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

PRECISION
TSUGAMI
CHINA

2020-2021
Annual Report

PRECISION TSUGAMI CHINA

Precision Tsugami (China) Corporation Limited is a subsidiary established by Tsugami Corporation 株式會社ツガミ ("Tsugami Japan" or "Controlling Shareholder"), a renowned Japanese CNC high precision machine tool manufacturer, for its Chinese undertakings, and has grown into the largest foreign-branded CNC machine tool manufacturer* in the Chinese machines tools market through 18 years of rapid development since the business commencement in 2003.

The Company manufactures and sells high-end CNC machine tools including precision lathes, precision machining centres and precision grinding machines under the TSUGAMI brand. With its customer orientation, and high speed, high precision and high rigidity as its quality targets, the Company has been widely recognized by the industries including automobile parts and components, IT communications and electronics and industrial automation. The Company's products are mainly for the Chinese market, and are also sold, with or without customisations, to Japan, Europe, the United States, Southeast Asia and other regions through its overseas sales channels Tsugami Japan.

* According to an industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. in December 2018.

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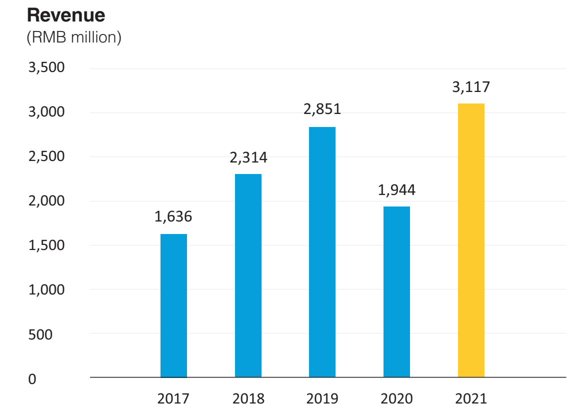
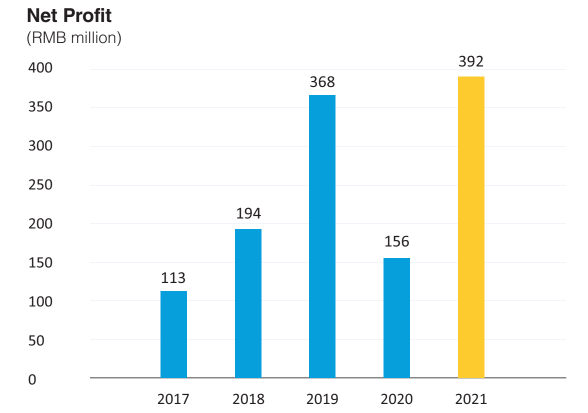
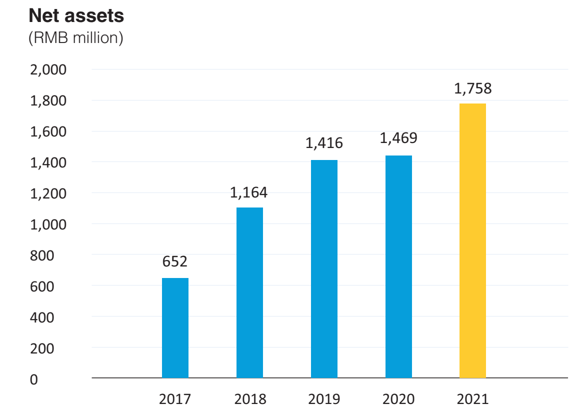
RESULTS HIGHLIGHTS







Executive Directors
Dr. Tang Donglei *(Chief Executive Officer)*
Dr. Li Zequn

Non-executive Directors
Mr. Takao Nishijima *(Chairman)*
Ms. Mami Matsushita
Mr. Kenji Yoneyama
(appointed on 1 April 2021)

Independent Non-executive Directors
Dr. Eiichi Koda
Dr. Huang Ping
Mr. Tam Kin Bor

Audit Committee
Mr. Tam Kin Bor *(Chairman)*
Mr. Kenji Yoneyama
(appointed on 1 April 2021)
Dr. Huang Ping

Nomination Committee
Mr. Takao Nishijima *(Chairman)*
Dr. Eiichi Koda
Mr. Tam Kin Bor

Remuneration Committee
Dr. Huang Ping *(Chairman)*
Dr. Tang Donglei
Mr. Tam Kin Bor

Company Secretary
Ms. Wong Wai Yee Ella

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Auditor
Ernst & Young
Certified Public Accountants

Legal Advisers as to Hong Kong Laws
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Hong Kong Branch Share Registrar
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Principal Bankers
Hong Kong
Bank of China
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Hong Kong Branch
Sumitomo Mitsui Banking Corporation Hong Kong Branch

PRC
Sumitomo Mitsui Banking Corporation (China) Limited
MUFG Bank (China), Ltd.
Mizuho Bank (China), Ltd.
China Construction Bank Corporation

Stock Code
1651

Company Website
www.tsugami.com.cn

CHAIRMAN'S STATEMENT

Precision Tsugami (China) Corporation Limited (the "**Company**", together with its subsidiaries, collectively, the "**Group**") presents its annual results report for the year ended 31 March 2021 (the "**Fiscal Year of 2021**", the "**Year under Review**" or the "**Year**") to the shareholders of the Company (the "**Shareholders**").

The Group has always been upholding the tradition of "high precision, high speed and high rigidity" of the TSUGAMI brand. Against the backdrop of the globally leading CNC high precision machine tool technology of Tsugami Japan, the Group is customer-oriented and strives to provide customers with cost-effective products and services and contribute to the society.

The Group's main business is professional customization, development, production and sales of various CNC high precision machine tools such as precision lathes, precision machining centres and precision grinding machines. The products of the Group are mainly used in the industries such as automobile parts and components, IT electronic parts including mobile phones and communication facilities, automation, medical instruments and construction machinery. They are mainly sold in Mainland China and Taiwan markets and are also exported to Japan, South Korea, Europe, the United States and other countries through overseas sales channel, Tsugami Japan. The Group also provides CNC high precision machine tools to the supply chains of the renowned auto manufacturers, home appliance manufacturers and smart phone manufacturers of the world.

I am very pleased to report to the Shareholders that during the Year, the Group has not only recovered from the market downturn in the previous year and achieved a V-shaped performance rebound, but also recorded the best performance since the establishment of the Company in terms of various performance indicators.

For the Year under Review, the Group recorded sales revenue of approximately RMB3,116,976,000, representing an increase of approximately 60.4% as compared to the same period last year. The gross profit margin increased from approximately 20.2% in the same period last year to approximately 24.6% for the Year under Review. The net profit for the Year under Review amounted to approximately RMB391,952,000, representing a year-on-year increase of approximately 151.5%. Basic earnings per share amounted to approximately RMB1.03 for the Year under Review, representing an increase of approximately 151.2% as compared with the same period last year.

The board (the "**Board**") of directors (the "**Directors**") of the Company recommends the payment of a final dividend of HK$0.25 per share (full year dividend of HK$0.40 per share), which is also the highest dividend paid since the listing of the Company.

In the previous year, the trade friction between China and the United States continued to escalate. Under severe economic circumstances, the demand for machine tools in the manufacturing industry was weak. In particular, in February and March 2020, due to the outbreak and spread of the COVID-19 pandemic in Mainland China and the subsequent spread of the COVID-19 pandemic all over the world, the industry outlook was mostly pessimistic at the start of the Year. However, as the COVID-19 pandemic in Mainland China was contained effectively and quickly, it has created opportunities for the Chinese manufacturing industry to fully utilize its production capacity and attract orders from around the world. The pent-up demand in the last financial year was released as we entered the Year.

For the Year under Review, driven by the 3C industries (computer, communication and consumer electronics), and automation and construction machinery industries, especially in the second half of the Year under Review, the automobile parts and components industry came out of the doldrums and the demand for high-end CNC machine tools was stronger. The volume of orders received by the Group in the domestic market has been on the rise during the Year under Review, and the volume of orders received by the Group in the overseas market has been gradually improving since the beginning of the fourth quarter in the Year under Review. It is evidenced that the market has bottomed out as of the previous financial year, and the machine tool industry has entered another fast-growing cycle of prosperity.

In view of the strong market demand, the Group's operation team has made great efforts and attained fruitful achievements in expanding production capacity, securing the supply of raw materials, parts and components and the Group's competitive advantages in short delivery schedule. In addition, facing the pressure of rising prices of certain raw materials, parts and components from the upstream supply chain, the Group adhered to the customer-oriented business approach and offset such effects through improvements on areas such as cost reduction and efficiency improvement of all employees across the Group without raising the price. This has enabled the Group to compete with its competitors with a more prominent price-performance ratio of its products, which is conducive to further expanding the Group's market share.

