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 2022

The board (the "**Board**") of directors (the "**Directors**") 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 2022 (the "**Year under Review**") together with the comparative figures for the corresponding period in 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**4,419,887**	3,116,976
Cost of sales		**(3,246,858)**	(2,351,669)
GROSS PROFIT		**1,173,029**	765,307
Other income and gains	*4*	**180,334**	37,785
Selling and distribution expenses		**(162,723)**	(126,931)
Administrative expenses		**(95,918)**	(93,813)
Impairment loss on financial assets		**(898)**	(8,795)
Other expenses		**(117,849)**	(2,305)
Finance costs	*5*	**(2,141)**	(990)
PROFIT BEFORE TAX	*6*	**973,834**	570,258
Income tax expense	*7*	**(306,430)**	(178,306)
PROFIT FOR THE YEAR		**667,404**	391,952
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**667,404**	391,952
ATTRIBUTABLE TO:			
Owners of the parent		**667,404**	391,952

		Year ended 31 March	
		2022	2021
	Note	***RMB***	*RMB*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	*8*	**1.75**	1.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**549,841**	507,688
Right-of-use assets		**73,303**	44,997
Intangible assets		**5,533**	4,151
Deferred tax assets		**16,306**	16,358
Total non-current assets		**644,983**	573,194
CURRENT ASSETS			
Inventories		**1,033,543**	675,419
Trade and notes receivables	*9*	**1,212,871**	988,204
Prepayments, other receivables and other assets		**50,743**	34,484
Pledged deposits		**15,498**	7,539
Cash and cash equivalents		**555,433**	430,115
Total current assets		**2,868,088**	2,135,761
CURRENT LIABILITIES			
Trade and notes payables	*10*	**820,172**	554,473
Other payables and accruals		**299,132**	275,398
Lease liabilities		**1,634**	2,279
Tax payable		**58,216**	55,314
Interest-bearing bank and other borrowings		**22,094**	–
Provision		**11,487**	7,877
Total current liabilities		**1,212,735**	895,341
NET CURRENT ASSETS		**1,655,353**	1,240,420
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,300,336**	1,813,614

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**1,107**	1,013
Deferred tax liabilities	**50,920**	28,953
Deferred income	**17,267**	18,000
Other liabilities	**9,700**	7,300
Total non-current liabilities	**78,994**	55,266
NET ASSETS	**2,221,342**	1,758,348
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Issued capital	**319,836**	319,836
Reserves	**1,901,506**	1,438,512
TOTAL EQUITY	**2,221,342**	1,758,348

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**973,834**	570,258
Adjustments for:		
Finance costs	**2,141**	990
Bank interest income	**(12,393)**	(10,615)
Net loss/(gain) on disposal of items of property, plant and equipment	**891**	(19)
Depreciation of property, plant and equipment	**53,820**	43,325
Depreciation of right-of-use assets	**3,814**	3,297
Amortisation of intangible assets	**1,215**	988
Impairment loss of trade and notes receivables	**769**	822
Impairment loss of financial assets at fair value through other comprehensive income	**121**	7,972
Reversal of allowance for write-down of inventories	**(8,819)**	(968)
Impairment loss of financial assets included in prepayments, other receivables and other assets	**8**	–
	1,015,401	616,050
(Increase)/decrease in pledged deposits	**(7,959)**	9,549
Increase in inventories	**(349,305)**	(55,602)
Increase in trade and notes receivables	**(225,557)**	(559,209)
Increase in prepayments, other receivables and other assets	**(16,267)**	(15,497)
Increase in trade and notes payables	**265,699**	257,288
Increase in other payables and accruals	**7,667**	36,032
Increase in other liabilities	**2,400**	2,400
Increase in contract liabilities	**16,067**	117,313
Increase in provision	**3,610**	1,533
(Decrease)/increase in deferred income	**(733)**	5,000
Cash generated from operating activities	**711,023**	414,857
Income taxes paid	**(281,509)**	(114,086)
Net cash flows from operating activities	**429,514**	300,771

