THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Precision Tsugami (China) Corporation Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed dealer, or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Lego Corporate Finance Limited
力高企業融資有限公司

A letter from the Board is set out on pages 6 to 26 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 27 to 28 of this circular. A letter from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 55 of this circular.

A notice convening the EGM to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 23 March 2026 at 10:00 a.m. is set out on pages 62 to 64 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for holding the EGM (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

* References to time and dates in this circular are to Hong Kong time and dates.

Hong Kong, 4 March 2026

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

"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" of the "LETTER FROM THE BOARD";
"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 by way of ordinary resolutions; and (iv) the entry into the DNC Amendment Deed;
"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 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;
"Latest Practicable Date"	25 February 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contain herein;

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"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 circular;
"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 circular;
"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, Hong Kong and Taiwan;
"PRC"	the People's Republic of China, but for the purpose of this circular and for geographical reference only and except where the context requires otherwise, references to the "PRC" in this circular 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 as disclosed in this circular;

"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 as disclosed in this circular;
"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"	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;
"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 as disclosed in this circular;
"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 circular, and as may be amended by the Technology Amendment Deed upon its becoming effective;
"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 (株式會社ツガミ), 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).

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)

Executive Directors:
Dr. Wang Xiaokun *(Chairman and Chief executive officer)*
Dr. Tang Donghao
Mr. Shoichiro Haga
Mr. Li Junying

Non-executive Directors:
Mr. Nobuhiro Watabe
Ms. Mami Matsushita

Independent Non-executive Directors:
Mr. Kunimasa Ota
Dr. Satoshi Iwabuchi
Dr. Huang Ping
Mr. Tam Kin Bor

Registered Office:
Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

Principal place of business in Hong Kong:
Room 1915, 19/F
Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

Hong Kong, 4 March 2026

To the Shareholders

Dear Sir or Madam,

(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

(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, 27 June 2022, and 26 January 2026 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.

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

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.

The purpose of this circular is to provide you with, among other things, (i) principal terms of, and information relating to, 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) 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 renewal of the Existing Agreements and the Annual Caps; (iv) 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 the renewal of the Existing Agreements and the Annual Caps; and (v) a notice to convene the EGM.

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 for the amendments to be introduced upon the Technology Amendment Deed becoming effective.

The principal amendments to be introduced by the Technology Amendment Deed include (i) replacement of the general non-exclusive licence to use the Trademarks in regions outside the PRC, Hong Kong, and Taiwan with a more focused 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 to Tsugami Japan; and (ii) introduction of a new provision that any matters not stipulated in the Technology Licence Agreement shall be resolved through mutual consultation between Tsugami Japan (and/or its affiliates) and the Company, with any decision to be made in writing and subject to the Listing Rules.

The principal terms of the Technology Licence Agreement as amended by the Technology Amendment Deed are summarised below:

Date	:	4 September 2017
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 to Tsugami Japan.

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, no less favourable than the terms available to Independent Third Parties 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, reporting to the financial manager, 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 finance department of the Company, reporting to the financial manager, 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 finance department of the Company, reporting to the financial manager, 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, reporting to the financial manager, will monitor the amounts of transactions with the Tsugami Japan Group constantly and in any event no less frequent than once per month. The finance department will also conduct regular checks on the sales transactions with the Tsugami Japan Group each year, including 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, no less favourable than the terms available to Independent Third Parties 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 10% of the said cost incurred as 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 10% of the said cost incurred as 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, reporting to the financial manager, 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 finance department of the Company, reporting to the financial manager, 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 finance department of the Company, reporting to the financial manager, 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, 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, reporting to the financial manager, will monitor the amounts of transactions with the Tsugami Japan Group constantly and in any event no less frequent than once per month. The finance department will also conduct regular checks on the purchase transactions with the Tsugami Japan Group each year, including 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 aftersales 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 are highly correlated to the overall sales performance of the Group. In this regard, the Group has recorded an average revenue growth of over 20% for the five years ended 31 March 2025, 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 for projected sales in each year as that of the Sales Annual Caps and the Purchase Annual Caps, which is approximately between 23% and 30%, which is at a similar level to the average of the actual growth in total revenue of the Group from the year ended 31 March 2024 to the year ended 31 March 2025 of approximately 36.6%, as well as the expected growth in total revenue of the Group from the year ended 31 March 2025 to the year ended 31 March 2026 of approximately 17.0%. Based on the estimated total sales revenue of RMB 5 billion for the financial year ending 31 March 2026, the projected total sales revenue for the next three financial years has been calculated accordingly. The Technology Annual Caps have then been calculated by applying a 5.0% royalty rate to the projected annual sales revenue, because 5.0% is the applicable rate for the majority of CNC high precision machine tool models expected to be sold during the three years ending 31 March 2029.

The Directors further note that the utilisation rate for the Technology Annual Caps in relation to the past three financial years has generally been on the lower side. This is primarily attributable to the actual sales performance for the relevant period being lower than anticipated due to a downturn in market conditions. Nonetheless the Directors remain optimistic towards the upcoming market conditions and demand based on the reasons illustrated above.

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	**For the year ending 31 March 2028**	**For the year ending 31 March 2029**
	RMB(million)	*RMB(million)*	*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 which were approximately RMB473 million, RMB452 million and RMB145 million respectively, and which when expressed as a percentage of the Group's total revenue for the relevant periods, the highest proportion was approximately 15.5%; (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 being approximately 20% of the Group's total expected revenue, taking into account the gradual recovery of the PRC and overseas economies, as well as emerging downstream industries such as artificial intelligence (AI) liquid cooling and humanoid robotics which are expected to drive further world-wide demand for the CNC high precision machine tools of the Group; and (iii) a buffer of approximately 3% to 5% for the potential increase in market 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).

The Directors further noted that the utilisation rate of the Sales Annual Caps for the past three financial years has generally been on the lower side. This was mainly due to the Group's strategic decision in recent years to limit sales to the Tsugami Japan Group, thereby keeping the Group's reliance on the Tsugami Japan Group at a reasonable level.

Nevertheless, in setting the new Sales Annual Caps, the Directors considered it appropriate to assume that 20% of the Group's total expected revenue will be contributed by sales to the Tsugami Japan Group, as disclosed above. This assumption reflects the higher end of the actual range observed by the Group over the five years ended 31 March 2025, particularly after taking into account the actual sales amount to the Tsugami Japan Group for the ten months ended 31 January 2026, which amounted to approximately RMB290.1 million and represented over 6% of the Group's total sales for the same period (an increase from 5.8% for the six months ended 30 September 2025). By adopting this higher assumption, the Directors aim to provide the Group with greater flexibility to increase sales to the Tsugami Japan Group and capture additional revenue opportunities as they arise.

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) the 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 the ongoing rebound in the PRC's manufacturing industry, together with the significant recovery in the CNC high precision machine tools industry, will further support the anticipated increase in demand.

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 its business potential.

Quantitatively, in determining the Purchase Annual Caps, the Directors estimated that approximately up to 20% of the Group's total expected revenue will be contributed by sales to the Tsugami Japan Group, as disclosed in "(B) The Master Sales Agreement – Basis for the Sales Annual Caps" above. The Directors further estimate that the Group's total procurement costs will amount up to approximately 70% of its total revenue, which is close to the higher end of the range observed for the two years ended 31 March 2024 and 2025 and the six months ended 30 September 2025. Of this amount, purchases from the Tsugami Japan Group have accounted for close to approximately 10% of the total procurement costs during the relevant period. Recognising the need to incorporate a reasonable buffer to accommodate anticipated increases in demand for parts, components, and production machinery and equipment, particularly in view of the expected growth in sales volume of CNC high precision machine tools, the Directors have adopted this higher-end percentage as a basis for determination of the Purchase Annual Caps.

The Directors further noted that the utilisation rate for the Purchase Annual Caps has been relatively low in recent periods. This lower proportion was primarily the result of the Group's strategy to reduce reliance on the Tsugami Japan Group. However, in setting the Purchase Annual Caps, the Directors have chosen to use the higher percentage, which is closer to the historical range observed over the five years ended 31 March 2025, in order to provide greater flexibility for the Group's procurement activities in the coming three years, given potential market fluctuations. Supporting this approach, the actual procurement amount from the Tsugami Japan Group for the ten months ended 31 January 2026 was approximately RMB70.7 million, representing around 3.0% of the Group's total purchases for the same period (an increase from 2.7% for the six months ended 30 September 2025). The Directors also consider that maintaining the ability to procure from the Tsugami Japan Group is beneficial to the Group's operations. Accordingly, the Directors believe that adopting a higher proportion in determining the Purchase Annual Caps would be beneficial in providing the necessary flexibility for the Group's procurement needs over the next three financial years.

