978,551**	1,030,240
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,490,265**	1,431,168

	As at 31 March	
	2020	2019
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**1,427**	–
Deferred tax liabilities	**2,075**	2,126
Deferred income	**13,000**	13,000
Other liabilities	**4,900**	–
Total non-current liabilities	**21,402**	15,126
NET ASSETS	**1,468,863**	1,416,042
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**320,312**	320,312
Treasury shares	**(747)**	–
Reserves	**1,149,298**	1,095,730
Total equity	**1,468,863**	1,416,042

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**223,413**	483,697
Adjustments for:		
Finance costs	**76**	–
Bank interest income	**(4,808)**	(3,096)
Net (gain)/loss on disposal of items of property, plant and equipment	**(277)**	2,301
Depreciation of property, plant and equipment	**44,881**	41,957
Depreciation of right-of-use assets/ 2019: recognition of prepaid land lease payments	**2,719**	1,073
Amortisation of intangible assets	**945**	944
Impairment (reversal)/loss of trade and notes receivables	**(172)**	981
Provision/(reversal) for impairment of inventories	**5,231**	(1,310)
Impairment (reversal)/loss of financial assets included in prepayments, other receivables and other assets	**(24)**	27
	271,984	526,574
Increase in pledged deposits	**(2,461)**	(1,869)
Decrease/(increase) in inventories	**23,223**	(142,451)
Decrease in trade and notes receivables	**61,728**	114,117
(Increase)/decrease in prepayments, other receivables and other assets	**(5,968)**	3,101
Decrease in trade and notes payables	**(87,681)**	(71,550)
Increase/(decrease) in other payables and accruals	**4,446**	(5,769)
Increase/(decrease) in other liabilities	**4,900**	–
Decrease in contract liabilities	**(15,469)**	(33,167)
(Decrease)/increase in provision	**(6,447)**	1,659
Increase in deferred income	**–**	13,000
Cash generated from operations	**248,255**	403,645
Income taxes paid	**(72,302)**	(130,673)
Net cash flows from operating activities	**175,953**	272,972

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	**4,808**	3,096
Purchases of items of property, plant and equipment	**(151,282)**	(66,948)
Proceeds from disposal of items of property, plant and equipment	**655**	1,338
Purchase of financial assets at fair value through profit or loss	**(120,000)**	–
Purchase of items of intangible assets	**(601)**	(1,236)
Increase of prepaid land lease payments	**–**	(10,613)
Net cash flows used in investing activities	**(266,420)**	(74,363)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repurchase of shares	**(747)**	–
Principal portion of lease payments	**(1,720)**	–
Dividends paid	**(102,255)**	(120,094)
Interest paid	**(76)**	–
Net cash flows used in financing activities	**(104,798)**	(120,094)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(195,265)**	78,515
Cash and cash equivalents at beginning of year	**400,275**	321,760
CASH AND CASH EQUIVALENTS AT END OF YEAR	**205,010**	400,275
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**205,010**	400,275

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE AND GROUP 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 manufacture and sale of computer numerical control ("**CNC**") high precision machine tools and the provision of related 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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for wealth management products which have been measured at fair value. 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 2020. 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 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases – Incentives and SIC-Int 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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for the year ended 31 March 2019 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for land and property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were 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 1 April 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 April 2019

The impact arising from the adoption of IFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	47,176
Decrease in prepayments, other receivables and other assets	(259)
Decrease in prepaid land lease payments	(43,343)
Increase in total assets	3,574
Liabilities	
Increase in lease liabilities	3,574
Increase in total liabilities	3,574
Decrease in retained profits	–

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	RMB'000
Operating lease commitments as at 31 March 2019	**4,798**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(1,164)
	3,634
Weighted average incremental borrowing rate as at 1 April 2019	4.61%
Discounted operating lease commitments as at 1 April 2019	3,574
Lease liabilities as at 1 April 2019	**3,574**

(b) IFRIC-Int 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[6]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[3]
Annual Improvements to IFRSs 2018-2020	*Minor amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS16 and IAS 41*[3]
Amendments to IFRS 16	*Covid-19-Related Rent Concessions*[5]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption
5 Annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 4 June 2020
6 Business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the manufacture and sale of high precision CNC machine tools and the provision of related commercial consultation services. 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	
	2020	2019
	RMB'000	*RMB'000*
Mainland China	**1,440,186**	1,973,516
Overseas	**503,383**	877,367
	1,943,569	2,850,883

