Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

(1) CONTINUING CONNECTED TRANSACTIONS – RENEWAL OF THE TECHNOLOGY LICENCE AGREEMENT, THE MASTER SALES AGREEMENT AND THE MASTER PURCHASE AGREEMENT AND THE ENTRY INTO THE TECHNOLOGY AMENDMENT DEED AND (2) CONNECTED TRANSACTION – PROPOSED AMENDMENTS TO THE DEED OF NON-COMPETITION

CONTINUING CONNECTED TRANSACTIONS – RENEWAL OF THE TECHNOLOGY LICENCE AGREEMENT, THE MASTER SALES AGREEMENT AND THE MASTER PURCHASE AGREEMENT AND THE ENTRY INTO THE TECHNOLOGY AMENDMENT DEED

References are made to the prospectus of the Company dated 12 September 2017, the announcements of the Company dated 22 January 2018, 19 February 2020, 8 June 2021, and 27 June 2022 and the circulars of the Company dated 12 February 2018, 11 March 2020, 30 June 2021, and 18 July 2022 in relation to, among other things, the Existing Agreements.

On 4 September 2017, the Company and Tsugami Japan entered into the Existing Agreements for an initial term of three years commencing from 25 September 2017 to 31 March 2020, which were subsequently renewed for two successive periods of three years commencing from 1 April 2020 and 1 April 2023, respectively. As such, the Existing Agreements will expire on 31 March 2026, and will be automatically renewed for successive periods of three years thereafter unless terminated in accordance with the Existing Agreements. The Company and Tsugami Japan intend to renew the Existing Agreements upon the expiry of their term on 31 March 2026 for a further term of three years, i.e. up to and including 31 March 2029.

On 26 January 2026, the Company and Tsugami Japan entered into the Technology Amendment Deed in relation to amendments to the Technology Licence Agreement.

CONNECTED TRANSACTION – PROPOSED AMENDMENTS TO THE DEED OF NON-COMPETITION

Reference is made to the Original Deed of Non-Competition entered into by Tsugami Japan, the controlling shareholder of the Company, and the Company on 4 September 2017 in connection with the Listing, pursuant to which Tsugami Japan has unconditionally and irrevocably given the non-competition undertakings in favour of the Company save as otherwise permitted under the Original Deed of Non-Competition, particulars of which are set out in the section headed "Relationship with our Controlling Shareholders – Non-competition undertakings" in the Prospectus.

Over 8 years have passed since the Original Deed of Non-Competition was executed. On 26 January 2026, the Company and Tsugami Japan entered into the DNC Amendment Deed to amend certain terms of the Original Deed of Non-Competition, having taken into account the necessity to further clarify and amend the relevant terms of the Original Deed of Non-Competition for safeguarding the interests of the future development of the Company and reflecting the Company's business plan accurately.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tsugami Japan is interested in approximately 65.89% of the issued share capital of the Company and is the controlling shareholder of the Company and therefore, members of the Tsugami Japan Group are connected persons of the Company. Accordingly, the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

The entry into the Technology Amendment Deed constitutes a material variation to the terms of the original Technology Licence Agreement. Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to effect a material change to the terms of continuing connected transactions, it is required to re-comply with the announcement, approval by Independent Shareholders, and other applicable requirements under the Listing Rules.

In addition, the entry into the DNC Amendment Deed by the Company and Tsugami Japan constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee, consisting of three independent non-executive Directors, being Dr. Satoshi Iwabuchi, Dr. Huang Ping and Mr. Tam Kin Bor, each of whom has no interests in the transactions, has been established by the Board to consider and advise the Independent Shareholders in relation to the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps, together with the DNC Amendment Deed. Mr. Kunimasa Ota, who is an independent non-executive Director, is also an outside director and member of the audit and supervisory committee of Tsugami Japan and has interests in 2,300 shares in Tsugami Japan, representing approximately 0.005% of the issued share capital of Tsugami Japan. As such, he is not a member of the Independent Board Committee. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to all of the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps, and the entry into the DNC Amendment Deed.

The EGM will be held for the Independent Shareholders to consider and, if thought fit, among other things, to approve the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029, and the DNC Amendment Deed, by way of ordinary resolutions.

A circular containing, among other things, (i) principal terms of, and information relating to, the entry into the Technology Amendment Deed and the renewal of the Existing Agreements; (ii) information relating to the Annual Caps for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029; (iii) the details of the DNC Amendment Deed; (iv) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps, and the DNC Amendment Deed; (v) a letter from the Independent Financial Adviser, which sets out the opinions and recommendations of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps, and the DNC Amendment Deed; and (vi) a notice to convene the EGM, is expected to be dispatched to the Shareholders on or before 4 March 2026, as more time is needed to finalise the content of the circular.