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) to, 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 Controlling Shareholder – 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". To provide further context, the Group's business is distinctly delineated from that of Tsugami Japan in terms of (i) geographical location of sales and distribution; (ii) business focus and nature of machine tools manufactured by the Group and Tsugami Japan; and (iii) nature of production. For further details on the business delineation between the Group and Tsugami Japan, please refer to the section headed "Relationship with Controlling Shareholder – Business Delineation" in the Prospectus.

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. The Group has not directly earned revenue from end customers in the Other Markets. Instead, the Group sells CNC high precision machine tools to the Tsugami Japan Group, who, to the best of the Directors' knowledge, subsequently customises these machines in Japan to meet the specific requirements of its customers in the Other Markets before selling to them. Accordingly, the Group's revenue derived from the Other Markets has been generated through its sales to the Tsugami Japan Group. 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 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. The Directors believe that the PRC and Taiwan will continue to represent the largest markets for CNC high precision machine tools in the foreseeable future. Growth potential for the Group's business in the PRC and Taiwan remains significant, and the Directors consider that there is substantial room for further development in these core markets. In addition, the Group's historical sales performance for the two years ended 31 March 2024 and 2025, and the six months ended 30 September 2025 indicates that revenue derived from the Other Markets, which was generated through the Group's sales to the Tsugami Japan Group, has been declining. For instance, the revenue derived from the Other Markets for the two years ended 31 March 2024 and 2025 were approximately RMB473 million and RMB 452 million respectively, representing a year-on-year decline of approximately 4.4%. The revenue derived from the Other Markets for the six months ended 31 September 2024 and 2025 was approximately RMB281 million and RMB145 million respectively, representing a period-to-period decline of approximately 48.3%. In light of these factors, the Board considers that it is in the best interests of the Company to focus its resources and strategic efforts on the PRC, Taiwan and Hong Kong markets, which are expected to drive the Group's future growth. 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. It should be further noted that the entry into the DNC Amendment Deed does not result in the Group foregoing revenue from the Other Markets, which was generated through the Group's sales to the Tsugami Japan Group, and which contributed approximately RMB473 million, RMB452 million and RMB145 million for the two years ended 31 March 2024 and 2025, and the six months ended 30 September 2025, respectively to the Group's revenue. The Group will continue to sell to the Tsugami Japan Group those CNC high precision machine tools. To the best of the Directors' knowledge, the Tsugami Japan Group will then handle any further customisation and sales to end customers in Japan and other overseas markets.

Having considered that (i) the current international trade environment is highly volatile, presenting significant risks for the Group in developing and entering new overseas markets; (ii) the Group does not yet have mature experience or sufficiently strong sales and aftersales service teams to support large-scale expansion into the Other Markets; and (iii) the PRC and Taiwan remain the largest consumption markets for CNC high precision machine tools, with considerable room for further growth, the Directors are of the view that this arrangement enables the Group to concentrate its resources and efforts on developing its business in the PRC, Taiwan and Hong Kong markets. By focusing its operational resources on further expanding sales and market share in the PRC and Taiwan, the Company is better positioned to achieve sustainable growth. Accordingly, the Directors are of the view that the Proposed Amendments will not adversely affect the Group's business or its future development as contemplated under the strategy described above. On the contrary, these Proposed Amendments are expected to have a positive impact in safeguarding 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 Latest Practicable Date, 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 are 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.

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.

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 and the Proposed Amendments, by way of ordinary resolutions.

A notice convening the EGM to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 23 March 2026 at 10:00 a.m. is set out on pages 62 to 64 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for holding the EGM (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the Latest Practicable Date, Tsugami Japan and its associates controlled, and were entitled to exercise control, over the voting rights in respect of 247,530,000 Shares, representing approximately 65.89% of the issued share capital of the Company. Tsugami Japan and its associates shall, therefore, abstain from voting on the resolutions for 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. To the best of the Directors' knowledge and information after having made all reasonable enquiries, other than Tsugami Japan and/or its associates, no other Shareholder is required to abstain from voting at the EGM for the proposed 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.

The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

The register of members of the Company will be closed from Wednesday, 18 March 2026 to Monday, 23 March 2026 (both days inclusive) during which period no transfer of Share(s) will be effected. In order to determine the entitlement to attend and vote at the EGM, all transfers of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 March 2026. Shareholders whose names appear on the register of members of the Company on Monday, 23 March 2026 will be entitled to attend and vote at the EGM.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 27 to 28 of this circular which contains its recommendation to the Independent Shareholders. In addition, your attention is drawn to the letter of advice from the Independent Financial Adviser set out on pages 29 to 55 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons considered by it in formulating its advice.

The Independent Board Committee, consists 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. Mr. Kunimasa Ota, who is an independent non-executive Director, is 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 Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the entry into the Technology Amendment Deed and the renewal of the Existing Agreements are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, that the Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that whilst the entry into the DNC Amendment Deed is not in the ordinary and usual course of business of the Company, it is fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve, among other things, 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.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular and the notice of the EGM set out in this circular.

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

The following is a full text of the letter from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

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)

4 March 2026

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 4 March 2026 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been authorised by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the entry into the Technology Amendment Deed and the renewal of the Existing Agreements are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, that the Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the entry into the DNC Amendment Deed is in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser set out on pages 29 to 55 of the Circular which contains its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons considered by it in formulating its advice.

Having considered 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, and the factors and reasons considered by, and the advice of the Independent Financial Adviser in relation thereto as set out on pages 29 to 55 of the Circular, we are of the opinion that the entry into the Technology Amendment Deed and the renewal of the Existing Agreements are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, that the Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that whilst the entry into the DNC Amendment Deed is not in the ordinary and usual course of business of the Company, it is fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve 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.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Dr. Satoshi Iwabuchi **Dr. Huang Ping** **Mr. Tam Kin Bor**
Independent Non-executive Directors

The following is the full text of the letter of advice from Lego Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Existing Agreements and the proposed Annual Caps, and the Proposed Amendments, which has been prepared for the purpose of inclusion in this circular.

Lego Corporate Finance Limited
力高企業融資有限公司

4 March 2026

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

(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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Existing Agreements and the proposed Annual Caps, and the Proposed Amendments, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 4 March 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 26 January 2026 in relation to the Existing Agreements and the Proposed Amendments (the "**Announcement**"). 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 the Existing Agreements will expire on 31 March 2026, the Company and Tsugami Japan intend to renew the Existing Agreements for a further term of three years from 1 April 2026 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. Further, Tsugami Japan and the Company entered into the DNC Amendment Deed on 26 January 2026 to amend certain terms of the Original Deed of Non-Competition, to clarify and amend the relevant terms of the Original Deed of Non-Competition.

As at the Latest Practicable Date, 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 entering into of the Technology Amendment Deed, the renewal of the Existing Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company, and the entering into of the DNC Amendment Deed by the Company and Tsugami Japan constitutes a connected transaction 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 are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The entering into of 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 entering into of 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.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising three independent non-executive Directors, namely, Dr. Satoshi Iwabuchi, Dr. Huang Ping and Mr. Tam Kin Bor, has been established by the Company to advise the Independent Shareholders as to (i) whether the terms of the Existing Agreements (including the Technology Amendment Deed) and the DNC Amendment Deed are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the transactions contemplated under the Existing Agreements (including the Technology Amendment Deed) and the DNC Amendment Deed are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) whether the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. 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. We, Lego Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or any interest in, the Company, Tsugami Japan or any other parties pursuant to Rule 13.84 of the Listing Rules that could reasonably be regarded as relevant to our independence. In the last two years prior to the Latest Practicable Date, there was no engagement between the Company and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we had received or will receive any fees or benefits from the Company, Tsugami Japan or any other party to the transactions contemplated under the Existing Agreements the Technology Amendment Deed and the DNC Amendment Deed. Accordingly, we consider that we are eligible to give independent advice in respect of the renewal of the Existing Agreements (including the Technology Amendment Deed) and the proposed Annual Caps, and the Proposed Amendments.

BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the information, facts and representations contained or referred to in the Circular and the information, opinions and representations provided or expressed to us by the Directors and/or the management of the Company (the "**Management**"). We have assumed that all the information, facts and representations contained or referred to in the Circular, and all the information, opinions and representations provided or expressed by the Directors and/or the Management, for which they are solely responsible, were true, accurate and complete in all material respects at the time when they were provided and continue to be so as at the Latest Practicable Date and that they may be relied upon in formulating our opinion. We have also assumed that all such opinions and statements of intention or belief expressed by the Directors and/or the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiries.