In recent years, the growth in product capacity of the Chinese manufacturing industry has shifted from being quantitative to qualitative. From being labor-intensive to technology-intensive, transformation and upgrading has gradually become the mainstream phenomenon across the industry, and the standard required for automation, numerical control and precision of manufacturing equipment is getting higher. There is potential for the demand of high-end manufacturing equipment to grow. The characteristics of the Group's CNC high precision machine tools are highly consistent with the direction of market development and the Group has embarked on a fast development track.

Although the demand for CNC machine tools in China is subject to cyclical fluctuations due to macroeconomic conditions, the aggregate demand for CNC machine tools in the Chinese manufacturing industry will continue to increase. The Group is well aware of and is ready to embrace this favourable historic opportunity. The Group will continue to enhance its production capacity, expand product lines, reduce costs, improve efficiency, and expand the Group's sales and distribution network and customer base in China, and strive to create better results and generating investment returns for Shareholders through its rapid and sustainable development.

On behalf of the Board, I would like to express my sincere appreciation to all the staff and the management of the Group for their contributions in the Fiscal Year of 2021. At the same time, the Group would like to extend its sincere gratitude to the Shareholders for their attention and trust after the listing of the Company, and to the customers and business partners of the Group for their long-term support and contribution to the Group.

Takao Nishijima
Chairman
Hong Kong, 28 June 2021

BUSINESS REVIEW

During the previous year (i.e. the year ended 31 March 2020), under the influence of the Sino-US trade frictions, the economic situation was challenging and the demand for machine tools from the manufacturing industry was weak. In particular, the outbreak and spread of the COVID-19 pandemic in China in February and March 2020 and the subsequent global spread of the pandemic cast a shadow over the beginning of the Year under Review. However, during the Year under Review, China's domestic manufacturing industry experienced a gradual turnaround despite a number of pessimistic forecasts. Starting from the special demand (such as the processing demand of components for mask production equipment and respirators) brought by the COVID-19 pandemic in March and April 2020 and benefiting from the improvements of industries such as 3C industries (computer, communication and consumer electronics), automation and construction machinery, various downstream industries of the manufacturing sector have become more active. In particular, in the second half of the Year under Review, with the recovery of the automobile parts and components industry, the demand for high-end CNC machine tools was exuberant. The volume of orders that the Group secured from the domestic market throughout the Year under Review has been increasing in the Year under Review, while the orders that the Group secured from the overseas markets have also improved gradually since the beginning of the fourth quarter of the Year under Review. These business improvements indicate that the market downturn for the year ended 31 March 2020 has faded, and the machine tool industry has entered into another cycle of prosperity.

During the Year under Review, the Group's sales revenue was approximately RMB3,116,976,000, representing an increase of approximately 60.4% as compared with the corresponding period of last year. The gross profit margin increased from approximately 20.2% for the corresponding period last year to approximately 24.6% for the Year under Review. Net profit for the Year under Review was approximately RMB391,952,000, representing an increase of approximately 151.5% as compared with the corresponding period of last year.

Basic earnings per share for the Year under Review was approximately RMB1.03, representing an increase of approximately 151.2% as compared with the corresponding period of last year.

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

In view of the improving business sentiment of the processing and manufacturing industry, and in order to cope with the massive influx of orders from various downstream industries, ensuring production capacity and stability of material supply became the priority of the Group. While proactively improving production efficiency, the Group gradually and appropriately expanded the number of employees in the production lines in light of the level of market demand. Based on the market forecast, the Group accordingly prepared the material supplies for important parts and components with strong support from the suppliers who are our long-term partners, which enabled the Group to achieve short delivery time as compared with its competitors.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2021, the total revenue increased by approximately 60.4%, or approximately RMB1,173,407,000, from approximately RMB1,943,569,000 last year to approximately RMB3,116,976,000 this year. Such increase was primarily the results of 1) the comprehensive recovery of the domestic manufacturing industry starting from March and April 2020, coupled with the strong demand for high-end CNC machine tools in the automobile parts and components industry from the second half of the year; 2) effective containment of the COVID-19 pandemic in China; and 3) the spread of the pandemic in other parts of the world, leading to a shift in demand towards manufacturing in China.

In particular, (i) precision lathes recorded sales of approximately RMB2,701,274,000 during the Year under Review, representing a year-on-year increase of approximately 61.1%; (ii) the precision machining centres recorded sales of approximately RMB196,918,000 during the Year under Review, representing a year-on-year increase of approximately 82.5%; and (iii) other areas, such as precision grinding machines and others (primarily accessory parts and components), experienced increases in various sales activities, with sales of approximately RMB107,942,000 and approximately RMB97,859,000 this year, respectively, representing increases of approximately 30.1% and approximately 53.3% respectively, as compared to last year.

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

	For the year ended 31 March 2021	**Proportion (%)**	For the year ended 31 March 2020	Proportion (%)	**Year-on-year increase (%)**
Precision lathes	**2,701,274**	**86.7%**	1,677,004	86.3%	**61.1%**
Precision machining centres	**196,918**	**6.3%**	107,907	5.5%	**82.5%**
Precision grinding machines	**107,942**	**3.5%**	82,988	4.3%	**30.1%**
Precision thread and form rolling machines	**12,983**	**0.4%**	11,826	0.6%	**9.8%**
Others	**97,859**	**3.1%**	63,844	3.3%	**53.3%**
Total	**3,116,976**	**100%**	1,943,569	100%	**60.4%**

Gross Profit and Gross Profit Margin

For the year ended 31 March 2021, gross profit increased by approximately 95.2% to approximately RMB765,307,000 as compared to last year, mainly due to the increase in orders of the Group as a result of the increasing domestic and overseas demand and the continuous improvement of the overall domestic economic situation with the effective control of the pandemic in China. The overall gross profit margin also increased from approximately 20.2% for the year ended 31 March 2020 to approximately 24.6% for the year ended 31 March 2021. Such increase was mainly attributable to the overall economies of scale as a result of the increase in sales volume during the Year under Review.

Other Income and Gains

Other income and gains of the Group primarily consist of bank interest income, gain on disposal of items of property, plant and equipment, government grants, compensation income and others. For the year ended 31 March 2021, other income and gains increased by approximately 123.1% to approximately RMB37,785,000, primarily due to the increases in the government grants income and bank interest income.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff salaries and benefits, transportation and insurance costs, warranty expenses, travelling expenses, office utility expenses, marketing and advertisement expenses and depreciation costs. During the Year under Review, selling and distribution expenses of the Group increased by approximately 19.2% as compared to last year, amounting to approximately RMB126,931,000 this year, representing approximately 4.1% of the Group's revenue for the Year under Review. Such increase was mainly attributable to the increases in salaries and benefits for marketing and after-sales service staff and transportation and insurance costs during the Year under Review.

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits for management, administrative and financial personnel, administrative costs, customisation and development expenses, depreciation expenses relating to property, plant and equipment used for administrative purposes, amortisation expenses for the management information systems, and other taxes and levies expenditure.

During the Year under Review, administrative expenses amounted to approximately RMB93,813,000, representing an increase of approximately 20.6% as compared to last year, mainly due to the increases in development expenses and staff salary and benefits during the Year under Review.

Other Expenses

Other expenses primarily include exchange losses, losses on the disposal of fixed assets, bank handling fees and others. During the Year under Review, other expenses increased by approximately RMB821,000 as compared to last year to approximately RMB2,305,000 this year, mainly due to the increase in foreign exchange losses during the Year under Review.

Impairment Losses on Financial Assets

During the Year under Review, the provision for impairment losses on financial assets amounted to approximately RMB8,795,000, as compared to reversal of impairment losses of RMB196,000 in last year, mainly due to the increase in ending balance of trade and notes receivables as a result of the increase in sales revenue during the Year under Review, resulting in the increase in provision for impairment losses on financial assets.

Finance Costs

During the Year under Review, finance costs were approximately RMB990,000 (for the same period last year: RMB76,000), which was due to the interest arising from lease liabilities recognised by the Group resulted from the adoption of IFRS 16 (Leases) and the interest accrued on discounted notes receivables.

Income Tax Expenses

During the Year under Review, income tax expenses increased by approximately 163.8% as compared to last year to approximately RMB178,306,000, mainly due to the significant increase in revenue and profit before tax.

Profit for the Year

As a result of the factors described above, the Group's profit for the year increased by approximately 151.5% from approximately RMB155,823,000 for the year ended 31 March 2020 to approximately RMB391,952,000 for the year ended 31 March 2021.