(1) CONTINUING CONNECTED TRANSACTIONS – RENEWAL OF THE TECHNOLOGY LICENCE AGREEMENT, THE MASTER SALES AGREEMENT AND THE MASTER PURCHASE AGREEMENT AND THE ENTRY INTO THE TECHNOLOGY AMENDMENT DEED

INTRODUCTION

References are made to the prospectus of the Company dated 12 September 2017, the announcements of the Company dated 22 January 2018, 19 February 2020, 8 June 2021, and 27 June 2022 and the circulars of the Company dated 12 February 2018, 11 March 2020, 30 June 2021, and 18 July 2022 in relation to, among other things, the Existing Agreements.

On 4 September 2017, the Company and Tsugami Japan entered into the Existing Agreements for an initial term of three years commencing from 25 September 2017 to 31 March 2020, which were subsequently renewed for two successive periods of three years commencing from 1 April 2020 and 1 April 2023, respectively. As such, the Existing Agreements will expire on 31 March 2026, and will be automatically renewed for successive periods of three years thereafter unless terminated in accordance with the Existing Agreements.

The Company and Tsugami Japan intend to renew the Existing Agreements upon the expiry of their term on 31 March 2026 for a further term of three years, i.e. up to and including 31 March 2029.

On 26 January 2026, the Company and Tsugami Japan entered into the Technology Amendment Deed in relation to amendments to the Technology Licence Agreement.

RENEWAL OF THE EXISTING AGREEMENTS AND THE ENTRY INTO THE TECHNOLOGY AMENDMENT DEED

(A) Renewal of the Technology Licence Agreement and the entry into the Technology Amendment Deed

On 4 September 2017, the Company and Tsugami Japan entered into the Technology Licence Agreement for a term of three years commencing from 25 September 2017 to 31 March 2020, which was subsequently renewed for two successive periods of three years commencing from 1 April 2020 and 1 April 2023, respectively. As such, the Technology Licence Agreement will expire on 31 March 2026.

The Company and Tsugami Japan intend to renew the Technology Licence Agreement upon the expiry of its term on 31 March 2026 for a further term of three years, i.e. up to and including 31 March 2029. There has been no change in the terms of the Technology Licence Agreement since it was entered into on 4 September 2017, save and except as disclosed below upon the Technology Amendment Deed becoming effective.

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

Parties : (a) the Company

(b) Tsugami Japan

Duration : The Technology Licence Agreement shall, upon renewal, continue to be effective up to and including 31 March 2029, which will be automatically renewed for successive periods of three years thereafter unless notified by the Company to Tsugami Japan by written notice of not less than 30 days before the expiry of the renewal term or any subsequent successive periods, or otherwise terminated earlier in accordance with the Technology Licence Agreement, subject to the compliance of the Listing Rules.

Continuing transactions : Tsugami Japan agreed to irrevocably grant to the Company:

(a) an exclusive licence to use the Technology necessary for the manufacture of the CNC high precision machine tools of the Company and to provide aftersales services in connection with these products; and

(b) as the sole licensee, the right to use the Trademarks in the PRC, Hong Kong and Taiwan, and, upon the Technology Amendment Deed becoming effective, a non-exclusive licence to use the Trademarks in Japan solely for the purpose of selling the CNC high precision machine tools manufactured by the Company.

The Technology Amendment Deed shall take effect upon the approval of the Shareholders being obtained at the general meeting of the Company. If such condition is not fulfilled on or before 26 July 2026, or such later date as may be agreed by the Company and Tsugami Japan, the Technology Amendment Deed shall become null and void in all respects and cease to have any effect whatsoever, and no party to the Technology Amendment Deed shall have any claim against the other party.

Pricing guideline

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

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

(B) Renewal of the Master Sales Agreement

On 4 September 2017, the Company and Tsugami Japan entered into the Master Sales Agreement for a term of three years commencing from 25 September 2017 to 31 March 2020, which was subsequently renewed for two successive periods of three years commencing from 1 April 2020 and 1 April 2023, respectively. As such, the Master Sales Agreement will expire on 31 March 2026.

The Company and Tsugami Japan agreed to renew the Master Sales Agreement upon the expiry of its term on 31 March 2026 for a further term of three years, i.e. up to and including 31 March 2029. There has been no change in the terms of the Master Sales Agreement since it was entered into on 4 September 2017.

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

Date	:	4 September 2017
Parties	:	(a) the Company (b) Tsugami Japan
Duration	:	The Master Sales Agreement shall, upon renewal, continue to be effective up to and including 31 March 2029, which will be automatically renewed for successive periods of three years thereafter unless terminated, among other matters, by either party with not less than 30 business days' prior written notice, subject to the compliance of the Listing Rules.
Continuing transactions	:	The Company agreed to sell its CNC high precision machine tools to the Tsugami Japan Group.