The Directors have confirmed to us that no material facts have been withheld or omitted from the information provided, representations made or opinions expressed. We have no reason to suspect that any relevant information has been withheld or omitted, nor are we aware of any facts or circumstances which would render the information provided, representations made or opinions expressed to us untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information currently available, and that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and/or the Management, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Group and the Tsugami Japan Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the renewal of the Existing Agreements (including the Technology Amendment Deed) and the proposed Annual Caps, and the Proposed Amendments. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the renewal of the Existing Agreements (including the Technology Amendment Deed) and the proposed Annual Caps, and the Proposed Amendments, we have considered the following principal factors and reasons:

I. Renewal of the Existing Agreements, the entering into of the Technology Amendment Deed and the proposed Annual Caps

1. Background information of the Group and Tsugami Japan

1.1 The Group

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.

1.2 Tsugami Japan

Tsugami Japan, the controlling Shareholder of the Company, 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.

2. *Financial information of the Group*

The following table summarises the financial results of the Group for (i) the year ended 31 March 2024 ("**FY2024**") and the year ended 31 March 2025 ("**FY2025**") as extracted from the annual report of the Company for FY2025 (the "**Annual Report 2025**"); and (ii) for the six months ended 30 September 2024 and 2025 as extracted from the interim report of the Company for the six months ended 30 September 2025 (the "**Interim Report 2026**").

			For the six months ended 30 September	
	FY2025	**FY2024**	**2025**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Revenue	4,261,557	3,119,674	2,496,895	1,978,056
Gross profit	1,410,433	895,539	862,956	634,943
Profit attributable to owners of the parent for the year/period	782,417	479,970	502,253	340,036

For the six months ended 30 September 2024 and 2025

The Group's revenue increased by approximately 26.2% from approximately RMB1,978.1 million for the six months ended 30 September 2024 to approximately RMB2,496.9 million for the six months ended 30 September 2025. As disclosed in the Interim Report 2026, such increase was primarily due to the gradual recovery of China's economy with an increase in demand for high-precision machine tools and equipment in the manufacturing industry, particularly the emerging fields such as new energy vehicles, artificial intelligence and humanoid robots.

In particular, (i) precision lathes recorded sales of approximately RMB2,050.5 million for the six months ended 30 September 2025, representing a period-over-period increase of approximately 19.4%; (ii) precision machining centres recorded sales of approximately RMB206.7 million for the six months ended 30 September 2025, representing a period-over-period increase of approximately 157.0%; and (iii) precision grinding machines and others (including sales of precision thread and form rolling machines, parts and components and after-sales service income) recorded sales of approximately RMB239.7 million for the six months ended 30 September 2025, representing a period-over-period increase of approximately 33.0%.

As a result of the foregoing, the Group's gross profit and the profit attributable to owners of the parent increased by approximately 35.9% and 47.7% for the six months ended 30 September 2025, respectively, as compared to that for the six months ended 30 September 2024.

For FY2024 and FY2025

Revenue of the Group amounted to approximately RMB4,261.6 million for FY2025, representing an increase of approximately 36.6% as compared to that of approximately RMB3,119.7 million for FY2024. As disclosed in the Annual Report 2025, such increase in the total revenue was primarily due to (i) increased demand for CNC high precision machine tools from the downstream manufacturing industry as a result of China's pickup in overall economic conditions in 2024 and the upturn in the CNC machine tools industry commencing in March/April 2024; and (ii) improved product cost-effectiveness and competitiveness due to the Company's ongoing cost reduction and efficiency improvement initiatives, as well as reducing sales price.

In particular, (i) precision lathes recorded sales of approximately RMB3,624.5 million for FY2025, representing a year-on-year increase of approximately 36.5%; (ii) precision machining centres recorded sales of approximately RMB243.6 million for FY2025, representing a year-on-year increase of approximately 57.3%; and (iii) precision grinding machines and others (including sales of precision thread and form rolling machines, parts and components and after-sales service income) recorded sales of approximately RMB393.4 million for FY2025, representing a year-on-year increase of approximately 27.0%.

As a result of the foregoing, the Group's gross profit and the profit attributable to owners of the parent increased by approximately 57.5% and 63.0% for FY2025, respectively, as compared to that for FY2024.

3. ***Reasons for and benefits of the renewal of the Existing Agreements***

(i) Technology Licence Agreement

Tsugami Japan, is a long-established renowned CNC high precision machine tool manufacturer with over 80 years of establishment and is recognised worldwide for its CNC high precision machine tools. According to the Letter from the Board, leveraging on the goodwill of the TSUGAMI brand, the Group has been widely recognised by manufacturing enterprises engaged in various industries including, automobile parts and components, IT communications and electronics and industrial automation. As advised by the Management, in order to strengthen the Group's leading position in the CNC high precision machine tool industry, the Group will continue to focus on deploying new technologies and applications, improvement of the production system, increase production capacity and efficiency, reduce production costs, improve product quality and enhance the distribution channels and sales network of the Group. The Directors are of the view, and we concur, that the renewal of the Technology Licence Agreement will allow the Group to continuously utilise the trademarks licensed by, and technical know-how and aftersales service supports provided by Tsugami Japan which enables the Group to leverage on the industry-leading technology and developed aftersales services of Tsugami Japan in order to meet customers' increasing needs for the CNC high precision machine tools and to strengthen the market position of the Group, which we consider to be in line with the overall business strategy of the Group.

(ii) Master Sales Agreement and Master Purchase Agreement

To the best knowledge of the Directors, the CNC high precision machine tools manufactured by the Group vary from those manufactured by Tsugami Japan in terms of functionality and models, which certain specific products could only be produced exclusively by Tsugami Japan.

Furthermore, the Group also procures parts and components (including the CNC systems panels) and production machinery and equipment from Tsugami Japan for manufacturing its CNC high precision machine tools in the PRC, which are essential to facilitate the smooth and stable business operations of the Group. As advised by the Management, owing to the long-term business relationship between Tsugami Japan and the suppliers of such products, the price offered by these third-party suppliers to Tsugami Japan would be more favourable than the price offered to the Group for the same products. Such products are in turn sold by the Tsugami Japan Group to the Group at terms better than those offered by such suppliers to the Group.

Having considered the above reasons and benefits and, in addition, (i) the Existing Agreements will be renewed under the same agreement terms (save and except for the amendments made pursuant to the Technology Amendment Deed) and pricing mechanisms; (ii) the transactions contemplated under the Existing Agreements are considered as the principal business activities of the Group; (iii) the Group has established and maintained long-term business relationship with Tsugami Japan; and (iv) through the renewal of the Existing Agreements, the Group can enjoy stable income stream and steady supply of parts and components, production machinery and equipment, and CNC high precision machine tools from the Tsugami Japan Group, we concur with the Directors' view that the transactions contemplated under the Existing Agreements are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Existing Agreements

(i) Technology Licence Agreement

The principal terms of the Technology Licence Agreement as amended by the Technology Amendment Deed are summarised below:

Date	:	4 September 2017
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 to Tsugami Japan.

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.

As part of our due diligence works, we have identified, on a best effort basis, ten continuing connected transactions announced during the period from 1 January 2025 up to the date of the Announcement (i.e. 26 January 2026) in relation to the grant/use of trademark, patent and/or technology licence entered into between the relevant companies listed on the Stock Exchange and their respective connected persons.