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**12,393**	10,615
Purchases of items of property, plant and equipment	**(97,304)**	(99,143)
Proceeds from disposal of items of property, plant and equipment	**440**	265
Redeem of financial assets at fair value through profit or loss	**–**	120,000
Increase in right-of-use assets	**(30,247)**	–
Purchases of items of intangible assets	**(2,597)**	(1,547)
Net cash flows (used in)/from investing activities	**(117,315)**	30,190
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	**–**	(2,532)
New bank loans	**22,094**	–
Principal portion of lease payments	**(2,424)**	(2,399)
Dividends paid	**(204,410)**	(99,935)
Interest paid	**(2,141)**	(990)
Net cash flows used in financing activities	**(186,881)**	(105,856)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**125,318**	225,105
Cash and cash equivalents at beginning of year	**430,115**	205,010
CASH AND CASH EQUIVALENTS AT END OF YEAR	**555,433**	430,115
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**555,433**	430,115

NOTES TO 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 principally involved in the manufacture and sale of high precision computer numerical control ("**CNC**") machine tools.

In the opinion of the directors of the Company, 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.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of company	Date of incorporation and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
			%	*%*	
Precision Tsugami (Hong Kong) Limited *(note(a))* ("**Tsugami HK**")	24 September 2013 Hong Kong, China	HK$767,718,112	100	-	Investment holding
津上精密機床（浙江）有限公司*(note(b))* Precision Tsugami (China) Corporation* ("**PTC**")	11 September 2003 Zhejiang, China	US$78,700,000	-	100	Manufacture and sale of high precision CNC machine tools
浙江品川精密機械有限公司*(note(b))* Shinagawa Precision Machinery (Zhejiang) Co., Ltd.* ("**Shinagawa Precision**")	24 November 2010 Zhejiang, China	RMB35,000,000	-	100	Manufacture and sale of precision machine tool castings
安徽津上精密機床有限公司*(note(b))* Precision Tsugami (Anhui) Corporation* ("**Anhui PTC**")	18 April 2018 Anhui, China	RMB150,000,000	-	100	Manufacture and sale of high precision CNC machine tools and precision machine tool castings
中津精密機床（浙江）有限公司*(note(b))* Precision Nakatsu (China) Corporation* ("**Precision Nakatsu**")	28 October 2021 Zhejiang, China	US$35,000,000	-	100	Manufacture and sale of CNC machine tools and metal cutting machine tools

Notes:

* The English names of the subsidiaries registered in the People's Republic of China (the "**PRC**") represent the best efforts made by the management of the Company to translate their Chinese names as these subsidiaries do not have official English names.

(a) This entity is a limited liability company incorporated in Hong Kong.

(b) These entities are registered as limited liability companies under the laws of the PRC.

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 notes receivables which have been measured at fair value. These financial statements are presented in Renminbi 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 2022. 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 the 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 related 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 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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021*

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments in Phase 2 provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(b) Amendments to IFRS 16 issued in April 2021 extend the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any COVID-19-related rent concessions for the year ended 31 March 2022.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business unit based on their products and only has one reportable operating segment which is the manufacture and sale of high precision CNC machine tools. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

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

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Mainland China	**3,553,799**	2,670,275
Overseas	**866,088**	446,701
	4,419,887	3,116,976

Revenue information above is based on the locations of customers.

Information about major customers

Revenue from an individual customer which accounted for 10% or more of the Group's revenue is set out below:

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Customer A	**695,851**	371,239

4 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**4,413,862**	3,112,318
Rendering of services	**6,025**	4,658
	4,419,887	3,116,976

(i) Disaggregated revenue information

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Type of goods or services		
Sale of goods	**4,413,862**	3,112,318
Precision lathes	**3,870,022**	2,701,274
Precision machining centres	**233,935**	196,918
Precision grinding machines	**169,599**	107,942
Other components	**140,306**	106,184
Rendering of services	**6,025**	4,658
Total revenue from contracts with customers	**4,419,887**	3,116,976
Geographical markets		
Mainland China	**3,553,799**	2,670,275
Overseas	**866,088**	446,701
Total revenue from contracts with customers	**4,419,887**	3,116,976
Timing of revenue recognition		
Goods transferred at a point in time	**4,413,862**	3,112,318
Services rendered at a point in time	**6,025**	4,658
Total revenue from contracts with customers	**4,419,887**	3,116,976

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	
	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**164,716**	47,403

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. All 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 the rendering of the promised service to the customers and payment is generally due within 15 to 30 days.