Liquidity, Financial Resources and Debt Structure

During the Year under Review, the Group continued to maintain a healthy and solid liquidity position by adopting a prudent financial management approach towards its funding and treasury policies. As at 31 March 2021, the total cash and cash equivalents of the Group amounted to approximately RMB430,115,000 (as at 31 March 2020: approximately RMB205,010,000). Such increase was mainly due to the increase in net cash flows from operating activities and decrease in capital investment expenditures such as purchase of property, plant and equipment, and redemption of short-term structured deposits measured at fair value held by the Company.

As at 31 March 2021, the Group's cash and cash equivalents were mainly held in Renminbi, and part of them were held in Hong Kong dollars and Japanese yen ("**JPY**").

As at 31 March 2021, the Group recorded net current assets of approximately RMB1,240,420,000 (as at 31 March 2020: approximately RMB978,551,000). Capital expenditures for the year ended 31 March 2021 amounted to approximately RMB100,690,000, which was mainly utilised to finance the plant construction, addition of processing equipment, and addition and purchase of design and management software.

As at 31 March 2021, the Group had no outstanding bank loans (31 March 2020: nil) and no discounted bills with recourse (31 March 2020: nil). As at 31 March 2021, the Group's gearing ratio was approximately 0.2%, calculated by dividing the total debt (i.e. bank loans and other borrowing and lease liabilities) by the total equity (31 March 2020: 0.2%).

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

	For the year ended 31 March	
	2021	2020
Average inventory turnover days *(Note 1)*	**100**	149
Average turnover days of trade and notes receivables *(Note 2)*	**83**	88
Average turnover days of trade and notes payables *(Note 3)*	**66**	80

	As at 31 March	
	2021	2020
Current ratio *(Note 4)*	**2.4**	3.2

Notes:

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

2. Average turnover days of trade and notes receivables are calculated based on the average balances of trade and notes receivables at the beginning and end of the relevant financial year divided by the revenue for the relevant financial year multiplied by 365 days.

3. Average turnover days of trade and notes payables are calculated based on the average balances of trade and notes payables at the beginning and end of the relevant financial year divided by the cost of sales for the relevant financial year multiplied by 365 days.

4. Current ratio is calculated based on total current assets divided by total current liabilities as at the end of the relevant financial year.

Average inventory turnover days

The Group's average inventory turnover days for the year ended 31 March 2021 were approximately 100 days, representing a decrease of 49 days as compared to last year, which was mainly due to the significant increase in orders and sales this year, and the Company's implementation of reasonable and effective inventory management, resulting in a significant improvement in inventory turnover ratio.

Average turnover days of trade and notes receivables

The Group's average turnover days of trade and notes receivables for the year ended 31 March 2021 were approximately 83 days, representing a decrease of approximately 5 days as compared to last year. It was mainly due to the increase in sales for the year ended 31 March 2021. Although the average balance of the trade and notes receivables has also increased due to the increase in sales amount, the ratio for the increase in average balance of trade and notes receivables was lower than that for the increase in sales. The relevant trade receivables were still within the normal credit period.

Average turnover days of trade and notes payables

The Group's average turnover days of trade and notes payables for the year ended 31 March 2021 were approximately 66 days, representing a decrease of approximately 14 days as compared to last year, mainly due to the proportional increase in cost of sales for the year ended 31 March 2021 being higher than the proportional increase in average balance of trade and notes payables.

Current ratio

As at 31 March 2021, the Group's current ratio was approximately 2.4 times, while it was approximately 3.2 times as at 31 March 2020, mainly due to the fact that while there was a certain degree of increase in the current assets and current liabilities of the Group, the degree of increase in trade and other payables and accruals was higher than that in inventories, trade and notes receivables, cash and cash equivalents.

Capital Commitment

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

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Contracted but not provided:		
Property, plant and equipment	**7,831**	49,855

Contingent Liabilities

As at 31 March 2021, the Group had no material contingent liabilities (31 March 2020: nil).

Currency Risk and Management

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

During the Year under Review, the Group did not enter into any foreign currency forward contracts or use any derivative contracts to hedge against its exposure. The Group manages its currency risk by closely monitoring the movement of the foreign currency exchange rates and may consider hedging significant foreign currency exposure should the need arise.

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

On 18 April 2018, Precision Tsugami (Anhui) Corporation* (安徽津上精密機床有限公司) ("**Anhui PTC**"), a wholly-owned subsidiary of the Company, was established in Bowang District, Ma'anshan, Anhui Province, the PRC, with a registered capital of RMB50,000,000. The total investment amount of Anhui PTC is estimated to be approximately RMB275,000,000 ("**Anhui Investment**"). Commenced in April 2019, Anhui PTC planned the constructions of certain plants and facilities including 6 production plants, 1 office building and warehouse at a total construction amount of approximately RMB175,500,000. Due to the smooth process of the work, the construction of main works was completed in October 2020 and the completion and inspection of final works was completed on 31 March 2021. In addition, as part of the production equipment has been installed and part of the prepayment has been paid, the installation and testing of the equipment are expected to be completed gradually in the second half of 2021. As at 31 March 2021, amount accounted as fixed assets was approximately RMB176,564,000; amount accounted as construction in progress was approximately RMB18,027,000; amount accounted as prepayments for equipment was approximately RMB19,008,000; and the contracted payment for equipment purchase to be paid in the next financial year is expected to be approximately RMB7,767,000. In order to steadily grow and expand the Company's business in the future, the registered capital of Anhui PTC has been increased to RMB150,000,000 in March 2021.

Save for the Anhui Investment disclosed above, the Group did not hold any other significant investment nor make any material acquisition or disposal of subsidiaries and associated companies during the Year under Review.

Charge on Assets

As at 31 March 2021, apart from the bank deposits of approximately RMB7,539,000 (as at 31 March 2020: approximately RMB17,088,000) pledged by the Group to banks in relation to the issue of notes payable, the Group had no other assets charged to any financial institutions.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this annual report, the Group did not have any future plans for material investments or capital assets as at 31 March 2021.

Employees and Remuneration Policy

As at 31 March 2021, the Group employed 1,812 employees (31 March 2020: 1,493), of whom 10 (31 March 2020: 13) were transferred employees from the Controlling Shareholder. The Group's staff costs (including salaries, bonuses, social insurance, provident funds and share incentive plan) amounted to RMB244,670,000 (31 March 2020: RMB203,944,000) in aggregate, representing approximately 7.8% of the total revenue of the Group during the Year under Review.

* For identification purpose only

The Group offers attractive remuneration packages, including competitive fixed salaries plus performance-based annual bonuses, and continuously provides tailored trainings to its employees to promote their upward mobility in the organisation and foster their loyalty. The Group's employees are subject to regular job performance reviews, which have bearing on their promotion prospects and compensation. Remuneration is determined with reference to market practice and condition and individual employee's performance, qualifications and experience.

OUTLOOK

During the Year under Review, as the demand for high-end CNC machine tools from various downstream industries in China continued to increase, coupled with the precautionary efforts of major industrial countries in the world to contain the COVID-19 pandemic, it is expected that the demand from the overseas markets will also resume gradually, sustaining the cycle of prosperity of the manufacturing industry.

The Group will seize this opportunity and leverage on the advantages of its own products, cost-performance ratio, short delivery period and excellent after-sales services to proactively expand its product market, accelerate the growth of its customers base and further enlarge the market share of the Group's products. In the coming years, the Group will focus on strengthening the management and control of the manufacturing cycle to maintain the Group's edge of short delivery period. For the Group's long-term development, more emphasis by the Group will be placed on the research and development of application suitable for market requirements. The Group will continue to invest in new products and provide the best solutions according to market demand. The Group has been attaching great importance to the cost control measures of its products for a long time and expects to maintain its competitive edge in the increasingly competitive market in the future.

The Group will pay close attention to the development and changes of the macroeconomic situation, review the situation and seize opportunities to achieve favourable results.

Executive Directors

Dr. Tang Donglei (唐東雷) ("Dr. Tang"), aged 58, is the Chief Executive Officer of the Company and was appointed as the executive Director and a member of remuneration committee of the Company on 13 May 2015 and 2 February 2018, respectively. He is primarily responsible for overall management, strategic planning and business development of the Group. Dr. Tang is a director of Precision Tsugami (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company. Dr. Tang is the legal representative, vice chairman, president and a director of Precision Tsugami (China) Corporation ("**PTC**"), our operating subsidiary in the PRC, where he is primarily responsible for the strategic planning and overall operation. Dr. Tang is also the chairman and legal representative of Shinagawa Precision Machinery (Zhejiang) Co., Ltd ("**Shinagawa Precision**"), an indirect wholly-owned subsidiary of the Company), where he is primarily responsible for the strategic planning. On 18 April 2018, Dr. Tang was appointed as the chairman and legal representative of Anhui PTC. From July 1992 to August 2002, Dr. Tang served in Tokyo Seimitsu Co., LTD., a company listed on the Tokyo Stock Exchange (TYO: 7729) and primarily engaged in the manufacture and sales of semiconductor production equipment and measuring instruments. From June 2017 to June 2018, Dr. Tang has been serving as an external director of Tokyo Seimitsu Co., LTD. From September 2002 to October 2005, Dr. Tang served as the managing director of MJC Microelectronics Shanghai Co., Ltd. (旺傑芯微電子(上海)有限公司), a company primarily engaged in the design, manufacture of probe card for semiconductor testing, test instrument and electronic special equipment and sales of products, where he was responsible for the overall operation of the company. Dr. Tang joined the Group in November 2005 and was appointed as the director and president of PTC in November 2005 and November 2006, respectively, where he was responsible for the strategic planning and overall operation. From June 2010 to 13 February 2017, Dr. Tang held various positions in Tsugami Japan (a company listed on the Tokyo Stock Exchange (TYO: 6101)) and last served as a director and adviser and was primarily responsible for the overall operation of the company. Dr. Tang was appointed as a director of Tsugami Japan on 20 June 2018 and mainly managed the business arrangement between Tsugami Japan and its subsidiaries (except the Group) and the Group.