Set out below are the details of the identified continuing connected transactions:

Company name	Stock code	Date of announcement	Nature of transactions	Relationship with counterparties	Royalty charged
Wynn Macau, Limited	1128	31 December 2025	Wynn Macau, Limited and Wynn Resorts (Macau) S.A. have been licensed to use certain intellectual properties of Wynn Resorts and Wynn NKH, LLC.	Wynn NKH, LLC is a wholly owned subsidiary of Wynn Resorts, and Wynn Resorts is Wynn Macau, Limited's controlling shareholder.	The fee equals the greater of (1) 3% of the intellectual property gross monthly revenues of Wynn Macau, Limited and its subsidiaries, or (2) US$1.5 million (approximately HK$11.7 million) per month
Sands China Ltd.	1928	24 December 2025	Las Vegas Sands Corp. granted to members of Sands China Ltd. and its subsidiaries from time to time a license to use the licensed marks and the licensed intellectual property.	Las Vegas Sands Corp. is a controlling shareholder of Sands China Ltd.	1.5% of gross non-gaming and gaming revenue
MGM China Holdings Limited	2282	23 December 2025	MGM China Holdings Limited, MGM Grand Paradise S.A. and other direct and indirect wholly owned subsidiaries have been granted a revocable, non-assignable and non-transferable sublicense to use the marks and related internet domain names containing the "MGM" name owned by MGM Resorts International Operations in connection with the marketing and operation of casino, resort, and hospitality businesses at any legally permissible location within the PRC, Macau, Hong Kong and Taiwan.	The counterparties are connected persons of MGM China Holdings Limited.	3.5% of consolidated net monthly revenues

Company name	Stock code	Date of announcement	Nature of transactions	Relationship with counterparties	Royalty charged
JS Global Lifestyle Company Limited	1691	19 December 2025	SharkNinja, Inc. and its subsidiaries have granted to JS Global Lifestyle Company Limited and its subsidiaries non-exclusive rights to obtain, produce and source, and exclusive rights to distribute and sell, SN brands of products in the Asia Pacific Region and Greater China.	SharkNinja Europe Ltd is wholly owned by SharkNinja, Inc., which is owned as to over 40% by JS&W Global Holding Limited Partnership, which is in turn owned by the controlling shareholders of JS Global Lifestyle Company Limited.	3% of net sales
Nissin Foods Company Limited	1475	11 December 2025	Nissin Foods Holdings Co., Ltd. grants to Nissin Foods Company Limited and its subsidiaries a non-exclusive license to use certain trademarks and logos of "NISSIN (日清)" and technological knowledge and information, in relation to the manufacture and sales of Nissin Foods Company Limited and its subsidiaries' products owned by Nissin Foods Holdings Co., Ltd. and its subsidiaries, in the businesses of Nissin Foods Company Limited and its subsidiaries in Hong Kong, PRC, Vietnam and export of products bearing and/or using the trademarks and technology.	Nissin Foods Holdings Co., Ltd. is the controlling shareholder of Nissin Foods Company Limited.	2.5% for Hong Kong, 1.5% for PRC, 0.5% for Vietnam of the net sales

Company name	Stock code	Date of announcement	Nature of transactions	Relationship with counterparties	Royalty charged
Beijing Tong Ren Tan Chinese Medicine Company Limited	3613	28 November 2025	Beijing Tong Ren Tan Chinese Medicine Company Limited and its subsidiaries, associate and joint ventures are authorised to use "Tong Ren Tang" as their tradename separately or simultaneously on their names and relevant Chinese medicine products.	Tong Ren Tang Holdings is the ultimate controlling shareholder of Beijing Tong Ren Tan Chinese Medicine Company Limited.	0.3% of net sales
IFBH Limited	6603	21 November 2025	Innovative Food and Beverage Pte. Ltd. granted to General Beverage Co., Ltd. a non-exclusive licence to use the *if* and *Innococo* trademarks in Thailand in association with the licensed products, which include, among other things, fruit juice beverages, herbal beverages, tamarind beverages and coconut juice as beverage.	General Beverage Co., Ltd. is the controlling shareholder of IFBH Limited.	2.5% of the total sale amount
Hong Kong Robotics Group Holding Limited	370	22 September 2025	Dataa Robotics Co., Ltd has granted Hong Kong Robotics Technology (Shenzhen) Co. Ltd and its affiliates to use approximately 1,780 patents and 110 software copyrights of Dataa Robotics Co., Ltd and its affiliates in Greater China.	Dataa Robotics Co., Ltd is a substantial shareholder of Hong Kong Robotics Group Holding Limited.	1% of the sale revenue

Company name	Stock code	Date of announcement	Nature of transactions	Relationship with counterparties	Royalty charged
AEON Credit Service (Asia) Company Limited	900	27 February 2025	AEON Credit Service (Asia) Company Limited and its subsidiaries are granted an exclusive right to use the trademarks, service marks, and associated intellectual property rights owned and registered by AEON Co., Ltd. in the Hong Kong and Mainland China from time to time.	AEON Financial Service Co., Ltd. is a controlling shareholder of AEON Credit Service (Asia) Company Limited.	0.375% on audited consolidated operating revenue
IMAX China Holding, Inc.	1970	9 January 2025	IMAX (Shanghai) Multimedia Technology Co., Ltd. and IMAX China (Hong Kong), Limited shall be entitled to use the trademarks and the technology of IMAX Corporation in connection with the development and exploitation of the enhanced business.	IMAX Corporation is the controlling shareholder of IMAX China Holding, Inc.	5% of all revenues and other compensation received

Based on our review of the relevant announcements and/or circulars as demonstrated in the above table, we noted that the royalty rate in respect of grant/use of trademark, patent and/or technology licence under such continuing connected transactions ranged from 0.3% to 5.0% of the relevant sales amount. Accordingly, the royalty rate of 1.0% or 5.0% payable to Tsugami Japan by the Group is within such market range.

We have also discussed with the Management and understood that the daily rate of approximately JPY46,000 in respect of aftersales services fees to be charged by Tsugami Japan is in general favourable to the Group as compared to the standard daily rate charged by Tsugami Japan for its staff in provision of similar services in Japan. For our due diligence purpose, we have obtained the standard service fee chart charged by Tsugami Japan and three sample invoices issued by Tsugami Japan to independent third-party customers in provision of similar services in Japan during the period from 1 April 2023 to 30 September 2025 and noted that the aftersales services fees charged by Tsugami Japan to independent third-party customers in provision of similar services in Japan were higher than the daily rate of approximately JPY46,000 under the pricing guideline of the Technology Licence Agreement.

Technology Amendment Deed

The principal amendments to be introduced by the Technology Amendment Deed include (i) replacement of the general non-exclusive licence to use the Trademarks in regions outside the PRC, Hong Kong, and Taiwan with a more focused 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 to Tsugami Japan; and (ii) introduction of a new provision that any matters not stipulated in the agreement shall be resolved through mutual consultation between Tsugami Japan (and/or its affiliates) and the Company, with any decision to be made in writing and in accordance with the Listing Rules. The 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 shall allow the Group to continue selling its CNC high precision machine tools to the Tsugami Japan Group under the Master Sales Agreement. The amendments made to the Technology Licence Agreement pursuant to the Technology Amendment Deed are in line with the Proposed Amendments, which to our opinion is in the interest of the Company as further detailed in the section headed "II. The Proposed Amendments" in this letter below. In view of the above, we are of the view that the entering into of the Technology Amendment Deed is in the interest of the Company and the Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Master Sales Agreement

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 Group 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, no less favourable than the terms available to Independent Third Parties and in the interests of the Company 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.

As advised by the Management, before entering into separate sales contracts with Tsugami Japan, the Company will analyse and compare the prevailing market prices of similar products with the selling prices offered to the Tsugami Japan Group and 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, and whether sales and marketing, aftersales services and technical support services are needed, etc., and then provide a quotation which is comparable to at least two transactions with independent third-party customers of similar products for the same period. In light of the above, we consider that such arrangements are justifiable for the Company to ensure that the selling prices offered by the Group to the Tsugami Japan Group are no less favourable than those offered by the Group to other independent third-party customers of the Group.

(iii) Master Purchase Agreement

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, no less favourable than the terms available to Independent Third Parties and in the interests of the Company and the Shareholders as a whole.

As advised by the Management, before making purchase orders to Tsugami Japan, (i) in respect of the parts and components which are manufactured by independent third-party suppliers but procured from the Tsugami Japan Group, 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; and (ii) 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 and are not available from independent third-party suppliers, the Company will compare the time and costs to be incurred by the Group if the Group directly develops and manufactures such products with the purchase prices offered by the Tsugami Japan Group. The Group will only procure from the Tsugami Japan Group when the purchase price offered to the Group is at a relatively competitive level. In light of the above, we consider that such arrangements are justifiable for the Company to ensure that the purchase prices offered by the Tsugami Japan Group are fair and reasonable and comparable to those offered by other independent third-party suppliers of the Group (where available).