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

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**180,783**	164,716

An analysis of other income and gains is as follows:

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**12,393**	10,615
Gain on disposal of items of property, plant and equipment	**–**	19
Government grants *(Note (a))*	**56,585**	25,115
Insurance compensation for fire incident	**110,530**	–
Compensation income	**585**	101
Others	**241**	1,935
	180,334	37,785

Note a: The amount represents grants received from local PRC government related to subsidies. 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	
	2022	2021
	RMB'000	*RMB'000*
Finance costs		
Interest on lease liabilities	**45**	66
Interest arising from discounted notes receivable	**2,096**	924
	2,141	990

6 PROFIT BEFORE TAX

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

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold*	**3,244,305**	2,350,143
Cost of services provided	**2,553**	1,526
Depreciation of property, plant and equipment	**53,820**	43,325
Depreciation of right-of-use assets	**3,814**	3,297
Amortisation of intangible assets	**1,215**	988
Research and development costs	**27,305**	33,481
Lease payments not included in the measurement of lease liabilities	**2,415**	2,161
Auditor's remuneration		
– Annual audit	**1,370**	1,370
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**277,686**	208,897
Pension scheme contributions	**19,201**	11,283
Social security contributions and accommodation benefits	**31,428**	24,490
Foreign exchange loss, net	**5,256**	1,698
Impairment of financial assets, net:		
Impairment loss of trade receivables	**769**	822
Impairment loss of financial assets at fair value through other comprehensive income	**121**	7,972
Impairment reversal of financial assets included in prepayments, other receivables and other assets	**8**	–
Warranty provision:		
Additional provision	**12,667**	8,644
Reversal of impairment of inventories**	**(8,819)**	(968)
Bank interest income	**(12,393)**	(10,615)
Net loss/(gain) on disposal of items of property, plant and equipment	**891**	(19)
Loss from fire incident	**110,865**	–
Insurance compensation for fire incident	**(110,530)**	–
Government grants	**(56,585)**	(25,115)

* The cost of inventories sold includes the following expenses which are also included in the respective total amounts of the items disclosed above:

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**46,145**	36,799
Employee benefit expense	**201,131**	147,579

** Reversal of impairment of inventories is included in "cost of sales" 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 tax 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% (2021: 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% (2021: 25%, except for a certain high and new technology subsidiary of the Group in Mainland China, which was taxed at preferential rate of 15%) 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	
	2022	2021
	RMB'000	*RMB'000*
Current tax	**284,411**	157,370
Deferred tax	**22,019**	20,936
Total tax charge for the year	**306,430**	178,306

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	
	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**973,834**	570,258
Tax at the statutory tax rate	**244,429**	143,230
Lower tax rate(s) for specific provinces or enacted by local authority	**–**	(740)
Adjustments in respect of current tax of previous periods	**1,278**	(982)
Expenses not deductible for tax	**770**	1,140
Tax losses and temporary differences not recognised	**37**	74
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**66,267**	40,878
Research and development super deduction	**(6,351)**	(5,294)
Total tax charge at the Group's effective rate	**306,430**	178,306

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 380,804,000 (2021: 380,888,904) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

The calculations of basic earnings per share are based on:

	Year ended 31 March	
	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**667,404**	391,952

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**380,804,000**	380,888,904

9 TRADE AND NOTES RECEIVABLES

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables*	**404,317**	238,210
Impairment	**(2,400)**	(1,631)
	401,917	236,579
Notes receivable	**810,954**	751,625
	1,212,871	988,204

* 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.