Pricing guideline

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

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

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

1. The finance department of the Company will be responsible for gathering information from time to time about the prevailing market prices and the market trend for comparable products through various channels, including, for example, conducting market price research through various independent industry information websites, discussing with third party industry players and attending events held by industry associations;

2. The Company will analyse and compare the prevailing market prices for comparable products in the market with the selling prices of the CNC high precision machine tools offered to the Tsugami Japan Group;

3. The Company will consider at least two comparable transactions with the independent third party customers of similar products for the same period to ensure no better terms are offered to the Tsugami Japan Group;

4. The finance department of the Company will conduct regular checks on the sales transactions with the Tsugami Japan Group, monitoring the amounts of transactions and conducting assessment and evaluation on the fairness of the transaction terms and pricing terms.

(C) Renewal of the Master Purchase Agreement

On 4 September 2017, the Company and Tsugami Japan entered into the Master Purchase Agreement for a term of three years commencing from 25 September 2017 to 31 March 2020, which was subsequently renewed for two successive periods of three years commencing from 1 April 2020 and 1 April 2023, respectively. As such, the Master Purchase Agreement will expire on 31 March 2026.

The Company and Tsugami Japan intend to renew the Master Purchase Agreement upon the expiry of its term on 31 March 2026 for a further term of three years, i.e. up to and including 31 March 2029. There has been no change in the terms of the Master Purchase Agreement since it was entered into on 4 September 2017.

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

Date	:	4 September 2017
Parties	:	(a) the Company (b) Tsugami Japan
Duration	:	The Master Purchase Agreement shall, upon renewal, continue to be effective up to and including 31 March 2029, which will be automatically renewed for successive periods of three years thereafter unless terminated, among other matters, by either party with not less than 30 business days' prior written notice, subject to the compliance of the Listing Rules.
Continuing transactions	:	The Group may procure parts and components (including the relevant warranty costs in relation to the CNC system panels procured through Tsugami Japan), production machinery and equipment, and CNC high precision machine tools manufactured by the Tsugami Japan Group.

Pricing guideline

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

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

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

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

1. In respect of the parts and components which are manufactured by independent third party suppliers but procured from the Tsugami Japan Group:

    (i) The finance department of the Company will be responsible for gathering information from time to time about the market prices offered by the independent third party suppliers and the market trend for comparable parts and components through various channels including, for example, conducting market price research through various independent industry information websites, discussing with third party industry players and attending events held by industry associations;

    (ii) Before making the purchase orders, the Company will obtain at least two quotations from the independent third party suppliers and/or review two comparable transactions with independent third party suppliers for the same period;

    (iii) The Company will compare whether the purchase prices offered by the Tsugami Japan Group are at a more favourable level than the prices offered by the independent third party suppliers;

    (iv) If the purchase prices offered by the Tsugami Japan Group are not at a relatively competitive level, the Company will purchase such parts and components directly from the independent third party suppliers;

2. In respect of the parts and components, production machinery and equipment and CNC high precision machine tools which are manufactured and uniquely designed for the Company's needs by the Tsugami Japan Group and are not available from independent third party suppliers:

   (i) The Company will explore whether the Company has the production and customisation and development capabilities to develop and manufacture such products;

   (ii) The Company will compare the time and costs incurred by the Company if the Company directly develops and manufactures such products with the purchase prices offered by the Tsugami Japan Group;

   (iii) The Directors will carry out due and careful enquiries with the management of the Tsugami Japan Group in relation to the costs incurred by the Tsugami Japan Group in developing and manufacturing such products;

   (iv) If the purchase prices offered by the Tsugami Japan Group are not at a relatively competitive level, the Company will develop and manufacture such products directly;

   (v) The procurement department of the Company will be responsible for gathering information from time to time whether there are alternative suppliers who can design and manufacture such parts and components and production machinery and equipment which suit the Company's needs at a competitive pricing; and

3. The finance department of the Company will conduct regular checks on the purchase transactions with the Tsugami Japan Group, monitoring the amounts of transactions and conducting assessment and evaluation on the fairness of the transaction terms and pricing terms.

HISTORICAL TRANSACTION AMOUNTS AND THE ANNUAL CAPS

(A) The Technology Licence Agreement

For the two years ended 31 March 2024 and 31 March 2025 and the six months ended 30 September 2025, the Company's Trademarks and Technology licence fees and after sales service fees paid to Tsugami Japan amounted to, in aggregate, approximately RMB142.5 million, RMB185.9 million and RMB125.6 million, respectively.