On the above basis, we concur with the Directors' view that the terms of the Existing Agreements (including the Technology Amendment Deed) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

5. Historical transaction amounts

The actual transaction amounts and respective annual caps for the transactions under the Existing Agreements for the two years ended 31 March 2025 and for the six months ended 30 September 2025 are set out as below:

	For the year ended 31 March		**For the six months ended 30 September**
	2024	**2025**	**2025**
	RMB million	*RMB million*	*RMB million*
Technology Licence Agreement:			
Actual transaction amount	142.5	185.9	125.6
Annual cap	332.0	398.0	438.0
Utilisation rate (%)	42.9	46.7	57.4[Note]

	For the year ended 31 March		For the six months ended 30 September
	2024	2025	2025
	RMB million	*RMB million*	*RMB million*
Master Sales Agreement:			
Actual transaction amount	472.7	452.1	145.3
Annual cap	1,980.0	2,376.0	2,613.0
Utilisation rate (%)	23.9	19.0	11.1 [Note]
Master Purchase Agreement:			
Actual transaction amount	135.5	109.4	38.8
Annual cap	898.0	1,077.0	1,185.0
Utilisation rate (%)	15.1	10.2	6.5 [Note]

Note: For illustrative purpose only, the utilisation rate of the annual cap for the year ending 31 March 2026 was calculated by annualising the actual transaction amount for the six months ended 30 September 2025 without taking into account any other factors such as the potential price fluctuation of the CNC high precision machine tools and parts and components, and thus the actual utilisation rate for the year ending 31 March 2026 may vary.

As illustrated in the table above, the historical transaction amount under the Technology Licence Agreement increased from approximately RMB142.5 million for the year ended 31 March 2024 to approximately RMB185.9 million for the year ended 31 March 2025, representing a year-on-year growth of approximately 30.5%. Based on annualisation of the actual transaction amount for the six months ended 30 September 2025, the hypothetic utilisation rate of the annual cap of the Technology Licence Agreement for the year ending 31 March 2026 is projected at approximately 57.4%. As further advised by the Management, the historical transaction amount under the Technology Licence Agreement incurred during the two years ended 31 March 2025 and the six months ended 30 September 2025 consisted of the Trademarks and Technology licence fees paid by the Group to Tsugami Japan only, and no aftersales service was provided by the Tsugami Japan Group and thus no aftersales service fee was charged by Tsugami Japan to the Group during such period.

On the contrary, we noted that the Group recorded comparatively lower utilisation rates for the transactions under the Master Sales Agreement and the Master Purchase Agreement for the two years ended 31 March 2025 and the six months ended 30 September 2025 (on an annualised basis). We have discussed with the Management in such regard and understood that the comparatively low utilisation rates for the sales to and purchases from the Tsugami Japan Group during such years/period were mainly attributable to the Group's strategy in recent years to reduce the sales to and purchases from the Tsugami Japan Group with an aim to maintain the reliance on the Tsugami Japan Group at a reasonable level, which has also been reflected in the reduction of the proposed Sales Annual Caps and Purchase Annual Caps as discussed below.

6. The proposed Annual Caps

The proposed Annual Caps for the transactions contemplated under the Technology Licence Agreement, Master Sales Agreement and Master Purchase Agreement, respectively, for the three years ending 31 March 2029 are set out as below:

	For the year ending 31 March		
	2027	**2028**	**2029**
	RMB million	*RMB million*	*RMB million*
Technology Annual Caps	327.0	404.0	502.0
Sales Annual Caps	1,300.0	1,600.0	2,000.0
Purchase Annual Caps	455.0	560.0	700.0

As disclosed in the Letter from the Board, the proposed Technology Annual Caps were determined with reference to (i) the historical Trademarks and Technology licence fees paid to Tsugami Japan for the two years ended 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 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 2029.

The proposed Sales Annual Caps were determined with reference to (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 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 2029, taking into account the gradual recovery of the PRC and overseas economies; and (iii) a buffer of approximately 3% to 5% for 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 2029 in view of the general increasing costs of production (including but not limited to labour and raw material costs).

The proposed Purchase Annual Caps were determined with reference to (i) the historical purchase costs paid to Tsugami Japan for the two years ended 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 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.

As the Trademarks and Technology licence fees payable to the Tsugami Japan Group 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 are highly correlated to the overall sales performance of the Group. Hence, in determining the proposed Technology Annual Caps, the Company has considered, and we have reviewed, the Group's overall sales projection for the three years ending 31 March 2029. We noted that the Group's overall sales projection during such period is made with reference to the actual growth in total revenue of the Group from FY2024 to FY2025 and expected growth in total revenue of the Group from FY2025 to the financial year ended 31 March 2026 (the "**FY2026**").

In assessing the fairness and reasonableness of the proposed Sales Annual Caps and Purchase Annual Caps, we have considered the following factors:

(i) we were given to understand that both the expected sales to the Tsugami Japan Group and expected demands for procurement from the Tsugami Japan Group follow a linear relationship with the overall sales performance of the Group. In this regard, we have reviewed the Group's overall sales projection for the three years ending 31 March 2029 and noted that the Company has applied an estimated year-on-year growth rate ranging from 23% to 30% to the projected sales in each particular year during such period, which is at a similar level to the average of the actual growth in total revenue of the Group from FY2024 to FY2025 of approximately 36.6% and expected growth in total revenue of the Group from FY2025 to FY2026 of approximately 17.0%. It is noted that the Company projects the total sales of the Group for the year ending 31 March 2026 would amount to RMB5.0 billion. In such regard, we have reviewed the actual sales revenue of the Group for the 10 months ended 31 January 2026, which amounted to approximately RMB4.6 billion. For illustrative purpose, on an annualised basis, the 10 months sales could translate into an annual sales revenue of approximately RMB5.5 billion. Hence, we consider the Company's projection of an annual sales revenue of RMB5.0 billion for the year ending 31 March 2026 is fair and reasonable;

(ii) we have further reviewed the computation table of the proposed Sales Annual Caps and noted that the proposed Sales Annual Caps were calculated with reference to the actual sale transaction amounts for the five years ended 31 March 2025 from the Group to the Tsugami Japan Group. During the five years ended 31 March 2025, the portion of total revenue of the Group for each year contributed by the sales of the Group's CNC high precision machine tools to the Tsugami Japan Group ranged from approximately 11.2% to 22.7%. Accordingly, the Company has adopted a percentage of 20.0% of the Group's estimated revenue (i.e. projected sales) for each of the three years ending 31 March 2029 to derive the expected sales amount of the Group's CNC high precision machine tools to the Tsugami Japan Group in the corresponding year (i.e. the proposed Sales Annual Caps). It is noted that the Sales Annual Cap for the year ending 31 March 2027 represents approximately 4.7 times of the theoretical annualised transaction amount for the year ending 31 March 2026 based on the actual transaction amount for the six months ended 30 September 2025. The reason to this is because the portion of total revenue of the Group for the six months ended 30 September 2025 contributed by the sales of the Group's CNC high precision machine tools to the Tsugami Japan Group was approximately 5.8%, which was lower than the rate of 20% adopted in determining the Sales Annual Caps for the three years ending 31 March 2029, which was in turn mainly due to the Group's strategy in recent years to reduce the sales to the Tsugami Japan Group with an aim to maintain the reliance on the Tsugami Japan Group at a reasonable level. Notwithstanding, the Group still adopted 20% as the proportion of total revenue of the Group contributed by the sales of CNC high precision machine tools to the Tsugami Japan Group, which was closer to the high-end of the historical range of proportion for the five years ended 31 March 2025, in determining the Sales Annual Caps for allowing flexibility for the Group to conduct sales to the Tsugami Japan Group in the coming three financial years as the market condition may fluctuate. In this regard, we have reviewed the actual sales amount to the Tsugami Japan Group for the 10 months ended 31 January 2026, which amounted to approximately RMB290.1 million, contributing over 6% of the Group's total sales for the same period. The Company expects that such proportion will continue to increase for the year ending 31 March 2026. Further, we considered that the sales of CNC precision machine tools to the Tsugami Japan Group is of revenue nature to the Group, hence we concur with the Company's view that it is beneficial to the Group to adopt the higher proportion rate in determining the Sales Annual Caps in order to allow flexibility for the Group to conduct sales to the Tsugami Japan Group in the coming three financial years. Accordingly, we consider the determination of the Sales Annual Caps for the three years ending 31 March 2029 is fair and reasonable in such regard;