Dr. Tang received his bachelor's degree in precision machinery and instruments from Harbin Institute of Technology (哈爾濱工業大學) in July 1984 and his master's degree in precision engineering from Shinshu University (信州大學) in Japan in March 1988. Dr. Tang received his doctor of engineering degree, majoring in precision machinery systems, from Tokyo Institute of Technology (東京工業大學) in January 1994.

Dr. Li Zequn (李澤群) ("Dr. Li"), aged 60, was appointed as the executive Director of the Company on 20 August 2018. He joined the Group since April 2013 and is the vice president of the Group. He was a director of PTC from June 2017 to June 2018. He is also the responsible person of management department of the Group as well as a supervisor of Anhui PTC. Prior to joining the Group, from October 1991 to August 2003, Dr. Li served in Seiko Instruments Inc. (セイコーインスツル株式會社), a company primarily engaged in the manufacture of products and systems for the electronic product components and machine tools. He was an assistant manager from April 1998 to August 2003, and was primarily responsible for the development of electronics and machinery components. From September 2003 to March 2013, Dr. Li worked for Calsonic Kansei Corporation (カルソニツクカンセイ株式會社) and its group company. He was primarily responsible for formulating business strategies and carrying out feasibility study in the PRC; he also served as a manager in Calsonic Kansei Corporation (カルソニツクカンセイ株式會社) and the head of a PRC group company of Calsonic Kansei Corporation (カルソニツクカンセイ株式會社). Dr. Li was also responsible for the development of production technology, product integration and quality assurance and for the provision of technical support of Calsonic Kansei Corporation (カルソニツクカンセイ株式會社).

Dr. Li obtained his bachelor degree in engineering from North University of China (中北大學) (then known as Taiyuan Institute of Machinery (太原機械學院)) in July 1982 and received his master's degree and doctor's degree in engineering, from Kanazawa University (國立金澤大學) in Japan in March 1988 and September 1991, respectively.

Non-executive Directors

Mr. Takao Nishijima (西嶋尚生) ("Mr. Nishijima"), aged 73, is the chairman of the Company and the nomination committee. Mr. Nishijima joined the Group since September 2003 and was appointed as a Director on 2 July 2013 and was redesignated as a non-executive Director on 13 May 2015. Mr. Nishijima is also the chairman of the board of directors of PTC. Mr. Nishijima was the general manager of the sales development division of Tsugami Japan (a company listed on the Tokyo Stock Exchange (TYO: 6101)) and the managing director of Tsugami Kohan Co., Ltd. from May 1999 to June 2000. He acted as the director and general manager of the sales development division, control headquarters of Tsugami Japan from June 2000 to April 2003. Mr. Nishijima has been serving as the representative director, chairman and chief executive director of Tsugami Japan since April 2003, and is primarily responsible for advising the overall operation of Tsugami Japan.

Mr. Nishijima graduated with a bachelor degree of economics from the faculty of economics of the University of Tokyo (東京大學) in April 1970.

Ms. Mami Matsushita (松下真実) ("Ms. Matsushita"), aged 57, was appointed as our non-executive Director and a member of audit committee on 13 May 2015 and 4 September 2017, respectively and ceased to be a member of audit committee from 17 June 2019. She is primarily responsible for advising the overseas business. Ms. Matsushita joined the Group as a supervisor in January 2010 and was appointed as the director of PTC in October 2010, where she was primarily responsible for advising the overall management relating to export or import matters. Ms. Matsushita is also a supervisor of Shinagawa Precision and a director of Anhui PTC. Ms. Matsushita is the chief operating officer and head of overseas division of Tsugami Japan (a company listed on the Tokyo Stock Exchange (TYO: 6101)). From April 2010, she served as the president of Tsugami Europe GmbH and a director of Tsugami Korea Co., Ltd., respectively, both of which are subsidiaries of Tsugami Japan. From June 2013, Ms. Matsushita served as a director of Tsugami Universal Pte. Ltd. and Tsugami Precision Engineering India Private Limited, respectively, both of which are subsidiaries of Tsugami Japan. From June 2002 to March 2010, Ms. Matsushita was employed by Tokyo Seimitsu Co., LTD. (株式會社東京精密), the shares of which were listed on the Tokyo Stock Exchange (TYO: 7729).

Ms. Matsushita obtained her bachelor's degree in arts and master's degree in arts from Meiji University (明治大學) in Japan in March 1988 and March 1990, respectively.

Mr. Kenji Yoneyama (米山賢司) ("Mr. Yoneyama"), aged 56, was appointed as a non-executive Director and a member of the audit committee of the Company on 1 April 2021. He has served as a supervisor of PTC since May 2019. He joined Tsugami Japan (a company listed on the Tokyo Stock Exchange (TYO: 6101)) in April 2015, and served as the advisor of accounting of Tsugami Japan from April 2015 to April 2016. He has served as the general manager of accounting of Tsugami Japan since April 2016. He has served as the standing statutory auditor of Tsugami Japan since June 2017 and as the director of Tsugami Japan (members of the audit and supervisory committee) since June 2018. Prior to joining Tsugami Japan, Mr. Yoneyama held various positions at The Hokuetsu Bank, Ltd. from April 1988 to April 2015.

Mr. Yoneyama graduated from the Faculty of Law of Kanazawa University (金澤大學) in 1988, majoring in Law.

Independent Non-executive Directors

Dr. Eiichi Koda (甲田英一) ("Dr. Koda"), aged 73, was appointed as an independent non-executive Director and a member of nomination committee of the Company on 13 May 2015 and 4 September 2017, respectively. Dr. Koda has been serving as a specially appointed professor from April 2013 to March 2015 and subsequently a guest professor, from April 2015 to March 2018, of the School of Medicine of Toho University (東邦大學) in Japan. From May 2003 to March 2013, Dr. Koda served as a professor of course of radiology of Ohashi Medical Center of the School of Medicine of Toho University (東邦大學醫學部大橋病院). Dr. Koda is serving as a vice chairperson of Amakakeru.

Dr. Koda received his doctor's degree in medicine from Keio University (慶應義塾大學) in Japan in September 1994. He qualified as a medical doctor after passing the National Medical Practitioner Examination in Japan in June 1972.

Dr. Huang Ping (黃平) ("Dr. Huang"), aged 58, was appointed as an independent non-executive Director on 13 May 2015. He was appointed as a member of audit committee and remuneration committee since 4 September 2017, and was redesignated as the chairman of remuneration committee since 2 February 2018. From April 1991 to May 1999, Dr. Huang served as manager of software engineering in Uniden Corporation (ユニデン株式會社，now Uniden Holdings Corporation), a company listed on the Tokyo Stock Exchange (TYO: 6815) and primarily engaged in the manufacture and sales of wireless communications equipment, where he was a software group leader responsible for development of various kinds of wireless communication products. From May 1999 to November 2001, Dr. Huang served in Mitsubishi Wireless Communications, Inc., a company engaged in the manufacture and sales of wireless communications equipment, where he was responsible for design and implementation of TDMA/AMPS dual mode cellular phone. Dr. Huang had afterwards served various positions in CalAmp Corp., a company whose shares are listed on NASDAQ stock market (NASDAQ: CAMP) and which is a wireless communication solutions provider. Since July 2009, Dr. Huang has been serving as the general manager of eSky Wireless Inc. (蘇州翼凱通信科技有限公司), a company engaged in the development and sales of GSM and W-CDMA wireless communications modules, where he is responsible for research and development of modules and products of GSM/GPRS for sales in North America, Japan and PRC, etc.

Dr. Huang received his bachelor's degree in wireless communication from Tsinghua University (清華大學) in July 1984. Dr. Huang obtained his master's degree and doctor's degree, majoring in electrical and electronic engineering, from Tokyo Institute of Technology (東京工業大學) in March 1988 and March 1991, respectively.