For the two years ended 31 March 2024 and 31 March 2025 and the year ending 31 March 2026, the technology annual caps are RMB332 million, RMB398 million and RMB438 million, respectively.

The Technology Annual Caps for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029 are set out below:

	For the year ending 31 March 2027 *RMB(million)*	For the year ending 31 March 2028 *RMB(million)*	For the year ending 31 March 2029 *RMB(million)*
Technology Annual Caps	327	404	502

Basis for the Technology Annual Caps

In determining the Technology Annual Caps, the Directors considered (i) the historical Trademarks and Technology licence fees paid to Tsugami Japan for the two years ended 31 March 2024 and 31 March 2025 and the six months ended 30 September 2025; (ii) the royalty rate of 1.0% or 5.0% and the aftersales services fee payable to Tsugami Japan pursuant to the Technology Licence Agreement; (iii) the projected growth for the sales of the CNC high precision machine tools of the Group for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029; and (iv) a buffer of approximately 3% to 5% for the potential increase in market price of or demand for the CNC high precision machine tools of the Company for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029.

As the Trademarks and Technology licence fees payable to Tsugami Japan shall be calculated based on the royalty rate multiplied by the total sales of the CNC high precision machine tools, the Trademarks and Technology licence fees is highly correlated to the overall sales performance of the Group. In this regard, considering the sales projections and expected demand for its CNC high precision machine tools both in the PRC and in the Other Markets for the three years ending 31 March 2029 as explained in the paragraphs "(B) The Master Sales Agreement - Basis for the Sales Annual Caps" and "(C) The Master Purchase Agreement - Basis for the Purchase Annual Caps" below, the Company has set the Technology Annual Caps at a similar year-on-year growth rate as that of the Sales Annual Caps and the Purchase Annual Caps. Based on the above, the Board considers the basis for the Technology Annual Caps is fair and reasonable.

(B) The Master Sales Agreement

For the two years ended 31 March 2024 and 31 March 2025 and the six months ended 30 September 2025, the Group's total sales of its CNC high precision machine tools to the Tsugami Japan Group amounted to approximately RMB472.7 million, RMB452.1 million and RMB145.3 million, respectively.

For the two years ended 31 March 2024 and 31 March 2025 and the year ending 31 March 2026, the sales annual caps are RMB1,980 million, RMB2,376 million and RMB2,613 million, respectively.

The Sales Annual Caps for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029 are set out below:

	For the year ending 31 March 2027 *RMB(million)*	For the year ending 31 March 2028 *RMB(million)*	For the year ending 31 March 2029 *RMB(million)*
Sales Annual Caps	1,300	1,600	2,000

Basis for the Sales Annual Caps

In determining the Sales Annual Caps, the Directors considered (i) the historical sales amounts for the CNC high precision machine tools of the Group to the Tsugami Japan Group for the two years ended 31 March 2024 and 31 March 2025 and the six months ended 30 September 2025; (ii) the expected demand for the CNC high precision machine tools of the Group from the Tsugami Japan Group for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029, taking into account the gradual recovery of the PRC and overseas economies; and (iii) a buffer of approximately 3% to 5% for the potential increase in market and/or selling price of the CNC high precision machine tools of the Group for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029 in view of the general increasing costs of production (including but not limited to labour and raw material costs). Based on the above, the Board considers the basis for the Sales Annual Caps is fair and reasonable.

(C) The Master Purchase Agreement

For the two years ended 31 March 2024 and 31 March 2025 and the six months ended 30 September 2025, the Group's purchases from Tsugami Japan (including the relevant warranty costs in relation to the CNC system panels procured through Tsugami Japan) amounted to, in aggregate, approximately RMB135.5 million, RMB109.4 million and RMB38.8 million, respectively.

For the two years ended 31 March 2024 and 31 March 2025 and the year ending 31 March 2026, the purchase annual caps are RMB898 million, RMB1,077 million and RMB1,185 million, respectively.

The Purchase Annual Caps for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029 are set out below:

	For the year ending 31 March 2027 *RMB(million)*	**For the year ending 31 March 2028** *RMB(million)*	**For the year ending 31 March 2029** *RMB(million)*
Purchase Annual Caps	455	560	700

Basis for the Purchase Annual Caps

In determining the Purchase Annual Caps, the Directors considered (i) the historical purchase costs paid to Tsugami Japan for the two years ended 31 March 2024 and 31 March 2025 and the six months ended 30 September 2025; (ii) the projected growth for the sales of the CNC high precision machine tools of the Group for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029; (iii) the expected demand for parts and components (including the relevant warranty costs in relation to the CNC system panels procured through Tsugami Japan), production machinery and equipment and CNC high precision machine tools to cope with the Group's projected growth for the sales of its CNC high precision machine tools; and (iv) the estimated increase in production costs of parts and components and production machinery and equipment and CNC high precision machine tools.