(iii) we have further reviewed the computation table of the proposed Purchase Annual Caps and noted that the proposed Purchase Annual Caps were calculated with reference to (i) the actual total purchase percentage of the Group against the total revenue of the Group; and (ii) the actual purchase transaction amounts for the five years ended 31 March 2025 from the Tsugami Japan Group by the Group. The actual total purchase percentage of the Group against the total revenue of the Group for the five years ended 31 March 2025 ranged from 58.4% to 81.4%. As such, the Company has adopted a percentage of 70.0% of the Group's projected sales for each of the three years ending 31 March 2029 to derive the expected total purchase amount of the Group. During the five years ended 31 March 2025, the portion of total purchase amount of the Group for each year contributed by the purchase by the Group from the Tsugami Japan Group ranged from approximately 4.4% to 10.4%. Accordingly, the Company has adopted a percentage of 10.0% of the Group's estimated total purchase amount for each of the three years ending 31 March 2029 to derive the expected purchase amount by the Group from the Tsugami Japan Group in the corresponding year (i.e. the proposed Purchase Annual Caps). It is noted that the Purchase Annual Cap for the year ending 31 March 2027 represents approximately 5.9 times of the theoretical annualised transaction amount for the year ending 31 March 2026 based on the actual transaction amount for the six months ended 30 September 2025. The reason to this is because the portion of total purchase amount of the Group for the six months ended 30 September 2025 contributed by the purchase by the Group from the Tsugami Japan Group was approximately 2.7% versus 10.0% adopted in calculating the Purchase Annual Caps. The lower proportion for the six months ended 30 September 2025 was mainly due to the Group's strategy to reduce reliance on the Tsugami Japan Group. Nonetheless, the Company still adopted the higher percentage, being closer to the high-end of the historical range for the five years ended 31 March 2025, for allowing more flexibility for the Group's procurement in the coming three years as the market condition may fluctuate. In this regard, we have reviewed the actual procurement amount from the Tsugami Japan Group for the 10 months ended 31 January 2026, which amounted to approximately RMB70.7 million and represented around 3.0% of the Group's total purchases for the same period. The Company expects that such proportion will continue to increase for the year ending 31 March 2026. Further, we considered that the purchases from the Tsugami Japan Group is crucial to the operation of the Group and the buffer allows the Group to accommodate anticipated increases in demand for parts, components, and production machinery and equipment, particularly in view of the expected growth in sales volume of CNC high precision machine tools, hence we concur with the Company's view that it is beneficial to the Group to adopt the higher proportion rate in determining the Purchase Annual Caps in order to allow flexibility for the Group to conduct procurement from the Tsugami Japan Group in the coming three financial years. Accordingly, we consider the determination of the Purchase Annual Caps for the three years ending 31 March 2029 is fair and reasonable in such regard;

(iv) we noted from the Interim Report 2026 that the Group acquired a land of approximately 34 mu in Pinghu Economic Development District in May 2025 and planned to construct two plants over the next two years with a planned investment of approximately RMB150 million. The new plant area under planning is expected to increase an annual production capacity by approximately 3,000 units of machine tools;

(v) we have discussed with the Management and were given to understand that the Company reserved a buffer of approximately 3% to 5% for potential upward adjustments of the selling prices of its CNC high precision machine tools in view of the general increasing cost of production (including but not limited to labour and raw material costs). For our due diligence purpose, we have obtained and reviewed the salary expense records of the Group for the two years ended 31 March 2025 and noted that the salary expenses was growing steadily and recorded an annual growth rate of approximately 8.8% and 24.4% for each of two years ended 31 March 2025. We have also obtained and reviewed a total of five sample notices issued by five suppliers of the Group in 2024 and 2025 regarding increment of the selling prices of major raw materials and noted that the selling price of major raw materials has increased ranging from 6% to 32%. In view of the above, we consider that it is fair and reasonable for the Group to adopt a buffer of approximately 3% to 5% in computing the proposed Sales Annual Caps to correspond to the potential increase in the production costs and the selling prices of its CNC high precision machine tools; and

(vi) the Directors, having considered, among others, the relevant historical transaction amounts for the two years ended 31 March 2025 and the respective utilisation of annual caps as mentioned in the paragraph headed "5. Historical transaction amounts" above, have reduced (a) the proposed Sales Annual Caps for the three years ending 31 March 2029 to RMB1,300 million, RMB1,600 million and RMB2,000 million, respectively, as compared to the original annual caps for the three years ending 31 March 2026 of RMB1,980 million, RMB2,376 million and RMB2,613 million, respectively; and (b) the proposed Purchase Annual Caps for the three years ending 31 March 2029 to RMB455 million, RMB560 million and RMB700 million, respectively, as compared to the original annual caps for the three years ending 31 March 2026 of RMB898 million, RMB1,077 million and RMB1,185 million, respectively.

In order to further assess the fairness and reasonableness of the proposed Annual Caps, we have discussed with the Management and took into account the following factors:

(i) as disclosed in the Annual Report 2025 and Interim Report 2026, there has been a significant recovery in the domestic CNC machine tools industry since March/April 2024 as a result of the rebound of demand in the downstream manufacturing industry and the improvement of the operating rate of downstream enterprises, and the Directors believe that the CNC machine tools industry entered the cyclical recovery stage and gradually returned to the upward trend;

(ii) the "Made in China 2025" strategy, a roadmap released by the State Council of the PRC in July 2015 to guide the country's advanced industrial manufacturing, has pictured a steady progress in industrial capability, smart manufacturing, innovation, as well as product quality and branding. It is specifically stated that in high-end digital control machine tools sector, the PRC government will focus and provide support on (a) developing precision machine tools which are capable of high speed, high efficiency and functional flexibility, and developing manufacturing equipment and integrated manufacturing systems; (b) accelerating research of frontier technologies and equipment like high-end digital control machine tools and additive manufacturing; (c) reliability, stability and precision of major parts like high-end numerical systems, servomotors, bearings and grating to realise industrialisation; and (d) improving user process certification;

(iii) according to the National Bureau of Statistics of China, the gross domestic product of China reached approximately RMB139 trillion in 2024, representing a year-on-year growth of approximately 5.0% as compared to that of 2023. The gross domestic product of China for the six months ended 30 June 2025 and for the nine months ended 30 September 2025 amounted a period-over-period growth of 5.5% and 5.2%, respectively, as published in July 2025 and October 2025 by the National Bureau of Statistics of China. Based on the government work report delivered to the third session of the 14th National People's Congress of the PRC, the gross domestic product of China for 2025 is expected to record a year-on-year growth of around 5%; and

(iv) furthermore, the "Recommendations of the Central Committee of the Communist Party of China for Formulating the 15th Five-Year Plan for National Economic and Social Development" (《中共中央關於制定國民經濟和社會發展第十五個五年規劃的建議》) adopted by the 20th Central Committee of the Communist Party of China in October 2025, emphasises the strategy of expanding domestic demand and establishing a domestic demand system for the long-term development of China's economy. Additionally, it also emphasises the strategy of modernisation in science and technology to achieve industrial transformation and boost China's strength in manufacturing, aerospace, transportation, and cyberspace. Such favourable government policies in supporting the consumable market and the manufacturing market in the PRC would also benefit the machine tool industry and drive a steady growth for the Group's business.

Based on the above, we concur with the Directors' view that the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

However, the Shareholders should note that as the proposed Annual Caps are determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to 31 March 2029, and they do not represent any forecasts or estimations of the Group's financial performance. Consequently, we express no opinion as to how closely the actual future transaction amounts of the continuing connected transactions will correspond with the proposed Annual Caps for the three years ending 31 March 2029.

7. Internal control measures

We have discussed with and understood from the Management that the Group has adopted various internal control measures to monitor the transactions contemplated under the Existing Agreements. Particularly, the Company has assigned specific responsibilities to the senior management, finance department and procurement department of the Company in performing regular checks on the 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 to ensure that the transactions respectively contemplated under the Existing Agreements will be conducted on normal commercial terms and in accordance with the respective terms thereof. Independent Shareholders' attention is drawn to the section headed "RENEWAL OF THE EXISTING AGREEMENTS AND THE ENTRY INTO THE TECHNOLOGY AMENDMENT DEED" in the Letter from the Board for details.

As regards the pricing guideline under the Technology Licence Agreement, the 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 CNC high precision machine tools (excluding tax and other miscellaneous costs and charges), while the adopted royalty rate is determined based on the model of the CNC high precision machine tools. For our due diligence purpose, we have reviewed all quarterly invoices issued by Tsugami Japan to the Group during the period from 1 April 2023 to 30 September 2025 and noted that the royalty rates of the Trademarks and Technology licence fees charged by Tsugami Japan were in line with the pricing guideline. Considering that we have reviewed all the invoices issued by Tsugami Japan to the Group during the review period, we consider we have reviewed sufficient samples in assessing the reasonableness and fairness of the price and terms of the Technology Licence Agreement.