Mr. Tam Kin Bor (譚建波) ("Mr. Tam"), aged 52, was appointed as the independent non-executive Director of the Company on 12 December 2016. He was appointed as the chairman of audit committee and a member of remuneration committee (redesignated from the chairman of remuneration committee to a member of remuneration committee on 2 February 2018) and nomination committee since 4 September 2017. From September 1997 to March 2007, Mr. Tam worked in Ernst and Young Hong Kong and Beijing offices, and last served as a senior manager. From March 2007 to June 2010, Mr. Tam served as vice president for Deutsche Bank's wholly-owned subsidiary, Cathay Advisory (Beijing) Co., Ltd. Mr. Tam subsequently served as chief financial officer at Debao Property Development Ltd., (德寶房地產開發有限公司), a company listed on the Singapore Stock Exchange (stock code: BTF) and primarily engaged in property development, construction contractor and property. Mr. Tam also served as chief financial officer at Tianfang Hospitality Management Pte. Ltd., (天房酒店基金管理有限公司), where he was responsible for the overall finance and monitoring the financial performance of a real estate investment trust company and preparation of accounts.

Mr. Tam received his bachelor's degree in accounting from Monash University in Australia in August 1997. He is a member of the Association of Certified Public Accountants in Australia and the Hong Kong Institute of Certified Public Accountants. He passed the test relating to capital markets and financial advisory services organised by the Institute of Banking & Finance Singapore in August 2015.

Senior Management

Mr. Jiang Ping (蔣平) ("Mr. Jiang"), aged 58, joined the Group since March 2006 and is the vice president of the Group. He is primarily responsible for business and operation of the Group. From August 1983 to October 1997, Mr. Jiang served as mechanic equipment engineer in China Huajing Electronics Group Company (中國華晶電子集團公司), a company which is engaged in manufacture and sale of semiconductor components. From November 1997 to February 2006, Mr. Jiang served as sales director in Accretech (China) Co. Ltd. (東精精密設備(上海)有限公司), a company primarily engaged in assembling, processing and sales of precision measuring instrument and semiconductor manufacturing equipment. From November 2015 to March 2021,Mr. Jiang served as a director of PTC.

Mr. Jiang obtained his bachelor degree in radio engineering from Huazhong Engineering College (華中工學院) in the PRC in July 1983.

Mr. Lin Hsin-Tze (林新澤) ("Mr. Lin"), aged 51, joined the Group since January 2009 and is the vice president of the Group and a director of PTC. He is primarily responsible for technical management of the Group. From March 1994 to November 2003, Mr. Lin served as deputy manager of the customer services team of Great Tung Ching Trading Co., Ltd (同清貿易股份有限公司), which primarily engages in distribution of high precision machine tools. From December 2003 to December 2008, Mr. Lin served as a manager in the production team of Tsugami Japan and was seconded to PTC as vice president from October 2004. Mr. Lin left Tsugami Japan in December 2008. From August 2010 to March 2021, Mr. Lin served as a director of Shinagawa Precision and from April 2018 to March 2021, he served as a director of Anhui PTC.

Mr. Lin completed his education in vehicle repair from The Affiliated Senior Industrial Vocational Continuing Education School Taoyuan Senior Agricultural Vocational School of Taiwan (台灣省立桃園高級農工職業學校附設高級工業職業進修補習學校) in Taiwan in June 1988.

Mr. Li Junying (李軍營) ("Mr. Li"), aged 47, joined the Group since November 2012 and is the assistant to president and financial manager of the Group. He is primarily responsible for financial administration of the Group. Mr. Li served in Matsui Mfg. Co., Ltd. (株式會社松井製作所), a company primarily engaged in manufacturing and sales of plastics processing equipment and systems from April 2007 to June 2012. From July 2012 to November 2012, Mr. Li served as the head of accounting department in Tsugami Japan where he was primarily responsible for the accounting matters.

Mr. Li obtained his bachelor degree in accounting from Huazhong University of Science and Technology (華中科技大學) in the PRC in October 2002. Mr. Li received degree of master in technology management from Yokohama National University (橫濱國立大學) in Japan in September 2006.

Company Secretary

Ms. Wong Wai Yee Ella (黃慧兒) ("Ms. Wong"), aged 45, was appointed as the company secretary of the Company in June 2015. Ms. Wong is a director of corporate services of Tricor Services Limited ("**Tricor**"), which is a global professional services provider specializing in integrated Business, Corporate and Investor Services. Ms. Wong has over 20 years of experience in the corporate services field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Wong currently serves as the company secretary/joint company secretary for a number of companies listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Ms. Wong is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Ms. Wong holds her bachelor degree in economics from The University of Hong Kong and a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company and its Board recognize that sound corporate governance could not only strengthen the accountability of management and the confidence of investors, but also lay a favorable foundation for the long-term development of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**", including any modification and amendment from time to time) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG code.

The Board considers that the Company has complied with all code provisions of the CG Code during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standard as set out in the Model Code during the Year.

BOARD

The powers and duties of the Board include convening general meetings of the Company and reporting the Board's work at the general meetings of the Company, determining the business and investment plans of the Group, preparing the Group's annual financial budgets and final reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Company's articles of association (the "**Articles of Association**"), while the management of the Group is responsible for the daily management and operation of the Group.

There is no relationship (including financial, business, family or other material relevant relationship) between the Board members and between the Chairman and the Chief Executive Officer.

During the Year, the Company has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, accounting or related financial management expertise. At all times during the Year, the independent non-executive Directors represent at least one-third of the Board.

During the Year, the management has provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

BOARD COMPOSITION

During the Year and up to the date of this report, the members of the Board have been and are:

Executive Directors:

Dr. Tang Donglei *(Chief Executive Officer)*
Dr. Li Zequn

Non-executive Directors:

Mr. Takao Nishijima *(Chairman)*
Ms. Mami Matsushita
Mr. Kenji Yoneyama *(appointed from 1 April 2021)*
Mr. Seiji Tsuishu *(appointed from 29 June 2020 and resigned from 1 April 2021)*
Mr. Manabu Tanaka *(resigned from 29 June 2020)*

Independent Non-executive Directors:

Dr. Eiichi Koda
Dr. Huang Ping
Mr. Tam Kin Bor

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications of the Company pursuant to the Listing Rules. The biographical details of the Directors are set out under the section leaded "Directors and Senior Management" in this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the chief executive officer to ensure a balance of power and authority. The positions of Chairman and chief executive officer are held by Mr. Takao Nishijima and Dr. Tang Donglei respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the overall management and strategic planning of the Group and the effective functioning of the Board in accordance with good corporate governance practices, whereas the chief executive officer focuses on the day-to-day management of the Group's business and implementing the objectives, policies, strategies and business plans as approved and delegated by the Board.

NON-EXECUTIVE DIRECTORS (INCLUDING THE INDEPENDENT NON-EXECUTIVE DIRECTORS)

The non-executive Directors (including the independent non-executive Directors), who have diversified industry expertise but are not involved in the day-to-day management of the Group, serve the important function of advising the Board on strategic development of the Group, and ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of the Company and the Shareholders as a whole. The Company has received confirmations of independence from all existing independent non-executive Directors and considers them independent, in accordance with Rule 3.13 of the Listing Rules. Each of the non-executive Directors (including the independent non-executive Directors) has entered into a service contract or an appointment letter (as the case may be) with the Company for a fixed term of three years, subject to retirement by rotation in accordance with the Articles of Association.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each Director has induction on the occasion of his/her appointment by the listed company to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to refresh their knowledge and skills. The existing Directors are continually updated on changes and developments of the Company's business and on the latest developments in the laws, regulations and rules relating to Directors' duties and responsibilities. Directors' training is an ongoing process. All Directors of the Company are encouraged to attend relevant training courses at the Company's expenses.

All Directors have participated in appropriate continuous development and provided the Company with their records of training they received during the Year.

BOARD MEETINGS

The Company considers that the Board should meet regularly so that all Directors are updated with the business development of the Group. Special meetings will be convened by the Board if the situation requires so. During the Year, the Board convened a total of four Board meetings.

Directors have received the meeting agenda for decision and relevant meeting documents prior to each Board meeting. Board minutes are kept by the secretary of the Board and are available for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has access to the advice and services of the company secretary at any time, and has the liberty to seek external professional advice if so required.

BOARD COMMITTEES

Audit Committee

The Company has established an audit committee of the Company (the "**Audit Committee**") on 4 September 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules, which is available on the websites of the Stock Exchange and the Company.