The expected demands for procurement from the Tsugami Japan Group follows a linear relationship with the overall sales performance of the Group. Taking into account the factors described in "(B) The Master Sales Agreement - Basis for the Sales Annual Caps" above, the Company believes there will be, in particular, an increase in demand for parts and components and production machinery and equipment to meet the increase in sales volume of the CNC high precision machine tools for the three years ending 31 March 2029. Other than the anticipated increase in demand for the CNC high precision machine tools in the Other Markets, in projecting the demand for CNC high precision machine tools in the PRC market, the Group had taken into account (i) the increasing trend of energy saving and emission control in the PRC automobile market, as outlined in the "New Energy Automobile Development Plan (2021-2035)" published by the PRC State Council; (ii) favourable PRC government policies, such as the "Made in China 2025" Strategy—a roadmap released by the PRC State Council to guide the PRC's advanced industrial manufacturing, with support for high precision machine tools and high-end digital machine tools; and (iii) the gradual recovery of the PRC economy. The Company considers that as the PRC's manufacturing industry had begun to rebound and that there had been significant recovery in the CNC machine tools industry.

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

REASONS FOR AND BENEFITS OF RENEWAL OF THE EXISTING AGREEMENTS AND THE ENTRY INTO THE TECHNOLOGY AMENDMENT DEED

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

In connection with the Technology Licence Agreement as amended by the Technology Amendment Deed, the Directors believe such amendments are in the interest of the Company and the Shareholders as a whole, as the Company will focus on the PRC, Taiwan and Hong Kong markets which have been the markets the Company has been focusing on, and they have all long been contributing to the Group's revenue substantially. The Group's revenue contributed by the PRC, Taiwan and Hong Kong markets has increased by 43.92% from the financial year ended 31 March 2024 to that ended 31 March 2025, and by 38.58% from the six months ended 30 September 2024 to those ended 30 September 2025. In addition, these markets contributed 84.85% and 89.39% to the total revenue of the Group in the financial years of 2024 and 2025 respectively.

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

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

The Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of the Independent Financial Adviser) consider that the entry into the Technology Amendment Deed and the renewal of the Existing Agreements have been negotiated on an arm's length basis, are fair and reasonable, on normal commercial terms and within the ordinary and usual course of business of the Group, and are in the interests of the Group and the Shareholders as a whole, and that the Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

(2) CONNECTED TRANSACTION – PROPOSED AMENDMENTS TO THE DEED OF NON-COMPETITION

BACKGROUND

Reference is made to the Original Deed of Non-Competition entered into by the Company and Tsugami Japan on 4 September 2017 in connection with the Listing, pursuant to which Tsugami Japan has unconditionally and irrevocably undertaken to the Company that it will not, and will procure its close associates (save for members of the Group) not to, alone or jointly, directly or indirectly, invest in, be engaged in, participate in, concerned in, develop or hold any right or interest in or otherwise be involved in any Restricted Business during the Relevant Period. Moreover, Tsugami Japan has further unconditionally and irrevocably undertaken to the Company that it will, and will procure its close associates (save for members of the Group), allow the Company to conduct reasonable and necessary quarterly inspection of the sales network of Tsugami Japan Group, including their end customers, to check whether any products of the Group is sold by the Tsugami Japan Group in the PRC and Taiwan or any other markets in which the Group is selling their CNC high precision machine tools. Please refer to the section headed "Relationship with our Controlling Shareholders – Non-competition undertakings" in the Prospectus for more details.

Under the Original Deed of Non-Competition, "Restricted Business" has been defined as "any business that competes, or is likely to compete with the business of any member of the Group, and any business of any member of the Group and any business undertaken by the Group from time to time, including without limitation the manufacture of CNC high precision machine tools, including without limitation (i) precision automatic lathes, (ii) precision turret machines, (iii) precision machining centres, (iv) precision grinding machines, and (v) precision thread and form rolling machines".

Over 8 years have passed since the Original Deed of Non-Competition Undertaking was executed. The Group has become a leading CNC high precision machine tools manufacturer in the PRC. Although the Group has been entitled to outreach to Other Markets under the Original Deed of Non-Competition, the Group's revenue stream has long been derived predominantly from the PRC, Taiwan and Hong Kong markets. Please refer to the relevant figures in relation to the Group's revenue contributed by these markets under the above section headed "REASONS FOR AND BENEFITS OF RENEWAL OF THE EXISTING AGREEMENTS AND THE ENTRY INTO THE TECHNOLOGY AMENDMENT DEED" in respect of the renewal of Technology Licence Agreement. In this regard, the Company determines that it is in the interest of the Company to focus exclusively on these markets as its core business development going forward.