In respect of the sales of the Group's CNC high precision machine tools to the Tsugami Japan Group under the Master Sales Agreement, we understand that 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. For our due diligence purpose, we have reviewed ten sample transactions entered into between the Group and the Tsugami Japan Group during the period from 1 April 2023 to 30 September 2025, being one randomly-selected transaction for each quarter during the review period, and compared each of the sample transactions with two randomly-selected comparable transactions with independent third-party customers of the Group conducted at or around the same period as the relevant transaction conducted with the Tsugami Japan Group. Based on our review, we noted that the selling prices charged by the Group to the Tsugami Japan Group were no less favourable than those charged by the Group to the relevant independent third-party customers for the similar types of products. We consider the sample size to be sufficient and representative for the purpose of our analysis given that the samples covered various types of products sold by the Group to the Tsugami Japan Group and transaction conducted every quarter during the review period.

In respect of the purchase of the parts and components which are manufactured by independent third-party suppliers but procured from the Tsugami Japan Group under the Master Purchase Agreement, we understand that, before marking 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. For our due diligence purpose, we have reviewed ten sample transactions entered into between the Group and the Tsugami Japan Group during the period from 1 April 2023 to 30 September 2025, being one randomly-selected transaction during every quarter during the review period, and compared each of the sample transactions with two randomly-selected comparable transactions with independent third-party suppliers of the Group conducted at or around the same period as the relevant transaction conducted with the Tsugami Japan Group. Based on our review, we noted that the purchase prices charged to the Group by the Tsugami Japan Group were comparable to those charged to the Group by the relevant independent third-party suppliers for the similar types of products. We consider the sample size to be sufficient and representative for the purpose of our analysis given that the samples covered various types of products procured by the Group from the Tsugami Japan Group and transaction conducted every quarter during the review period.

Furthermore, we noted from the annual report of the Company for each of the year ended 31 March 2023 (the "**FY2023**"), FY2024 and FY2025 that the independent non-executive Directors had reviewed the historical continuing connected transactions under the Existing Agreements conducted during FY2023, FY2024 and FY2025 and confirmed that such continuing connected transactions were (i) entered into in the ordinary and usual course of business of the Group; (ii) conducted on normal commercial terms; and (iii) conducted pursuant to the Existing Agreements on terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In determining the prices and terms of the said continuing connected transactions conducted during the respective financial year, the Company has complied with the pricing guidelines and adopted internal control measures. Besides, the auditors of the Company had confirmed, in accordance with Rule 14A.56 of the Listing Rules, to the Board that nothing has come to their attention that causes them to believe that such transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the Existing Agreements; and (iv) have exceeded the annual cap as set by the Company. As confirmed by the Company, the Company will continue to comply with the relevant annual review requirements under the Listing Rules in respect of the transactions contemplated under the Existing Agreements on an on-going basis.

Taking the above into account, we are of the view that there are appropriate internal control measures in place to govern the conduct of the transactions contemplated under the Existing Agreements, thereby safeguarding the interests of the Independent Shareholders.

II. The Proposed Amendments

1. Background of the Proposed Amendments

Pursuant to the Original Deed of Non-Competition entered into by the Company and Tsugami Japan on 4 September 2017, 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 by 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) to, 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 and Taiwan or any other markets in which the Group is selling their CNC high precision machine tools.

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 business undertaken by the Group from time to time, including without limitation the manufacture of CNC high precision machine tools, including without limited (i) precision automatic lathes, (ii) precision turret machines, (iii) precision machining centres, (iv) precision grinding machines, and (v) precision thread and form rolling machines."

2. Terms of the 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. 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 the 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.

3. Reasons for and benefit of the Proposed Amendments

In assessing whether the Proposed Amendments are fair and reasonable and in the interests of the Company and the Shareholders as a whole, we have considered the following principal factors, with particular regard to the proposed narrowing of the territories of the Restricted Business.

We have discussed with the Management in respect of the business plan of the Company and are given to understand that it is the Company's development strategy to focus on the PRC, Taiwan and Hong Kong markets, which have all long been contributing to the Group's majority of revenue. We have reviewed the revenue breakdown by geographical location of the Group for the two years ended 31 March 2025 and the six months ended 30 September 2025, and noted that the PRC, Taiwan and Hong Kong markets made up approximately 84.85%, 89.39% and 94.18% for the Group's total revenue for the respective year/period. We are of the view that it is in the interest of the Group to focus its development in its core strategic markets, which were all long been the Group's development focus and the Group has established solid market presence and network and accumulated strong management knowhow and experience in these markets over the years, in order for the Group to maximise its competitiveness and increase Shareholder value. The Directors believe that the PRC and Taiwan will continue to represent the largest markets for CNC high precision machine tools in the foreseeable future. Based on a research report issued by Sumitomo Mitsui Banking Corporation, China and Taiwan accounted for a total of 32% of the world's machine tools market in 2023, being the largest market share. Growth potential for the Group's business in the PRC and Taiwan remains significant, and the Directors consider that there is still substantial room for further development in these core markets.

In addition, the Group's historical sales performance for the two years ended 31 March 2025 and the six months ended 30 September 2025 indicates that revenue generated from markets outside the PRC, Taiwan and Hong Kong has been declining. In such regard, we noted that the revenue derived from the Other Markets for the two years ended 31 March 2024 and 2025 were approximately RMB473 million and RMB 452 million respectively, representing a year-on-year decline of approximately 4.4%. The revenue derived from the Other Markets for the six months ended 31 September 2024 and 2025 was approximately RMB281 million and RMB145 million respectively, representing a period-to-period decline of approximately 48.3%. In light of these factors, the Board considers, and we concur, that it is in the best interests of the Company to focus its resources and strategic efforts on the PRC, Taiwan and Hong Kong markets, which are expected to drive the Group's future growth.

Further, we noted that sales made to Tsugami Japan accounted for approximately 14.14%, 10.24% and 5.42% of the Group's total revenue for the two years ended 31 March 2025 and the six months ended 30 September 2025, respectively. The non-exclusive license to use the Trademarks in Japan under the Technology Licence Agreement (as amended by the Technology Amendment Deed) shall allow the Group to continue to sell its CNC high precision machine tools to Tsugami Japan. The Group has not directly earned revenue from end customers in the Other Markets. Instead, the Group sells CNC high precision machine tools to the Tsugami Japan Group, who, to the best of the Directors' knowledge, subsequently customises these machines in Japan to meet the specific requirements of its customers in the Other Markets before selling to them. Accordingly, the Group's revenue derived from the Other Markets has been generated through its sales to the Tsugami Japan Group. Therefore, we concur that the entry into the DNC Amendment Deed does not result in the Group foregoing revenue from the Other Markets. Hence, the Proposed Amendments seek to align the geographical scope of the non-competition undertaking with the Group's actual business footprint and stated development strategy. We consider that a non-competition undertaking is principally intended to protect a company in the markets where it operates, competes and derives value for its shareholders. Narrowing the scope of the Restricted Business to the PRC, Hong Kong and Taiwan reflects where the Group's commercial interests are most concentrated and where the risk of competitive harm would be most relevant.

Further, we noted that the Company's right to conduct reasonable necessary quarterly inspections of the Tsugami Japan Group's sales network and end customers in the restricted territories is expressly preserved. Accordingly, the Group continues to benefit from effective protection in the markets that are most important to its operations and future prospects. Hence, the Proposed Amendments do not weaken the protection afforded to the Group in its core markets.

We also noted that the Proposed Amendments do not involve any financial consideration, transfer of assets or changes to the Group's principal business, management or control. The Group's operations and competitive position in its core markets remain unchanged, and no material adverse financial or operational impact on the Group is expected to arise from the entering into the DNC Amendment Deed.

In light of the foregoing, we concur with the Directors' view that the Proposed Amendments will not adversely affect the Group's business or its future development as contemplated under the strategy described above. On the contrary, the Directors are of the view that the Proposed Amendments are expected to have a positive impact in safeguarding 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. Accordingly, we are of the view that the entering into of the DNC Amendment Deed is in the interest of the Company and the Shareholders as a whole, on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concern.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) (a) the terms of the Existing Agreements (including the Technology Amendment Deed) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (b) the transactions contemplated under the Existing Agreements (including the Technology Amendment Deed) are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (c) the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) (a) the terms of the DNC Amendment Deed are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concern; and (b) although not conducted in the ordinary and usual course of business of the Group, the Proposed Amendments are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the renewal of the Existing Agreements (including the entering into of the Technology Amendment Deed) and the proposed Annual Caps, and the DNC Amendment Deed.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the securities and investment banking industries.