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	
	2020	2019
	RMB'000	*RMB'000*
Customer A	**425,597**	793,863

4 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**1,940,494**	2,847,441
Rendering of services	**3,075**	3,442
	1,943,569	2,850,883

(i) Disaggregated revenue information

For the year ended 31 March 2020 and 2019

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
Type of goods or services		
Sale of goods	**1,940,494**	2,847,441
Precision lathes	**1,677,004**	2,441,490
Precision machining centres	**107,907**	108,745
Precision grinding machines	**82,988**	150,887
Other components	**60,769**	130,488
Precision thread and form rolling machines	**11,826**	15,831
Rendering of services	**3,075**	3,442
Total revenue from contracts with customers	**1,943,569**	2,850,883
Geographical markets		
Mainland China	**1,440,186**	1,973,516
Overseas	**503,383**	877,367
Total revenue from contracts with customers	**1,943,569**	2,850,883
Timing of revenue recognition		
Goods transferred at a point in time	**1,940,494**	2,847,441
Services rendered at a point in time	**3,075**	3,442
Total revenue from contracts with customers	**1,943,569**	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:

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**62,872**	96,039

There was 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. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

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

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**47,403**	62,872

An analysis of other income and gains is as follows:

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**4,808**	3,096
Gain on disposal of items of property, plant and equipment	**277**	–
Government grants *(note (a))*	**9,741**	3,943
Compensation income	**371**	188
Gain on foreign exchange	**–**	10,462
Others	**1,740**	468
	16,937	18,157

Note a: The amount represents grants received from local PRC government authorities by the Group's subsidiaries in connection with social security subsidies and other financial subsidies to support local businesses. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position.

5 FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
Finance costs		
Interest on lease liabilities	**76**	–

6 PROFIT BEFORE TAX

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

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**1,551,476**	2,138,067
Depreciation of property, plant and equipment	**44,881**	41,957
Depreciation of right-of-use assets (2019: recognition of prepaid land lease payments)	**2,719**	1,073
Amortisation of intangible assets*	**945**	944
Research and development costs	**28,323**	74,459
Minimum lease payments under operating leases	**–**	5,487
Lease payments not included in the measurement of lease liabilities	**2,580**	–
Auditor's remuneration		
– Annual audit	**1,370**	1,370
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**169,792**	178,683
Pension scheme contributions	**10,856**	13,052
Social security contributions and accommodation benefits	**23,296**	23,646
Foreign exchange loss/(gain), net	**1,064**	(10,462)
Impairment of financial assets, net:		
Impairment (reversal)/loss of trade and notes receivables *(note 9)*	**(172)**	981
Impairment (reversal)/loss of financial assets included in prepayments, other receivables and other assets	**(24)**	27
Warranty provision:		
Additional provision	**325**	8,316
Write-down/(reversal) of inventories to net realisable value	**5,231**	(1,310)
Bank interest income	**(4,808)**	(3,096)
(Gain)/loss on disposal of items of property, plant and equipment	**(277)**	2,301

* 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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong.

The provision for Mainland China current income tax is based on the statutory rate of 25% (2019: 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**"), except for a certain high and new technology enterprise of the Group in Mainland China, which is taxed at a preferential rate of 15%.

The major components of income tax expense are as follows:

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
Current tax	**69,393**	119,127
Deferred tax	**(1,803)**	(3,035)
Total tax charge for the year	**67,590**	116,092

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	
	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**223,413**	483,697
Tax at the statutory tax rate	**56,717**	119,354
Lower tax rate(s) for specific provinces or enacted by local authority	**(88)**	–
Adjustments in respect of current tax of previous periods	**(1,344)**	(3,881)
Expenses not deductible for tax	**345**	377
Tax losses not recognised	**155**	25
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**15,449**	10,001
Research and development super deduction	**(3,644)**	(9,784)
Total tax charge at the Group's effective rate	**67,590**	116,092

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 381,368,929 (2019: 381,370,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The Company purchased 144,000 of its shares on the Hong Kong Stock Exchange for a total consideration of RMB747,000. As at 31 March 2020, the 144,000 shares purchased have not been cancelled and were included in treasury shares.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019.