DNC AMENDMENT DEED

On 26 January 2026, the Company and Tsugami Japan entered into the DNC Amendment Deed to amend the Original Deed of Non-Competition so as to safeguard the interests of the future development of the Company and reflect the Company's business plans accurately.

The DNC Amendment Deed shall take effect upon all necessary approvals required for the Company to enter into the DNC Amendment Deed (including but not limited to authorizations, consents or approvals from the board of directors, shareholders (including approval of the Independent Shareholders) or any third parties (if applicable)) have been obtained and remain valid (the "**Conditions Precedent**").

If any of the Conditions Precedent is not fulfilled on or before 26 July 2026 or such later date as may be agreed by the Company and Tsugami Japan, the DNC Amendment Deed shall become null and void in all respects and cease to have any effect whatsoever; and no party to the DNC Amendment Deed shall have any claim against the other party.

The Proposed Amendments pursuant to the DNC Amendment Deed are summarised as follows:

1. The DNC Amendment Deed clarifies that the "Restricted Business" referred to in the Original Deed of Non-Competition shall be limited to regions in the PRC, Hong Kong, or Taiwan;

2. The DNC Amendment Deed further clarifies that the Tsugami Japan Group will allow the Company to conduct reasonable and necessary quarterly inspection of the sales network of the Tsugami Japan Group, including their end customers, to check whether any products of the Group is sold by the Tsugami Japan Group in the PRC, Hong Kong, or Taiwan; and

3. The DNC Amendment Deed further clarifies that any matters not stipulated under the Original Deed of Non-Competition shall be resolved through mutual consultation between Tsugami Japan Group and the Company, and any decision reached shall be made in writing and in accordance with the Listing Rules.

Save as disclosed above, there is no other change to the other provisions of the Original Deed of Non-Competition.

REASONS FOR ENTERING INTO THE DNC AMENDMENT DEED

Given the change in economic and business environment in which the Group operates, together with the rapidly rising revenue contributed by the PRC, Taiwan and Hong Kong markets to the Group (which have all long been constituting the major revenue stream of the Group), the Board considers that the undertakings under the Original Deed of Non-Competition given by Tsugami Japan, which included broad geographical locations pertaining to the Restricted Business (i.e., the Other Markets), are unnecessary and do not accurately reflect the market participation and business plans of the Company. In line with the Technology Amendment Deed in respect of the Technology Licence Agreement, the Company will focus on developing its business in the PRC, Taiwan and Hong Kong markets due to the substantial revenue stream arising therefrom. This will also allow the Company's management to focus their efforts on developing the PRC, Taiwan and Hong Kong markets, which has proven track record for substantially contributing to the current success of the Company, thereby benefiting the Company and its Shareholders as a whole. Please refer to the relevant figures in relation to the Group's revenue contributed by these markets under the above section headed "REASONS FOR AND BENEFITS OF RENEWAL OF THE EXISTING AGREEMENTS AND THE ENTRY INTO THE TECHNOLOGY AMENDMENT DEED" in respect of the renewal and the amendment of Technology Licence Agreement. Accordingly, the Proposed Amendments are to safeguard the interests of future development of the Company in the PRC, Taiwan and Hong Kong markets and reflect accurately the business plans of the Company.

The Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of the Independent Financial Adviser) believe that while the DNC Amendment Deed is not entered into during the ordinary and usual course of business of the Group, it is fair and reasonable and in the interests of the Company and its Shareholders as a whole, and is on normal commercial terms.

INFORMATION OF THE COMPANY

The Company is an established foreign-owned CNC high precision machine tool manufacturer in the PRC. The principal activities of the Group are the manufacture and sales of a wide range of CNC high precision machine tools under the TSUGAMI brand based in the PRC.

INFORMATION OF TSUGAMI JAPAN

Tsugami Japan is a long-established Japanese manufacturer of machine tools established in March 1937 and has been listed on the Tokyo Stock Exchange for over 70 years. The Tsugami Japan Group primarily engages in the design, research, development, manufacture and sales of machine tools.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tsugami Japan is interested in approximately 65.89% of the issued share capital of the Company and is the controlling shareholder of the Company and therefore, members of the Tsugami Japan Group are connected persons of the Company. Accordingly, the renewal of the Existing Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company, and the entry into the DNC Amendment Deed constitutes a connected transaction of the Company, under Chapter 14A of the Listing Rules.