At 31 March 2022, the Group endorsed certain notes receivable accepted by banks in Mainland China (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB345,166,000 (2021: RMB338,384,000). In addition, the Group discounted certain notes receivable accepted by banks in Mainland China (the "**Discounted Notes**"), with a carrying amount in aggregate of RMB82,707,000 (2021: Nil) (the "**Discount**"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have the right of recourse against the Group if the Mainland China banks default (the "**Continuing Involvement**").

In the opinion of the Directors, the Group has transferred substantially all the risks and rewards relating to certain of the Endorsed Notes and Discounted Notes accepted by large and reputable banks with amounts of RMB111,194,000 (2021: RMB235,830,000) and RMB60,613,000 (2021: Nil), respectively (the "**Derecognised Notes**"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is 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.

At 31 March 2022, the Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables settled with an amount of RMB233,972,000 (2021: RMB102,554,000) and to recognise the proceeds received from the discount of the remaining Discounted Notes with an amount of RMB22,094,000 (2021: Nil) as short-term loans because the Directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes and Discounted Notes.

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.

Notes receivable of RMB810,954,000 (2021: RMB751,625,000) were classified as financial assets at fair value through other comprehensive income under IFRS 9.

A receivable is an entity's right to consideration that is unconditional. An entity shall account for a receivable in accordance with IFRS 9. Upon initial recognition of a receivable from a contract with a customer, any difference between the measurement of the receivable in accordance with IFRS 9 and the corresponding amount of revenue recognised shall be presented as an impairment loss. Subsequent changes for fair value through other comprehensive income, impairment reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income.

The Group's notes receivable were all aged within six months and were neither past due nor impaired.

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

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**286,091**	213,292
3 months to 6 months	**115,826**	23,287
	401,917	236,579

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

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**1,631**	809
Impairment losses	**769**	822
At the end of the year	**2,400**	1,631

The increase (2021: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i). An increase in the loss allowance of RMB769,000 (2021: increase of RMB971,000) as a result of a net increase (2021: increase) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables; and

(ii). No provision for the loss allowance as a result of no trade receivables which were past due for 1 to 3 months (2021: A decrease in the loss allowance of RMB149,000 as a result of a decrease in trade receivables which were past due for 1 to 3 months).

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. 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 receivables using a provision matrix:

As at 31 March 2022

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.594%**	**–**	**–**	**–**	**0.594%**
Gross carrying amount (RMB'000)	**404,317**	**–**	**–**	**–**	**404,317**
Expected credit losses (RMB'000)	**2,400**	**–**	**–**	**–**	**2,400**

As at 31 March 2021

	Current	Past due: Less than 1 month	Past due: 1 to 3 months	Past due: Over 3 months	Total
Expected credit loss rate	0.685%	–	–	–	0.685%
Gross carrying amount (RMB’000)	238,210	–	–	–	238,210
Expected credit losses (RMB’000)	1,631	–	–	–	1,631

10 TRADE AND NOTES PAYABLES

	As at 31 March	
	2022	2021
	RMB’000	*RMB’000*
Trade payables*	**665,190**	485,083
Notes payable	**154,982**	69,390
	820,172	554,473

* 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	
	2022	2021
	RMB’000	*RMB’000*
Within 3 months	**664,864**	484,960
Over 3 months	**326**	123
	665,190	485,083

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	
	2022	2021
	RMB'000	*RMB'000*
Final dividends paid for the year ended 31 March 2021 – HK$0.25 per ordinary share (2021: HK$0.15 per ordinary share for the year ended 31 March 2020)	**79,158**	51,143
Interim dividends paid for the six months ended 30 September 2021 – HK$0.40 per ordinary share (2021: HK$0.15 per ordinary share for the six months ended 30 September 2020)	**125,252**	48,792
	204,410	99,935

On 27 June 2022, the Board proposed the payment of a final dividend of HK$0.40 per share, amounting to HK$152,321,600 for the year ended 31 March 2022. 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