(1) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

(2) DISCLOSURE OF INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the shares and the underlying shares of the Company

Name	Position	Long/Short Positions	Capacity	Number of shares held in the Company	*Note*	Percentage of shareholding in the Company
Wang Xiaokun	Chairman, chief executive officer and executive Director	Long position	Beneficial owner	300,000	*1*	0.08%
Tang Donghao	Executive Director	Long position	Beneficial owner	250,000	*2*	0.07%
Li Junying	Executive Director	Long position	Beneficial owner	175,000	*3*	0.04%
Nobuhiro Watabe	Non-executive Director	Long position	Beneficial owner	150,000	*4*	0.04%
Mami Matsushita	Non-executive Director	Long position	Beneficial owner	150,000	*5*	0.04%

Notes:

1 This represents the 300,000 unvested awarded shares directly held by Dr. Wang Xiaokun in his personal capacity.

2 This represents the 250,000 unvested awarded shares directly held by Dr. Tang Donghao in his personal capacity.

3 This represents the 175,000 unvested awarded shares directly held by Mr. Li Junying in his personal capacity.

4 This represents the 150,000 unvested award shares directly held by Mr. Nobuhiro Watabe in his personal capacity.

5 This represents the 150,000 unvested awarded shares directly held by Ms. Mami Matsushita in her personal capacity.

Long positions in the shares and the underlying shares of the associated corporation of the Company (within the meaning of Part XV of the SFO) – Tsugami Japan

Name	Position	Long/Short Positions	Capacity	Number of shares held in the associated corporation	*Note*	Percentage of shareholding in the associated corporation
Shoichiro Haga	Executive Director of the Company and non-executive director of Tsugami Japan	Long position	Beneficial owner	4,700	*1*	0.0098%
Nobuhiro Watabe	Non-Executive Director of the Company and the head of representative director, the executive officer and the head of domestic sales division of Tsugami Japan	Long position	Beneficial owner	71,100	*2*	0.15%
Mami Matsushita	Non-Executive Director of the Company and a representative director and a general manager of overseas business of Tsugami Japan	Long position	Beneficial owner	120,600	*3*	0.25%

Name	Position	Long/Short Positions	Capacity	Number of shares held in the associated corporation	*Note*	Percentage of shareholding in the associated corporation
Kunimasa Ota	Independent Non-executive Director of the Company and the outside director and member of the audit and supervisory committee of Tsugami Japan	Long position	Beneficial owner	2,300	*4*	0.005%

Notes:

1 This represents the shares beneficially held by Mr. Shoichiro Haga in his personal capacity.

2 This represents the shares beneficially held by Mr. Nobuhiro Watabe in his personal capacity.

3 This represents the shares beneficially held by Ms. Mami Matsushita in her personal capacity.

4 This represents the shares beneficially held by Mr. Kunimasa Ota in his personal capacity.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(3) SUBSTANTIAL SHAREHOLDER

Substantial shareholder's interests or short positions in the shares and underlying shares of the Company

As at the Latest Practicable Date, so far as any of the Directors or chief executive of the Company are aware, the following entity had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which will have to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 2 and 3 of Part XV of the SFO or which ought to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Name of substantial shareholder	Long/Short Positions	Capacity	Number of shares	*Note*	Percentage of issued shares
Tsugami Japan	Long position	Beneficial owner	247,530,000	*1, 2*	65.89%

Notes:

1 The 247,530,000 shares were beneficially owned by Tsugami Japan.

2 The percentage of issued shares is calculated on the basis of 375,675,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

(4) INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors are not aware that any of them or any of their associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

(5) DIRECTORS' INTEREST IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had (i) any direct or indirect interests in any assets which have been since 31 March 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any contract or arrangement at the Latest Practicable Date which is significant in relation to the business of the Group.

(6) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

(7) MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 March 2025, the date to which the latest published audited consolidated financial statements of the Group were made up.

(8) EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice for inclusion in this circular:

Independent Financial Adviser	Qualification
Lego Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Lego Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Lego Corporate Finance Limited (i) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 March 2025 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to any member of the Group.

(9) GENERAL

(a) The Company's registered office is at Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

(b) The company secretary of the Company is Ms. Wong Wai Yee Ella. Ms. Wong is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators").

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong.

(d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

(10) DOCUMENTS ON DISPLAY

Copies of each of the Technology Licence Agreement, the Technology Amendment Deed, the Master Sales Agreement, the Master Purchase Agreement and the DNC Amendment Deed will be on display for inspection on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.tsugami.com.cn for a period of 14 days from the date of this circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Precision Tsugami (China) Corporation Limited (the "**Company**") will be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 23 March 2026 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without amendment, passing the following resolutions:

ORDINARY RESOLUTIONS

"**THAT**:

(i) the proposed renewal of the technology licence agreement (the "**Technology Licence Agreement**") dated 4 September 2017 entered into between the Company and Tsugami Corporation (株式會社ツガミ) ("**Tsugami Japan**") (a copy of which will be produced to the EGM marked as "A" and signed by the chairman of the EGM for the purpose of identification) for a renewal term of three years, i.e. up to and including 31 March 2029 be and is hereby approved, confirmed and ratified;

(ii) the proposed renewal of the master sales agreement (the "**Master Sales Agreement**") dated 4 September 2017 entered into between the Company and Tsugami Japan (a copy of which will be produced to the EGM marked as "B" and signed by the chairman of the EGM for the purpose of identification) for a renewal term of three years, i.e. up to and including 31 March 2029 be and is hereby approved, confirmed and ratified;

(iii) the proposed renewal of the master purchase agreement (the "**Master Purchase Agreement**") dated 4 September 2017 entered into between the Company and Tsugami Japan (a copy of which will be produced to the EGM marked as "C" and signed by the chairman of the EGM for the purpose of identification) for a renewal term of three years, i.e. up to and including 31 March 2029 be and is hereby approved, confirmed and ratified;

(the Technology Licence Agreement, the Master Sales Agreement, and the Master Purchase Agreement, collectively, the "**Existing Agreements**");

(iv) 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 (the "**Technology Annual Caps**") as set out in the Company's circular dated 4 March 2026 (the "**Circular**") be and are hereby approved, confirmed and ratified;

(v) 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 (the "**Sales Annual Caps**") as set out in the Circular be and are hereby approved, confirmed and ratified;

(vi) 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 (the "**Purchase Annual Caps**") as set out in the Circular be and are hereby approved, confirmed and ratified;

(the Technology Annual Caps, the Sales Annual Caps, and the Purchase Annual Caps, collectively, the "**Annual Caps**");

(vii) the proposed entry into the deed of amendment to the Technology Licence Agreement (the "**Technology Amendment Deed**") (a copy of which will be produced to the EGM marked as "D" and signed by the chairman of the EGM for the purpose of identification) for amending the relevant clauses of the Technology Licence Agreement be and is hereby approved, confirmed and ratified;

(viii) the proposed entry into the deed of amendment (the "**DNC Amendment Deed**") (a copy of which will be produced to the EGM marked as "E" and signed by the chairman of the EGM for the purpose of identification) to the deed of non-competition dated 4 September 2017 entered into between the Company and Tsugami Japan (the "**DNC**") for amending the relevant clauses of the DNC be and is hereby approved, confirmed and ratified;

(ix) any one director of the Company be and is hereby authorised to do all acts and things, take such necessary actions and to approve, execute and deliver all deeds, agreements and documents in relation to the renewal of the Existing Agreements and the Annual Caps as well as for the purpose of or in connection with the implementation of or giving effect to the Technology Amendment Deed or the DNC Amendment Deed on behalf of the Company which he/she (or his/her properly appointed attorney) may consider necessary."

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

Hong Kong, 4 March 2026

Notes:

1. The register of members of the Company will be closed from Wednesday, 18 March 2026 to Monday, 23 March 2026 (both days inclusive) during which period no transfer of Share(s) will be effected. In order to determine the entitlement to attend and vote at the EGM, all transfers of Share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 March 2026. Shareholders whose names appear on the register of members of the Company on Monday, 23 March 2026 will be entitled to attend and vote at the EGM.

2. A form of proxy for use at the EGM is enclosed in the circular to the shareholders of the Company dated 4 March 2026.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

4. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxies to attend and vote in his or her stead. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.

5. In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

6. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting convened by the above notice or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

7. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted or in force on the date of the EGM, the EGM will not to be held on 23 March, 2026, but will be held immediately at the same time and place on the first Business Day after that day. "Business Day", in this context, shall mean a day (not being a Saturday) on which banks in Hong Kong are open for general banking business. Should Shareholders have any enquiries relating to the above arrangements, please contact the Tricor Investor Services Limited at their customer service hotline at 2980 1333 during 9:00 a.m. to 5:00 p.m. from Monday to Friday, excluding Hong Kong public holidays.

8. As of the date of this notice, 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.