During the Fiscal Year of 2021 and up to the date of this report, the members of the Audit Committee have been and are:

Mr. Tam Kin Bor *(Chairman)*
Dr. Huang Ping
Mr. Kenji Yoneyama *(appointed as a member of the Audit Committee from 1 April 2021)*
Mr. Seiji Tsuishu *(appointed as a member of the Audit Committee from 29 June 2020 and ceased to be a member of the Audit Committee from 1 April 2021)*
Mr. Manabu Tanaka *(ceased to be a member of the Audit Committee from 29 June 2020)*

The primary duties of the Audit Committee include, among others, reviewing the financial statements, annual reports and accounts and interim reports of the Group, making recommendations in respect of the appointment, re-appointment and removal of external auditor, reviewing and supervising the financial reporting process, risk management and internal control system of the Group, and reviewing the accounting policies and practices adopted by the Group.

During the Fiscal Year of 2021, the Audit Committee held two meetings to review, assess and comment on the audited consolidated financial statements for the year ended 31 March 2020 and unaudited consolidated financial statements for the six months ended 30 September 2020 respectively. It has also reviewed the effectiveness of the risk management and internal control systems and internal audit functions of the Group. Meanwhile, the Audit Committee also carries out the following duties:

(1) making recommendation to the Board on the re-appointment of external auditor and approving their remuneration and terms of engagement;

(2) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; discussing with the external auditor the nature and scope of the audit and reporting obligations; and

(3) implementing the policy of the Company on engaging external auditor to provide non-audit services.

The Group's audited consolidated annual results for the Fiscal Year of 2021 have also been reviewed by the Audit Committee, which is of the opinion that the preparation of such results is in compliance with the applicable accounting standards and requirements and that adequate disclosure has been made.

Remuneration Committee

The Company has established a remuneration committee of the Company (the "**Remuneration Committee**") on 4 September 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 of the Listing Rules, which is available on the websites of the Stock Exchange and the Company.

During the Fiscal Year of 2021 and up to the date of this report, the members of the Remuneration Committee have been and are Dr. Huang Ping, Mr. Tam Kin Bor and Dr. Tang Donglei, of whom Dr. Huang Ping and Mr. Tam Kin Bor are independent non-executive Directors and Dr. Tang Donglei is the chief executive officer and an executive Director. The chairman of the Remuneration Committee is Dr. Huang Ping. The primary duties of the Remuneration Committee include, among others, making recommendations to the Board regarding the policy and structure for the remuneration of all Directors and senior management of the Group and on the establishment of formal and transparent procedures for developing remuneration policies, making recommendations to the Board on the remuneration packages of Directors and senior management of the Group, and reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The remuneration policy for the Directors and senior management members of the Group is based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members of the Group.

During the Fiscal Year of 2021, two meetings were held by the Remuneration Committee in relation to:

1) the remuneration determination of two then newly-appointed Directors, being Mr. Seiji Tsuishu (non-executive Director, resigned from 1 April 2021) and Mr. Kenji Yoneyama (non-executive Director); and

2) the review of remuneration packages of Directors and senior management of the Group. Such remuneration packages are considered to be in line with the corporate market standards in the industry in which the Group operates.

Remuneration of Senior Management

During the Year, senior management's remuneration falls within the following band:

Remuneration band	Number of individuals
Less than HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	2

Nomination Committee

The Company has established a nomination committee of the Company (the "**Nomination Committee**") on 4 September 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 of the Listing Rules, which is available on the websites of the Stock Exchange and the Company.

During the Fiscal Year of 2021 and up to the date of this report, the members of the Nomination Committee have been and are Mr. Takao Nishijima, Dr. Eiichi Koda and Mr. Tam Kin Bor, of whom Dr. Eiichi Koda and Mr. Tam Kin Bor are independent non-executive Directors and Mr. Takao Nishijima is the chairman of the Board and a non-executive Director. The chairman of the Nomination Committee is Mr. Takao Nishijima. The primary duties of the Nomination Committee include, among others, considering and recommending to the Board suitably qualified persons to act as Directors, reviewing the structure, size and composition of the Board on a regular basis and as required, evaluating the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer.

The Nomination Committee has also adopted a policy of diversity for memberships of the Board which aims to achieve diversity for memberships of the Board against a range of different perspectives, including but not limited to professional and industry experience, skills and knowledge, gender, age, cultural and educational background, etc. These criteria will be considered in determining the optimum composition of the Board members and when practicable should be balanced appropriately. In reviewing and assessing the composition of the Board, the Nomination Committee will consider different factors, including the aforesaid criteria, in order to maintain the diversity for memberships of the Board. When recommending new appointments to the Board, the Nomination Committee will consider candidates on merit against objective criteria, including the ones set out above, with due regard to the benefits of diversity for memberships of the Board.

The Nomination Committee has reviewed the Board's composition under diversified perspectives and monitored the implementation of the board diversity policy and considered that the diversity policy is effective. It is currently not required to set any measurable objectives for implementing the policy.

During the Fiscal Year of 2021, two meetings were held by the Nomination Committee. Recommendations have been made by the Nomination Committee to the Board for matters such as change of members of the Board committee, namely the appointments of Mr. Seiji Tsuishu and Mr. Kenji Yoneyama and the re-election of the Directors who retired during the annual general meeting of the Company for the year ended 31 March 2020. The Nomination Committee has also reviewed the structure, size, composition and diversity of the Board and the suitability of latest background information of Directors, and assessed the independence of independent non-executive Directors.

Nomination Policy

On 28 December 2018, the Board adopted a nomination policy (the "**Nomination Policy**") setting out the criteria and procedures for nomination and appointment of Directors.

(1) In assessing and selecting candidates for directorship, the Nomination Committee and/or the Board should consider the following criteria:

- Character and integrity;
- Qualifications (including professional qualification, skills, knowledge and experience related to business and strategies of the Company) as well as diversity factors as referred to the Board diversity policy of the Company;
- Any measurable objectives adopted to achieve diversity of the Board;
- The Listing Rules, requirements put forward to the Board to include independent non-executive Directors and the guidelines as set out in the Listing Rules, stating whether candidates are considered to be independent as reference;
- Any potential contribution to the Board in terms of professional qualifications, skills, experience, independence and gender diversity of the candidates;
- Whether being willing and able to devote sufficient time to discharge its duties as a member of the Board and/or its committees of the Company; and
- Applicable to the Company's business and its succession plans, and where applicable, such other factors as the Board and/or the Nomination Committee may from time to time adopt and/or modify for the nomination of Directors and succession plans.

(2) Procedures for appointment of new Directors

(i) The Nomination Committee and/or the Board may recruit director candidates from a variety of sources, including but not limited to internal promotion, re-designation, and recommendation from other members of the management and external recruitment agencies.

(ii) Upon receipt of the proposal for the appointment of a new Director and the candidate's biographical information (or relevant details) by the Nomination Committee and/or the Board, the candidate will be assessed based on the above criteria to determine whether the candidate is qualified to be a Director.

(iii) If the process involves one or more suitable candidates, the Nomination Committee and/or the Board shall prioritize the candidates based on the Company's needs and the reference check of each candidate, as appropriate.

(iv) The Nomination Committee shall then make recommendations to the Board on the appointment of a suitable candidate as Director, as appropriate.

(v) For any person nominated by the Shareholders for election as a Director at a general meeting of the Company, the Nomination Committee and/or the Board shall assess the candidate based on the above criteria to determine whether the candidate is qualified to be a Director.

The Nomination Committee and/or the Board shall make recommendations to the Shareholders (if applicable) on the proposals for the appointment of Directors at the general meeting.

(3) Re-election of Director at general meeting

(i) The Nomination Committee and/or the Board shall review the overall contribution and service of the retiring Directors to the Company, as well as their participation and performance in the Board.

(ii) The Nomination Committee and/or the Board shall also review and determine whether the retiring Directors still conform with the above criteria.

(iii) The Nomination Committee and/or the Board shall make recommendations to the Shareholders on the proposals for the re-election of Directors at the general meeting.

If the Board proposes a resolution to appoint or re-elect a person as a Director at the general meeting, the information of the candidate will be set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or relevant applicable laws and regulations.

Competition Executive Committee

The Company has established an executive committee (the "**Competition Executive Committee**") comprising two disinterested Directors on 4 September 2017. During the Fiscal Year of 2021 and up to the date of this report, the members of the Competition Executive Committee have been and are:

Dr. Tang Donglei *(Chief Executive Officer)*
Dr. Li Zequn

Major responsibilities of Competition Executive Committee are to monitor the business of the Company's Controlling Shareholder and its close associates.

Competition Supervisory Committee

A supervisory committee (the "**Competition Supervisory Committee**"), comprising three independent non-executive Directors, namely Dr. Huang Ping, Mr. Tam Kin Bor and Dr. Eiichi Koda, during the Fiscal Year of 2021 and up to the date of this report, was established by the Company on 4 September 2017 with the following major responsibilities:

(i) to meet quarterly and review the quarterly inspection records and any communication records by the Competition Executive Committee; and

(ii) to report findings during its review of the records provided by the Competition Executive Committee to the Board which will be published in the Company's annual reports.