Continuing the positive macroeconomic and manufacturing development in China in the previous year (i.e. the year ended 31 March 2021), the manufacturing industry in China performed well during the Year under Review with strong demand for CNC machine tools from various downstream industries. Although the automobile industry has been affected by the global shortage of parts and components such as semiconductor chips, there has still been a significant increase in demand as compared to the same period last year. In particular, as new energy vehicles gained more popularity, the proportion of sales to the new energy vehicle parts and components manufacturing industry increased significantly. In addition, under the general trend of upgrading and transformation of manufacturing industry in China, the automation industry continued to maintain a high level of growth.

The overseas machine tool markets have largely recovered from the outbreak and spread of the COVID-19 pandemic, and the demand for machine tools has increased significantly as compared with the same period last year, reaching a historical high.

Apart from the external environment factors, it is necessary to continuously improve the Group's own operating capabilities. Since its inception, the Group has been committed to strengthening the major aspects of its operations, including, but not limited to marketing, product line expansion, product cost-effectiveness especially cost control, production capacity expansion and production management, and has achieved solid results. This is also an inherent reason for the Group to achieve outstanding performance during the Year under Review.

During the Year under Review, the Group's sales revenue was approximately RMB4,419,887,000, representing an increase of approximately 41.8% as compared with the same period last year. The gross profit margin increased from approximately 24.6% in the same period last year to approximately 26.5% for the Year under Review. The net profit for the Year under Review was approximately RMB667,404,000, representing a year-on-year increase of approximately 70.3%.

Basic earnings per share for the Year under Review amounted to approximately RMB1.75, representing an increase of approximately 70% as compared with the same period last year.

The above represents the best results since the founding of the Company.

As the year progresses, major international geopolitical events and the impact of domestic anti-epidemic measures on the economic trend have become important factors that cannot be ignored. The demand for equipment from the manufacturing industry is also likely to be cyclical. In the coming years, the Group will carefully observe and respond to changes in the market situation and strive to achieve better results. The Group firmly believes that the high-end CNC machine tool market in China will still be in a stage of rapid development in the medium to long term, and will continue to focus on strengthening the expansion of production capacity and the improvement of product cost-effectiveness to enhance the core competitiveness of the Group's products.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2022, the total revenue increased by approximately 41.8%, or approximately RMB1,302,911,000, from approximately RMB3,116,976,000 last year to approximately RMB4,419,887,000 this year. Such increase was primarily the results of 1) the continuation of the economic expansion during the Year under Review starting from the second half of 2020, coupled with the strong demand for high-end CNC machine tools in the automobile parts and components industry; 2) the Company's early deployment of new factories, which enabled it to have sufficient production capacity to meet the strong domestic market demand and secure more orders; 3) the Company's ongoing efforts on cost reduction and efficiency enhancement, which have significantly improved the cost-effectiveness of the Company's products.

In particular, (i) precision lathes recorded sales of approximately RMB3,870,022,000 during the Year under Review, representing a year-on-year increase of approximately 43.3%; (ii) the precision machining centres recorded sales of approximately RMB233,935,000 during the Year under Review, representing a year-on-year increase of approximately 18.8%; and (iii) precision grinding machines and others (including sales of precision thread and form rolling machines, parts and components and after-sales service income), experienced increases in various sales activities, with sales of approximately RMB169,599,000 and approximately RMB146,331,000 this year, respectively, representing increases of approximately 57.1% and approximately 32.0%, respectively, as compared to last year.

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

	For the year ended 31 March 2022	**Proportion (%)**	For the year ended 31 March 2021	Proportion (%)	**Year-on-year increase (%)**
Precision lathes	**3,870,022**	**87.6%**	2,701,274	86.7%	**43.3%**
Precision machining centres	**233,935**	**5.3%**	196,918	6.3%	**18.8%**
Precision grinding machines	**169,599**	**3.8%**	107,942	3.5%	**57.1%**
Others*	**146,331**	**3.3%**	110,842	3.5%	**32.0%**
Total	**4,419,887**	**100%**	3,116,976	100%	**41.8%**

* Others include sales of precision thread and form rolling machines, parts and components and after-sales service income.