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

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**155,823**	367,605

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings and diluted earnings per share calculation	**381,368,929**	381,370,000

9 TRADE AND NOTES RECEIVABLES

	As at 31 March	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables*	**131,017**	165,152
Notes receivable	**307,581**	335,174
Impairment	**(809)**	(981)
	437,789	499,345

* Trade receivables include trade receivables from the Controlling Shareholder and other 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 has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

The Group endorsed certain notes receivable (the "**Endorsement**") of RMB60,350,000 accepted by banks in the PRC (the "**Derecognised Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers at 31 March 2020 (2019: RMB91,596,000). The Derecognised Notes had maturities ranging from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase the Derecognised Notes was equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

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	
	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**105,570**	144,776
3 months to 6 months	**25,447**	20,376
	131,017	165,152

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

	As at 31 March	
	2020	2019
	RMB'000	*RMB'000*
At the beginning of the year	**981**	–
Impairment losses *(note 6)*	**(172)**	981
At the end of the year	**809**	981

The decrease (2019: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i) A decrease in the loss allowance of RMB321,000 (2019: increase of RMB981,000) as a result of a net decrease (2019: decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables;

(ii) An increase in the loss allowance of RMB149,000 as a result of an increase in trade receivables which were past due for 1 to 3 months (2019: Nil).

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 the 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 2020

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.545%**	**–**	**1.500%**	**–**	**0.617%**
Gross carrying amount (RMB'000)	**121,084**	**–**	**9,933**	**–**	**131,017**
Expected credit losses (RMB'000)	**660**	**–**	**149**	**–**	**809**

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

10 TRADE AND NOTES PAYABLES

	As at 31 March	
	2020	2019
	RMB'000	*RMB'000*
Trade payables*	**227,307**	254,619
Notes payable	**69,878**	130,247
	297,185	384,866

* 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	
	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**226,952**	254,215
Over 3 months	**355**	404
	227,307	254,619

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

11 DIVIDENDS

	Year ended 31 March	
	2020	2019
	RMB'000	*RMB'000*
Final dividends paid for the year ended 31 March 2019 – HK$0.15 per ordinary share (2019: HK$0.16 per ordinary share for the year ended 31 March 2018)	**51,113**	53,024
Interim dividends paid for the six months ended 30 September 2019 – HK$0.15 per ordinary share (2019: HK$0.20 per ordinary share for the six months ended 30 September 2018)	**51,142**	67,070
	102,255	120,094

On 29 June 2020, the Board of the directors declared the payment of a final dividend of HK$0.15 per share, amounting to HK$57,149,100 for the year ended 31 March 2020. The source of the proposed dividend payment is scheduled to be the retained profits. 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

The Sino-US trade frictions have its ups and downs since its outbreak in 2018, but they have been escalated over time in general, leading to an increasingly obvious impact on both the Chinese and the global economy. Against this backdrop, there was a significant decrease in the demand from the global manufacturing industry for high-end CNC machine tools as compared to last year. In addition, the outbreak and spread of the COVID-19 since the fourth quarter of the Year under Review has a profound impact on Chinese economic performance; and the subsequent global spread, with a major worldwide implication, was unexpected.

The above circumstances inevitably have a material impact on the business of the Group. For the financial year ended 31 March 2020, the Group recorded sales revenue of approximately RMB1,943,569,000, representing a decrease of approximately 31.8% as compared to last year. The gross profit margin decreased by 4.8 percentage points from approximately 25.0% for last year to approximately 20.2% for the Year under Review. The net profit amounted to approximately RMB155,823,000, representing a decrease of approximately 57.6% as compared to last year.

Basic earnings per share amounted to approximately RMB0.41 for the Year under Review.