The entry into the Technology Amendment Deed constitutes a material variation to the terms of the original Technology Licence Agreement. Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to effect a material change to the terms of continuing connected transactions, it is required to re-comply with the announcement, approval by Independent Shareholders, and other applicable requirements under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Technology Annual Caps, the Sales Annual Caps and the Purchase Annual Caps, respectively, is 5% or above, the renewal of the Existing Agreements and the Annual Caps are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As Mr. Nobuhiro Watabe (being the head of representative director, the executive officer and the head of domestic sales division of Tsugami Japan), Mr. Shoichiro Haga (being the non-executive director of Tsugami Japan), Mr. Kunimasa Ota (being the outside director and member of the audit and supervisory committee of Tsugami Japan) and Ms. Mami Matsushita (being a representative director and a general manager of overseas business of Tsugami Japan) hold directorship or senior management positions with Tsugami Japan, as well as shares in Tsugami Japan and are considered as materially interested in all of the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the transactions contemplated thereunder, including the Annual Caps, and the entry into the DNC Amendment Deed, each of Mr. Nobuhiro Watabe, Mr. Shoichiro Haga, Mr. Kunimasa Ota and Ms. Mami Matsushita has abstained from voting on the relevant board resolutions approving these foregoing transactions. Save as disclosed above, none of the Directors has a material interest in all of the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the transactions contemplated thereunder, including the Annual Caps, or the entry into the DNC Amendment Deed by reasons of him or her being a director or employee of Tsugami Japan and/or holding shares in Tsugami Japan.

The Independent Board Committee, consisting of three independent non-executive Directors being Dr. Satoshi Iwabuchi, Dr. Huang Ping and Mr. Tam Kin Bor, each of whom has no interests in the transactions, has been established to advise the Independent Shareholders in relation to all of the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps, and the entry into the DNC Amendment Deed. Mr. Kunimasa Ota, who is an independent non-executive Director, is also an outside director and member of the audit and supervisory committee of Tsugami Japan and has interests in 2,300 shares in Tsugami Japan, representing approximately 0.005% of the issued share capital of Tsugami Japan. As such, he is not a member of the Independent Board Committee. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in all regards.

None of the Directors hold any issued Shares, and therefore, no Director is entitled to vote at the EGM.

GENERAL

The EGM will be held for the Independent Shareholders to consider and, if thought fit, among other things, to approve the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029, and the entry into the DNC Amendment Deed, by way of ordinary resolutions.

A circular containing, among other things, (i) the principal terms of, and information relating to, the entry of the Technology Amendment Deed and the renewal of the Existing Agreements; (ii) information relating to the Annual Caps for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029; (iii) the details of the DNC Amendment Deed; (iv) a letter from the Independent Board Committee, which sets out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to all of the entry of the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps, and the DNC Amendment Deed; (v) a letter from the Independent Financial Adviser, which sets out the opinions and recommendations of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to all of the entry of the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps, and the DNC Amendment Deed; and (vi) a notice to convene the EGM, is expected to be dispatched to the Shareholders on or before 4 March 2026, as more time is needed to finalise the content of the circular.

DEFINITIONS

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

"Annual Caps"	collectively, the Technology Annual Caps, the Sales Annual Caps, and the Purchase Annual Caps;
"Board"	the board of Directors;
"CNC"	the abbreviation for "computerised numerical control";

"Company"	Precision Tsugami (China) Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
"Conditions Precedent"	the conditions precedent set out in the paragraph headed "DNC Amendment Deed";
"connected person"	has its meaning as given to it under the Listing Rules;
"controlling shareholder"	has its meaning as given to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"DNC Amendment Deed"	the deed of amendment to the Original Deed of Non-Competition entered into between Tsugami and the Company on 26 January 2026;
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other things, (i) the entry into the Technology Amendment Deed; (ii) the renewal of the Existing Agreements; (iii) the Annual Caps for the three years ending 31 March 2027, 31 March 2028, and 31 March 2029; and (iv) the entry into the DNC Amendment Deed by way of ordinary resolutions;
"Existing Agreements"	collectively, the Master Sales Agreement, the Master Purchase Agreement and the Technology Licence Agreement;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	the committee of the Board comprising Dr. Satoshi Iwabuchi, Dr. Huang Ping and Mr. Tam Kin Bor, being the independent non-executive Directors, each of whom has no interests in the transactions, established to advise the Independent Shareholders as to voting at the EGM on, among other things, the resolutions approving the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps, and the entry into the DNC Amendment Deed;
"Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which is the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the Annual Caps, and the entry into the DNC Amendment Deed;