Gross Profit and Gross Profit Margin

For the year ended 31 March 2022, gross profit increased by approximately 53.3% to approximately RMB1,173,029,000 as compared to last year, mainly due to the continuation of the positive economic situation during the Year under Review starting from the previous financial year, coupled with the strong demand for high-end CNC machine tools in various industries, especially the automobile industry, which resulted in a substantial increase in orders received by the Group. The overall gross profit margin also increased from approximately 24.6% for the year ended 31 March 2021 to approximately 26.5% for the year ended 31 March 2022. Such increase was mainly attributable to the overall economies of scale as a result of 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, insurance compensation income from a fire incident which occurred in August 2021, details of which are set out in the announcement of the Company dated 18 August 2021 (the "**Fire Incident**") and others. For the year ended 31 March 2022, other income and gains increased by approximately 377.3% to approximately RMB180,334,000, primarily due to the large amount of insurance compensation income received by the Company from insurance companies due to the Fire Incident during this financial year. The insurance compensation income from the Fire Incident amounted to approximately RMB110,530,000, accounting for approximately 61.3% of the total other income and gains. In addition, the government subsidies for software tax refund received by the Group also increased by approximately 125% from the previous financial year to approximately RMB56,585,000.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff salaries and benefits, transportation and insurance costs, warranty expenses, travelling expenses, office utility expenses, marketing and advertisement expenses and depreciation costs. During the Year under Review, selling and distribution expenses of the Group increased by approximately 28.2% as compared to last year, amounting to approximately RMB162,723,000 this year, representing approximately 3.7% of the Group's revenue for the Year under Review. Such increase was mainly attributable to the increases in salaries and benefits for marketing and after-sales service staff and transportation and insurance costs 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 RMB95,918,000, representing an increase of approximately 2.2% as compared to last year, mainly due to the increases in development expenses and staff salary and benefits during the Year under Review.

Other Expenses

Other expenses primarily include loss from the Fire Incident, exchange losses, losses on the disposal of fixed assets, bank handling fees and others. During the Year under Review, other expenses amounted to approximately RMB117,849,000, representing an increase of approximately RMB115,544,000 as compared to last year, mainly due to the occurrence of the Fire Incident during the Year under Review, which incurred a loss of approximately RMB110,865,000, accounting for 93.4% of other expenses. In addition, the exchange rate of Japanese yen ("**JPY**") against RMB depreciated significantly during the Year under Review, resulting in an increase in exchange loss of RMB3,558,000.

Impairment Losses on Financial Assets

During the Year under Review, the provision for impairment losses on financial assets amounted to approximately RMB898,000, as compared to reversal of impairment losses of RMB8,795,000 in last year, mainly due to the acceptance of a large number of bills measured at fair value for the same period last year at maturity during the Year under Review, and the corresponding impairment losses on financial assets were reversed during the same period.

Finance Costs

During the Year under Review, finance costs were approximately RMB2,141,000 (for the same period last year: RMB990,000), which was due to the higher interest arising from the discounting of bank bills during the Year under Review as compared to that of the same period last year.

Income Tax Expenses

During the Year under Review, income tax expenses increased by approximately 71.9% as compared to last year to approximately RMB306,430,000, mainly due to the significant increase in revenue and profit before tax.

Profit for the Year

As a result of the factors described above, the Group's profit for the year increased by approximately 70.3% from approximately RMB391,952,000 for the year ended 31 March 2021 to approximately RMB667,404,000 for the year ended 31 March 2022.

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 2022, the total cash and cash equivalents of the Group amounted to approximately RMB555,433,000 (as at 31 March 2021: approximately RMB430,115,000). Such increase was mainly due to the increase in net cash flows from operating activities and decrease in capital investment expenditures such as purchase of property, plant and equipment, and redemption of short-term structured deposits measured at fair value held by the Company.