During the Year under Review, the Group has experienced changes in market conditions where demand has shrunk and competition is fierce. It put forward tougher issues faced by the Group including how to improve the operation quality, strengthen comprehensive competitiveness and maintaining market share and profitability amid the challenging economic situation. In this regard, the Group is constantly making adjustment to its business strategies to reduce the effect arising from the external negative factors. The Group continues to invest in new technologies and new models, as well as upgrading the existing models, and in particular, takes targeted measures to improve competitiveness of key products. In terms of marketing, the Group adjusted its business network, further concentrated its efforts on markets in economically developed regions, explored the potential hidden market demand, and took the lead in competing with competitors in this shrinking market. Meanwhile, in various internal operation areas, the Group also adopts multiple measures including shortening delivery time, improving product quality, reducing cost, improving efficiency and reducing inventories.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2020, the total revenue decreased by approximately 31.8%, or approximately RMB907,314,000, from approximately RMB2,850,883,000 last year to approximately RMB1,943,569,000 this year. Such decrease was primarily the results of 1) the evident downward trend of the overall economy since the second half of last year; 2) a downturn in the automotive industry as a result of the downturn in the national automotive sales market; and 3) the impact of the Sino-US trade war and the COVID-19 that began during the Chinese Spring Festival. In particular, (i) precision lathes recorded sales of RMB1,677,004,000 during the Year under Review, a year-on-year decrease of approximately 31.3%；(ii) the precision machining centres began to deploy new models in the second half of the previous fiscal year, resulting in sales of approximately RMB107,907,000 in the Year under Review, which is approximately the same as the corresponding period last year; and (iii) other areas, such as precision grinding machines and others (primarily including accessory parts and components), experienced considerable sale decreases with sales of approximately RMB82,988,000 and approximately RMB63,844,000 this year, respectively, representing decreases of approximately 45.0% and approximately 52.3% respectively, as compared to last year.

The table below sets out the revenue breakdown by product category for the Year under Review : (RMB' 000)

	For the year ended 31 March 2020	**Proportion (%)**	For the year ended 31 March 2019	Proportion (%)	**Year-on-year increase (%)**
Precision lathes	**1,677,004**	**86.3%**	2,441,490	85.6%	**(31.3%)**
Precision machining centres	**107,907**	**5.5%**	108,745	3.8%	**(0.8%)**
Precision grinding machines	**82,988**	**4.3%**	150,887	5.3%	**(45.0%)**
Precision thread and form rolling machines	**11,826**	**0.6%**	15,831	0.6%	**(25.3%)**
Others	**63,844**	**3.3%**	133,930	4.7%	**(52.3%)**
Total	**1,943,569**	**100%**	2,850,883	100%	**(31.8%)**

Gross Profit and Gross Profit Margin

For the year ended 31 March 2020, gross profit decreased by approximately 45.0% to approximately RMB392,093,000 as compared to last year, mainly due to the combined effect of the overall economic downturn, the Sino-US trade frictions and COVID-19. The Group's overall gross profit margin also decreased from approximately 25.0% for the year ended 31 March 2019 to approximately 20.2% for the year ended 31 March 2020. Such decrease was mainly attributable to the degree of decrease in fixed cost being lesser than the decreases in sales orders and output 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 2020, other income and gains decreased by approximately 6.7% to approximately RMB16,937,000, primarily due to the combined effect from the decrease in net gain on foreign exchange and the increases in the government grants income and bank interest income.

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 decreased by approximately 6.4% as compared to last year to approximately RMB106,443,000 this year, representing approximately 5.5% of the Group's revenue for the Year under Review. Such decrease was mainly attributable to the decreases in selling and distribution expenses along with transportation and insurance costs and warranty expenses as a result of a corresponding decrease 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, and other taxes and levies expenditure.

During the Year under Review, administrative expenses amounted to approximately RMB77,810,000, representing a decrease of approximately 39.6%, as compared to last year, mainly due to the decreases in development expenses and staff salary and benefits during the Year under Review.

Other Expenses

Other expenses primarily include exchange losses, losses on the disposal of fixed assets, bank handling fees and others. During the Year under Review, other expenses decreased by approximately RMB2,242,000 as compared to last year to approximately RMB1,484,000 this year, mainly due to the combined effect from the decrease in losses on the disposal of fixed assets, bank handling fees and non-administrative penalties and delay charges as well as increase in foreign exchange losses during the Year under Review.

Impairment Losses on Financial Assets

During the Year under Review, the reversal of impairment losses on financial assets amounted to approximately RMB196,000, as compared to provision of impairment losses of RMB1,008,000 in last year, mainly due to decrease in ending balance of trade and notes receivables as a result of decrease in sales revenue during the Year under Review.

Finance Costs

During the Year under Review, finance costs were approximately RMB76,000 (for the same period last year: nil), which was due to the interest arising from lease liabilities recognised by the Group resulted from the adoption of IFRS 16 (Leases) commencing from 1 April 2019.