"Independent Shareholders"	Shareholders other than Tsugami Japan and its associates, and any other Shareholder(s) who are considered as materially interested in all of the entry into the Technology Amendment Deed, the renewal of the Existing Agreements and the transactions contemplated thereunder including the Annual Caps, and the entry into the DNC Amendment Deed;
"Independent Third Parties"	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made reasonable enquiries, is/are independent of and not connected with (within the meaning of the Listing Rules) the Company, any Director, chief executive or substantial shareholder of the Company, its subsidiaries or any of their respective associates;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 4 September 2017;
"Master Purchase Agreement"	the master purchase agreement dated 4 September 2017 entered into between the Company and Tsugami Japan, which was subsequently renewed upon its expiry of its initial term on 31 March 2020 for two successive periods of three years, i.e. up to and including 31 March 2026, the principal terms of which are summarised in this announcement;
"Master Sales Agreement"	the master sales agreement dated 4 September 2017 entered into between the Company and Tsugami Japan, which was subsequently renewed upon its expiry of its initial term on 31 March 2020 for two successive periods of three years, i.e. up to and including 31 March 2026, the principal terms of which are summarised in this announcement;
"Original Deed of Non-Competition"	the deed of non-competition entered into between Tsugami Japan and the Company on 4 September 2017;
"Other Markets"	markets outside the PRC and Taiwan;
"PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires otherwise, references to the "PRC" in this announcement do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"Proposed Amendments"	means the proposed amendments to the Original Deed of Non-Competition, details of which are set out under the section headed "DNC AMENDMENT DEED" in this announcement;
"Prospectus"	the prospectus of the Company dated 4 September 2017;
"Purchase Annual Caps"	the proposed annual cap amounts in respect of the transactions contemplated under the Master Purchase Agreement for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029;
"Relevant Period"	means from the date on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange to the earliest of the date on which: (i) the Shares cease to be listed on the Stock Exchange: or (ii) Tsugami Japan, whether directly or indirectly, ceases to hold at least 30% (or such higher percentage as constituting a controlling shareholder under the Listing Rules and applicable requirements from time to time) of the Shares;
"Restricted Business"	means, originally under the Original Deed of Non-Competition, any business that competes, or is likely to compete with the business of any member of the Group, and any business of any member of the Group and any business undertaken by the Group from time to time, including without limitation the manufacture of CNC high precision machine tools, including without limitation (i) precision automatic lathes, (ii) precision turret machines, (iii) precision machining centres, (iv) precision grinding machines, and (v) precision thread and form rolling machines, which is now proposed to be amended as described under the Proposed Amendments;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sales Annual Caps"	the proposed annual cap amounts in respect of the transactions contemplated under the Master Sales Agreement for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$1.00 each in the issued share capital of the Company;
"Shareholder(s)"	shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Technology Amendment Deed "	the deed of amendment to the Technology Licence Agreement entered into between Tsugami Japan and the Company on 26 January 2026;

"Technology Annual Caps"	the proposed annual cap amounts in respect of the transactions contemplated under the Technology Licence Agreement for the three years ending 31 March 2027, 31 March 2028 and 31 March 2029;
"Technology Licence Agreement"	the technology licence agreement dated 4 September 2017 entered into between the Company and Tsugami Japan, which was subsequently renewed upon its expiry of its initial term on 31 March 2020 for two successive periods of three years, i.e. up to and including 31 March 2026, the principal terms of which are summarised in this announcement, and as may be amended by the Technology Amendment Deed upon its becoming effective;
"Technology"	technical information and related intellectual property rights of Tsugami Japan for manufacturing certain types of CNC high precision machine tools of the Company and to provide aftersales services in connection with these products;
"Third-party Components"	parts and components which are manufactured by third-party suppliers and procured from Tsugami Japan, excluding CNC system panels;
"Trademark(s)"	the trademarks licensed by Tsugami Japan to the Company from time to time pursuant to the Technology Licence Agreement;
"TSUGAMI brand"	Tsugami brand denoted by the trademark TSUGAMI;
"Tsugami Japan"	Tsugami Corporation (株式会社ツガミ), the controlling shareholder of the Company, a Japanese company incorporated in March 1937 and listed on the Tokyo Stock Exchange; and
"Tsugami Japan Group"	Tsugami Japan and its subsidiaries (other than the Group).

By order of the Board
Precision Tsugami (China) Corporation Limited
Dr. Wang Xiaokun
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 26 January 2026

As at the date of this announcement, the executive directors of the Company are Dr. Wang Xiaokun, Dr. Tang Donghao, Mr. Shoichiro Haga and Mr. Li Junying; the non-executive directors of the Company are Mr. Nobuhiro Watabe and Ms. Mami Matsushita; and the independent non-executive directors of the Company are Mr. Kunimasa Ota, Dr. Satoshi Iwabuchi, Dr. Huang Ping and Mr. Tam Kin Bor.