As at 31 March 2022, the Group's cash and cash equivalents were mainly held in Renminbi, and part of them were held in Hong Kong dollars and JPY.

As at 31 March 2022, the Group recorded net current assets of approximately RMB1,655,353,000 (as at 31 March 2021: approximately RMB1,240,420,000). Capital expenditures for the year ended 31 March 2022 amounted to approximately RMB130,148,000, 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 2022, the Group had no outstanding bank loans (31 March 2021: nil) and had discounted bills with recourse amounted to approximately RMB22,094,000 (31 March 2021: nil). As at 31 March 2022, the Group's gearing ratio was approximately 1.1%, calculated by dividing the total debt (i.e. bank loans and other borrowing and lease liabilities) by the total equity (31 March 2021: 0.2%).

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

	For the year ended 31 March	
	2022	2021
Average inventory turnover days *(Note 1)*	**96**	100
Average turnover days of trade and notes receivables *(Note 2)*	**91**	83
Average turnover days of trade and notes payables *(Note 3)*	**76**	66
Current ratio *(Note 4)*	**2.4**	2.4

Notes:

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

2. Average turnover days of trade and 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 2022 were approximately 96 days, representing a decrease of 4 days as compared to last year, which was mainly due to the significant increase in orders and sales this year, and the Company's implementation of reasonable and effective inventory management based on the actual order and production conditions, resulting in a significant improvement in inventory turnover ratio.

Average turnover days of trade and notes receivables

The Group's average turnover days of trade and notes receivables for the year ended 31 March 2022 were approximately 91 days, representing an increase of approximately 8 days as compared to last year. It was mainly due to the increase in sales for the year ended 31 March 2022. Although the average balance of the trade and notes receivables has also slightly increased due to the increase in sales amount, the ratio for the increase in average balance of trade and notes receivables was higher than that for the increase in sales. The relevant trade receivables were still within 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 2022 were approximately 76 days, representing an increase of approximately 10 days as compared to last year, mainly due to the proportional increase in average balance of trade and notes payables for the year ended 31 March 2022 being higher than the proportional increase in cost of sales.

Current ratio

As at 31 March 2022, the Group's current ratio was approximately 2.4 times (31 March 2021: 2.4 times). During the Year under Review, the Company received a large number of orders and there was a significant increase in sales, at the same time, the production ramped up in parallel, resulting in a proportionate increase in both the Group's current assets and current liabilities.

Capital Commitment

The capital commitment of the Group at the end of the Year under Review and last year are as follows:

	As at 31 March	
	2022	2021
	RMB'000	*RMB'000*
Contracted but not provided:		
Property, plant and equipment	**18,782**	7,831

Contingent Liabilities

As at 31 March 2022, the Group had no material contingent liabilities (31 March 2021: 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. As such, 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 arises.

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

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 established in Bowang District, Ma'anshan, Anhui Province, the PRC, commenced production in April 2021. During the Year under Review, in addition to the gradual increase in the production volume of castings, Anhui PTC continued to expand its machining capacity of parts and components. As at 31 March 2022, the amount accounted as fixed assets was approximately RMB221,934,000, which increased by RMB44,977,000 as compared to the same period last year, of which production equipment increased by RMB41,393,000.

To satisfy the high demand for CNC machine tools in the PRC market, the Group has planned ahead for the production capacity of the Company in the future. In October 2021, a new company Precision Nakatsu (China) Corporation* (中津精密機床（浙江）有限公司) ("**Precision Nakatsu**") was incorporated in Pinghu with a registered share capital of US$35,000,000. Precision Nakatsu implemented an investment project, under which a land of approximately 50,000 square metres and plant and ancillary buildings of approximately 25,800 square metres have been acquired. The plant, with an estimated future production capacity of 4,000-4,500 units of CNC precision machine tools and an annual production value of RMB1,000,000,000, is currently being used as a warehouse.