Income Tax Expenses

During the Year under Review, income tax expenses decreased by approximately 41.8% as compared to last year to approximately RMB67,590,000, mainly due to the significant decrease 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 decreased by approximately 57.6% from approximately RMB367,605,000 for the year ended 31 March 2019 to approximately RMB155,823,000 for the year ended 31 March 2020.

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 2020, the total cash and cash equivalents of the Group amounted to approximately RMB205,010,000 (as at 31 March 2019: approximately RMB400,275,000). Such decrease was mainly due to the decrease in net cash flows from operating activities and increase in capital investment expenditures such as purchase of property, plant and equipment, and increase in short-term structured deposits measured at fair value held by the Company.

As at 31 March 2020, 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 ("**JPY**").

As at 31 March 2020, the Group recorded net current assets of approximately RMB978,551,000 (as at 31 March 2019: approximately RMB1,030,240,000). Capital expenditures for the year ended 31 March 2020 amounted to approximately RMB151,883,000, which was mainly utilised to finance the plant construction, addition of processing equipment, and addition and purchase of design and management software.

As at 31 March 2020, the Group had no outstanding bank loans and other borrowings (31 March 2019: nil) and no discounted bills with recourse (31 March 2019: nil). As at 31 March 2020, the Group's gearing ratio was approximately 0.2%, calculated by dividing the total debt (i.e. bank loans and other borrowing and lease liabilities) by the total equity (31 March 2019: not applicable).

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

	For the year ended 31 March	
	2020	2019
Average inventory turnover days *(Note 1)*	**149**	98
Average turnover days of trade and notes receivables *(Note 2)*	**88**	71
Average turnover days of trade and notes payables *(Note 3)*	**80**	72

	As at 31 March	
	2020	2019
Current ratio *(Note 4)*	**3.2**	2.9

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 2020 were approximately 149 days, representing an increase of 51 days compared to last year, which was mainly due to the significant decline in orders and sales this year but the adjustment of production and inventory lags behind the changes in orders and the slightly higher average inventory level this year, resulting in an increase in average inventory turnover days.

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 2020 were approximately 88 days, representing an increase of approximately 17 days as compared to last year. The turnover of the Group's trade and notes receivables has been maintained at a reasonable level, the increase in average turnover days over the previous year was mainly due to the decreases in sales and the average balance of the trade and notes receivables for the year ended 31 March 2020, while the decrease in sales was higher than the decrease in trade and notes receivables over the same period, resulting in a slight increase in average turnover days.

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 2020 were approximately 80 days, representing an increase of approximately 8 days as compared to last year, mainly due to the proportional decrease in cost of sales for the year ended 31 March 2020 was higher than the proportional decrease in average balance of trade and notes payables.

Current ratio

As at 31 March 2020, the Group's current ratio was approximately 3.2 times, while it was approximately 2.9 times as at 31 March 2019, the increase is mainly due to the fact that there was a certain proportion of decrease in current assets and current liabilities of the Group, but the proportion of decrease in trade and other payables and accruals was higher than that in inventories, trade and notes receivables, cash and cash equivalents.

Capital Commitment

The capital commitment of the Group at the end of the reporting period is as follows:

	As at 31 March	
	2020	2019
	RMB' 000	*RMB' 000*
Contracted but not provided:		
Buildings	**49,855**	1,801

Contingent Liabilities

As at 31 March 2020, the Group had no material contingent liabilities (31 March 2019: nil).

Currency Risk and Management

Apart from a few overseas businesses that are settled in JPY and United States dollars, the sales and procurement of the Group are mainly denominated in Renminbi, therefore, the management of the Group believes that the Company does not have significant currency 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 exchange rates and may consider hedging significant foreign currency exposure should the need arise.

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

On 18 April 2018, Precision Tsugami (Anhui) Corporation* (安徽津上精密機床有限公司) ("**Anhui PTC**"), a wholly-owned subsidiary of the Company, was established in Bowang District, Ma'anshan, Anhui Province, the PRC, with a registered capital of RMB50,000,000. Through Anhui PTC, the Company is establishing a new factory in Bowang District, Ma'anshan, Anhui Province, the PRC (the "**Anhui Investment**"). The Anhui Investment's total investment amount is estimated to be approximately RMB275,000,000. Anhui PTC entered into the First Phase and Second Phase Construction Agreement with Ma'anshan Taipingyang Construction Engineering Limited Liability Company* (馬鞍山太平洋建築工程有限公司) (the "**Contractor**") on 5 April 2019 and 1 August 2019, respectively. Pursuant to which the Contractor will be responsible for the construction and installation works of certain plants and facilities (including 6 production plants, 1 office building and warehouse, etc.) of the Group's production plants located in Bowang District, Ma'anshan, Anhui Province at a total construction price of approximately RMB175.5 million. The construction work commenced in April 2019 and is expected to be completed in October 2020 due to the smooth process of the work. By the end of 31 March 2020, the construction price paid and the remaining outstanding balance approximately amounted to RMB140 million.