For details of the Competition Supervisory Committee's findings, please refer to the section headed "Directors' Report – Deed of Non-Competition" of this report.

Attendance of Meetings

The attendance records of the Directors at the Board meetings, committee meetings and general meetings of the Company during the Fiscal Year of 2021 are as follows:

	No. of meetings attended/held				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual general meeting
Executive Directors:					
Dr. Tang Donglei *(Chief Executive Officer)*	4/4	N/A	2/2	N/A	1/1
Dr. Li Zequn	4/4	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. Takao Nishijima *(Chairman)*	4/4	N/A	N/A	2/2	1/1
Ms. Mami Matsushita	4/4	N/A	N/A	N/A	1/1
Mr. Manabu Tanaka *(Note 1)*	1/1	1/1	N/A	N/A	N/A
Mr. Seiji Tsuishu *(Note 2)*	3/3	1/1	N/A	N/A	1/1
Independent non-executive Directors:					
Dr. Eiichi Koda	4/4	N/A	N/A	2/2	1/1
Dr. Huang Ping	4/4	2/2	2/2	N/A	1/1
Mr. Tam Kin Bor	4/4	2/2	2/2	2/2	1/1

Notes:

1 Mr. Manabu Tanaka ceased to be a member of the Board and the Audit Committee from 29 June 2020.

2 Mr. Seiji Tsuishu has been appointed as a member of the Board and the Audit Committee since 29 June 2020 and ceased to be a member of the Board and the Audit Committee from 1 April 2021.

CORPORATE GOVERNANCE FUNCTIONS

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company. The Board has the following duties and responsibilities in performing the corporate governance duties of the Company:

1. to develop and review the Group's policies and practices on corporate governance;

2. to review and monitor the training and continuing professional development of the Directors and staff of the Group;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Group's compliance with the CG Code as set out in the Listing Rules and disclosure in the corporate governance report in the annual report of the Company.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

During the Year, the fees paid or payable to the independent auditor, Ernst & Young and its affiliate companies, for services rendered in respect of audit and non-audit natures are as follows:

Type of services	**RMB'000**
Audit services – audit fees for the year ended 31 March 2021	870
Non-audit services – interim review fees for the six months ended 30 September 2020	500
Non-audit services – others *(Note)*	93
Total	1,463

Note: Other non-audit services represented review services, which include:

- risk management and review service for internal control;
- tax consultation service; and
- transfer pricing report producing service.

The independence of the external auditor is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement and remuneration.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the financial position of the Group and of the results and cash flows of the Group for that year in compliance with the relevant laws and disclosure requirements of the Listing Rules.

In preparing the financial statements for the Year, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimations that are prudent and reasonable, and prepared disclosure of the financial position of the Group with reasonable accuracy at any time.

Apart from the uncertainties arising from the prolongation of the Sino-US trade frictions, the fluctuations of the Sino-US relationship and the outbreak of the COVID-19 pandemic, which materially impacted China's manufacturing industry and the economy as a whole and resulted in a decline in the demand for high-end CNC machine tools, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

COMPANY SECRETARY

The company secretary of the Company is Ms. Wong Wai Yee Ella as delegated by an external service provider. The external service provider's primary contact person in the Company is Dr. Li Zequn, the executive Director and vice president of the Group. Ms. Wong Wai Yee Ella fulfils the qualification requirements contained in the Listing Rules and her biographical details are set out under "Directors and Senior Management" section in this report. Ms. Wong Wai Yee Ella has received no less than 15 hours of related professional trainings during the Year pursuant to the relevant training requirements under Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

The Company intends to generate long-term value for the Shareholders by maintaining a balance between dividend distributions and sufficient liquidity and reserves in order to meet its working capital requirements, realize future business growth and its equity value. The Company does not have any predetermined dividend payout ratio and the Board may at its absolute discretion declare and pay dividends to the Shareholders subject to the Articles of Association and all applicable laws and regulations.

Pursuant to the dividend policy of the Company (the "**Dividend Policy**"), the Board shall consider the declaration of dividend by taking into account the following factors pertaining to the Group:

- Our financial results;
- Cash flow status;
- Business conditions and strategies;
- Future operations and revenue;
- Capital requirements and expenditure plans;
- Shareholders' interests;
- Any restriction on the payment of dividends; and
- Any other factors which the Board may deem relevant.

The Board will review the Dividend Policy from time to time and may renew, amend and/or modify the Dividend Policy at its sole and absolute discretion at any time as it thinks fit and necessary. The Dividend Policy does not constitute any legally binding commitment of the Company that any dividend will be paid in any particular amount and/or will not require the Company to declare dividend at any time or from time to time.

SHAREHOLDER RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

According to article 12.3 of the Articles of Association, general meetings shall be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Shareholders to Put Forward Proposals at General Meeting

If a Shareholder wishes to put forward proposals at a general meeting, the Shareholder, who has satisfied the shareholding requirements set out in the above paragraph headed "Procedures for Shareholders to Convene an Extraordinary General Meeting", may follow the same procedures by sending a written requisition to the Board or the company secretary of the company at the principal place of business of the Company in Hong Kong. The Shareholder should state his/her proposals in the written requisition and submit the written requisition as early as practicable to enable the company secretary of the Company to make necessary arrangement.

Procedures for Shareholders to Propose a Person for Election as a Director

According to article 16.4 of the Articles of Association, if a Shareholder wishes to propose a person (the "**Candidate**") for election as a Director at a general meeting, he/she shall deposit a written notice (the "**Notice**") at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong upon the issuance of the notice of general meeting by the Company, of which addressee is the company secretary of the Company. The Notice: (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information. The period for lodgement of the Notice shall commence on the day after the despatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting. In order to allow the Shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, Shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable before the relevant general meeting.

Procedures for Putting Enquiries to the Board

Shareholders may, at any time, directly put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by email to ir@tsugami.com.cn for the follow-up action of the investor relations team.

INVESTOR RELATIONS

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analysts' briefings and road shows, participating in investors' conferences and making corporate presentations during the conferences, arranging visits to the Company and maintaining regular meetings with institutional shareholders and analysts.

The Group's website (www.tsugami.com.cn) contains an "Investor Relations" section which offers timely access to the Company's press releases, financial reports and announcements. The Company will continue to maintain an open-door and effective policy for investor communication and to update investors with relevant information of the Group in due course.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has acknowledged its responsibility for the risk management and internal control systems of the Group, and has established such system and continuously supervised and reviewed the effectiveness of the system operation as required in paragraph C.2 of the CG Code as set out in Appendix 14 of the Listing Rules, with the purpose of managing the risk of failure to achieve the business objectives, as well as enhancing the effective and efficient operation of the Group. However, such systems are designed to manage rather than eliminate the risk of failure to achieve the business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's Risk Management and Internal Control Framework

The Group has commissioned an independent professional risk advisor to help build risk management framework, develop the "Risk Assessment Manual", and conduct risk assessments to determine the nature and extent of the Group's risks. In the risk assessment process, the management and the internal audit department of the Group have identified the major risks faced by the Group and ranked these risks according to the likelihood and the severity of the impact of such risks on the business of the Group, as well as further developed risk management measures to maintain the risks at an acceptable level.

The internal audit department of the Group is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

The management and the internal audit department would report to the Audit Committee and the Board on all findings and the effectiveness of the risk management and internal control systems. The Audit Committee assists the Board in leading the management to oversee the design, implementation and monitoring of the risk management and internal control systems, and makes recommendations. The Audit Committee also ensures that an overall review of the effectiveness of such systems is conducted at least annually and put forward to the Board for consideration. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness.

Review of Risk Management and Internal Control System

The Board and its Audit Committee reviewed the effectiveness of the Company's risk management and internal control systems which include financial, operational and compliance controls during the Year, as well as taking into account the adequacy of resources, staff qualifications and experience and trainings for the staff of the Company's accounting and financial reporting and internal audit functions. Procedures have been set up for, inter alia, safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. Management throughout the Group maintains and monitors the risk management and internal control systems on an ongoing basis.