Save for 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 2022, the Group employed 2,262 employees (31 March 2021:1,812), of whom 11 (31 March 2021: 10) 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 RMB328,315,000 (31 March 2021: RMB244,670,000) in aggregate, representing approximately 7.4% 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, which have bearing on their promotion prospects and compensation. Remuneration is determined with reference to market practice and condition and individual employee's performance, qualifications and experience.

OUTLOOK

Following a rapid expansion in the manufacturing industry in the second half of 2020 and the entire year of 2021, it remains to be seen whether the military conflicts between Russia and Ukraine will have a substantial impact on the global economic situation, especially on the economic situation of China, as we enter 2022. From March to June 2022, Eastern China and some regions of the other provinces and cities adopted static control measures against the spread of COVID-19, which had a certain impact on the supply chain and the logistics of raw materials. The above factors have affected, or may affect in the future, the CNC machine tool market, and careful observation and timely response are required.

Given the positive market demand in the fourth quarter of the Year under Review and the fact that the Group currently has a considerable amount of orders on hand, the Board is confident that the Group will achieve outstanding results in the coming financial year at a same level or even exceeding those of the Year under Review.

In the medium and long term in the future, the Group will set clear development goals, continue to expand production capacity, strengthen the marketing system, and focus on controlling product costs, improving operational and production efficiency, and providing customers with the most cost-effective CNC machine tools, so as to increase the market share of the Group's key products.

The Group has been incorporated for 19 years and has grown considerably. The management team has obtained a better understanding and accumulation of market environment, products, as well as its own business philosophy and business model, and is confident in achieving the medium and long-term development goals in the future.

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$0.40 per share, amounting to HK$152,321,600 (equivalent to approximately RMB131,042,000) for the year ended 31 March 2022 to the shareholders of the Company whose names appear on the register of members of the Company as at Tuesday, 23 August 2022.

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 ended 31 March 2022 (the "**AGM**"). The final dividend is expected to be paid to the shareholders of the Company on Friday, 2 September 2022.

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 (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 2022.

Dr. Tang Donglei has been both the Chairman and Chief Executive Officer of the Company with effect from 1 April 2022. Pursuant to code provision C.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Accordingly, the Company deviates from the relevant code provision of the CG Code. The Board however believes that it is in the interests of the Company to vest the roles of both the Chairman and the Chief Executive Officer in the same person, so as to provide consistent leadership within the Group and facilitate the prompt execution of the Group's business strategies and boost operation effectiveness. The Board also believes that the balance of power and authority under this arrangement will not be impaired, as all major decisions must be made in consultation with the Board as a whole, together with its relevant committees, which comprise experienced and high calibre individuals, with three independent non-executive Directors who are in the position to provide independent insights to the Board and monitor the management and operation of the Company. The Board will periodically review and consider the effectiveness of this arrangement by taking into account the circumstances of the Group as a whole.

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

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. 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 2022.

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. Motoi Yamada, of whom Mr. Tam Kin Bor and Dr. Huang Ping are independent non-executive Directors and Mr. Motoi Yamada 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, supervising the environmental, social and governance ("**ESG**") issues of the Company, and reviewing the accounting policies and practices adopted by the Group.

The Audit Committee has reviewed the Group's audited consolidated financial statements and the annual results for the year ended 31 March 2022 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 ESG report review.

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 chairman and chief executive officer of the Company 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, Dr. Huang Ping and Mr. Tam Kin Bor, of whom Dr. Huang Ping and Mr. Tam Kin Bor are independent non-executive Directors and Mr. Takao Nishijima is a non-executive Director. The chairman of the Nomination Committee is Mr. Tam Kin Bor. 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 2022, there was no purchase, sale and redemption of the listed securities of the Company by the Company or any of its subsidiaries.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held in Hong Kong on Tuesday, 16 August 2022. 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 Thursday, 11 August 2022 to Tuesday, 16 August 2022, 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 Wednesday, 10 August 2022. In addition, the register of members of the Company will be closed from Monday, 22 August 2022 to Tuesday, 23 August 2022, 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, 19 August 2022.

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 2022 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 2022 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
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 June 2022

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

*   for identification purpose only