Save for the Anhui Investment disclosed above, 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 2020, the Group employed 1,493 employees (31 March 2019: 1,572), of whom 13 (31 March 2019: 21) 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 RMB203,944,000 (31 March 2019: RMB215,381,000) in aggregate, representing approximately 10.5% 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 prolongation of the Sino-US trade frictions and the substantial changes in the Sino-US relationship will become a reality in the foreseeable near future.

As a result, the global manufacturing industry as well as the overall economy will inevitably be adversely affected. Due to the challenging future economic situation, a wait-and-see attitude should be adopted, and the number of enterprises that curb investment in equipment will increase, and it is unlikely that the entire industry will show signs of recovery in the short term. Under such crippling circumstance, the Group is more cautious towards the situation in the next financial year. Meanwhile, the Group believes that there are still opportunities in certain market segments, and that by being well-prepared, we in turn have the chance to achieve better results.

Putting efforts in improving business performance is now a great trial for the operation team of the Group amidst such challenging environment as a whole. The Group will, as always, adopt prudent business strategies and a pragmatic attitude to overcome obstacles in a market environment full of challenges and grasp opportunities of the industry with flexibility. We will improve our operations with no effort spared, to further enhance our operational and financial performance. Through continuous investment in new models and the upgrading of existing models, especially strengthening the competitiveness of key products, we will further expand the competitive advantages against our major competitors; by adjusting the allocation of marketing resources, enhancing our sales network and reinforcing the competitiveness of our products, we are able to tap into the potential needs of markets and at the same time the Group will compete with our competitors for existing markets with superior cost performance and after-sales services. Meanwhile, we will improve operation management by several measures such as further reducing the delivery period, improving product quality, cutting costs, enhancing efficiency and compressing stock.

In the long run, the Group remains fully confident in the long-term expanding trend of CNC high precision machine tool market in China. We will not be influenced by the short-term economic changes, and will be well prepared to seize investment opportunities in manufacturing industry at any time.

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$57,149,100 for the year ended 31 March 2020 to the shareholders of the Company whose names appear on the register of members of the Company as at Wednesday, 26 August 2020.

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 2020 (the "**AGM**"). The final dividend is expected to be paid to the shareholders of the Company on Friday, 4 September 2020.

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 2020.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") 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 2020.

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. Seiji Tsuishu, of whom Mr. Tam Kin Bor and Dr. Huang Ping are independent non-executive Directors and Mr. Seiji Tsuishu 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 2020 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 ended 31 March 2020, the Company repurchased a total of 144,000 shares on the Stock Exchange (the "**Share Repurchase**"). Subsequently, the Company continued to repurchase 232,000 shares on the Stock Exchange from April to May 2020. A total of 376,000 shares were cancelled by the Company on 2 June 2020. Details of the Share Repurchase during the year ended 31 March 2020 are as follows:

Month of Repurchase	**Number of shares repurchased**	**Price per Share**		**Aggregate price (excluding commission fee)**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
March	144,000	6.05	5.50	816,339.3

The Board believes that the Share Repurchase may, depending on market conditions and funding arrangements at that time, lead to an enhancement of its earning per share, and will benefit the Company and shareholders.

Save as disclosed above, there was no purchase, sale and redemption of the listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 March 2020.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held in Hong Kong on Monday, 17 August 2020. 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, 12 August 2020 to Monday, 17 August 2020, 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, 11 August 2020. In addition, the register of members of the Company will be closed from Monday, 24 August 2020 to Wednesday, 26 August 2020, 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, 21 August 2020.

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 2020 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 2020 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, 29 June 2020

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. Seiji Tsuishu; and the independent non-executive directors are Dr. Eiichi Koda, Dr. Huang Ping and Mr. Tam Kin Bor.

* *for identification purpose only*