During the year ended 31 March 2021, due to the unexpectedly strong sales performance in the second half of the Year and an inadvertent oversight of the Company, the actual technology license fees paid to Tsugami Japan exceeded the annual cap for the Year under the Technology Licence Agreement (renewed in 2020). Further details of the exceeding of the annual cap are set out in the announcement of the Company dated 8 June 2021. Subsequently, the Company has adopted the measures as disclosed in the announcement dated 8 June 2021, in particular, the finance manager and the senior management will closely monitor the actual transaction amounts incurred in respect of the continuing connected transactions of the Company on a monthly basis to further strengthen its internal monitoring procedures to prevent recurrence of similar incidents. The Board reviewed the financial, operational and compliance monitoring systems during the Year and assessed the effectiveness of such systems after considering the work performed by the Audit Committee, the management of the Group, external and internal auditors. In view of the enhanced internal measures and policies adopted by the Group after the aforementioned incident, the Board considered that, apart from the incident, based on the reports submitted by the internal audit department and the management, the Company's risk management and internal control system are effective and adequate.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Board has established the Inside Information Policy for the handling and dissemination of inside information. The Inside Information Policy stipulates the obligations of the Group, restriction on sharing non-public information, handling of rumors, unintentional selective disclosure, exemptions and waiver to the disclosure of inside information, external communication guidelines and compliance and reporting procedures. Management of the Group must take all reasonable measures from time to time to ensure that proper safeguards are in place to prevent a breach of a disclosure requirement in relation to the Group. They must promptly bring any possible leakage or divulgence of inside information to the attention of the financial manager who will notify the Board as soon as reasonably practicable accordingly for taking the appropriate prompt action. In the event that there is evidence of any material violation of the Inside Information Policy, the Board will decide, or designate appropriate persons to decide, the appropriate course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

INTRODUCTION AND ENVIRONMENT, SOCIAL AND GOVERNANCE POLICIES

The Company is a leading professional manufacturer of CNC high-precision machine tools, and its main business includes professional customization, development, production, and sales of various CNC high-precision machine tools such as precision lathes, precision machining centres, and precision grinding machines. The products of the Group are mainly used in the industries and include automobile parts and components, IT electronic parts such as mobile phones and communication facilities, automation, medical instruments and construction machinery. They are mainly sold in the Mainland China and Taiwan markets and also exported to Japan, Europe, America and Southeast Asia through the Group's overseas sales channel, Tsugami Japan. The Group also provides CNC high precision machine tools to the supply chains of renowned auto manufacturers, home appliance manufacturers and smart phone manufacturers of the world.

The Company is a subsidiary established by Tsugami Japan, a renowned Japanese CNC high precision machine tool manufacturer, for its Chinese undertakings, and has grown into the largest foreign-branded CNC machine tool manufacturer in the Chinese machines tools market through 18 years of rapid development since its business commencement in 2003.

The Group firmly believes that sustainable development is the key to our continued success. We recognize the importance of integrating environmental, social and governance ("**ESG**") concepts into its risk management system, and to adopt corresponding measures in running its daily operations and establishing its governance structure. The Group's mission is to facilitate and encourage human creativity, innovation and inspiration through the provision of CNC high precision machine tools. With this mission, the Group believes that the following five core values will be vital:

A Will to Succeed	The Group is dedicated to creating long-term and sustainable value for its investors. As such, the Group continuously pursues excellence in its performance, not only financially, but also in non-financial aspects.
Integrity and Honesty in All Areas of Business	The Group stresses on business ethics. The Group leads by example and demands honesty and integrity from its business partners.
Respect for People	The Group treats its investors, employees, customers, business partners and suppliers with mutual respect and care, values their contributions and keeps pace with them.

Protection of the Environment	The Group is committed to minimising its potential adverse impact on the environment and preserving natural resources.
Pride in the Group's Services and Product Quality	The Group treasures its customers and strives to satisfy them with quality products and services.

During the Year, the Group was awarded the 5th Golden Hong Kong Stock "Best Industrial Manufacturing Company Award" organized by Zhitong Finance and Royalflush Finance. The Group will continue to carry out its mission and continue to pursue the concept of sustainable development. This Environmental, Social and Governance Report (the "**Report**") summarizes the initiatives, plans and performance of the Group in terms of ESG, and demonstrates its commitment to sustainable development.

ESG Governance Structure

The Group has assigned designated personnel to systematically identify and respond to ESG issues. These personnel are responsible for collecting and analysing relevant ESG data and identifying ESG issues of the Group. In addition, these designated individuals will report regularly to the Board for the purpose of evaluating and subsequently implementing or revising the Group's ESG strategy. The Board sets the general direction of the Group's ESG strategy and is responsible for ensuring the effectiveness of ESG risk control and internal monitoring mechanisms.

REPORTING SCOPE

The scope of the Report covers the Group's efforts and contributions to the environment and society, covering the Group's operations in the PRC. Unless otherwise specified, information on ESG key performance indicators ("**KPIs**") is obtained through the Group's operational control mechanism. We will further expand our scope of disclosure along with improved data collection system and deepened sustainability work.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 to the Listing Rules.

For information relating to the Group's corporate governance practices, please refer to the section headed "Corporate Governance Report" on pages 19 to 34 of the annual report.

REPORTING PERIOD

The Report details the ESG activities, challenges and measures taken by the Group during the Year.

STAKEHOLDER ENGAGEMENT

The Group and its stakeholders communicate and support each other through two-way communication mode to achieve mutual growth. Therefore, the Group values opinions from different stakeholders on our operation and ESG matters. To fully understand, respond and address core concerns of different stakeholders, we have been maintaining close communication with various stakeholders. We will continue to strengthen stakeholder engagement through constructive dialogue to draw a blueprint for long-term prosperity.

Through the engagement of different stakeholders and various communication channels, we will integrate their expectations into our operation and ESG strategies. Communication channels between the Group and stakeholders together with their expectations and concerns are as follows:

Types of stakeholders	Communication channels	Expectations and concerns
Investors and shareholders	• Annual general meeting and other shareholders' meeting • Financial reports • Announcements and circulars • Corporate website • Due diligence by investors	• Compliance with relevant laws and regulations • Timely release of the latest corporate information • Corporate sustainable development • Financial performance • Customer development trend
Customers	• Business meetings • Customer service hotline • Email • Corporate website	• Fulfilling product and service responsibilities • Customer information security • Business ethics • Introduction of new products • Handling customer feedback
Suppliers and partners	• Supplier management meetings and events • Business meetings • Continuous direct communication	• Fair competition • Win-win cooperation • Business ethics • Delivering on promises

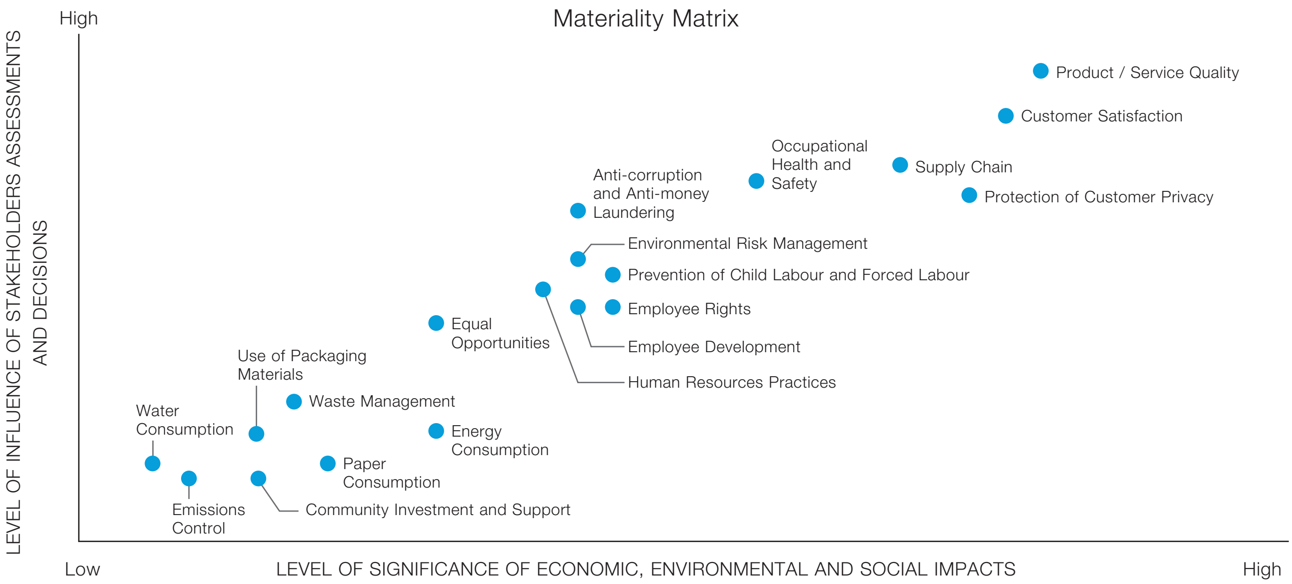
Types of stakeholders	Communication channels	Expectations and concerns
Employees	• Staff opinion survey • Regular management communication • Regular performance appraisals • Staff training courses • Social media • Internal memorandum • Direct communication	• Remuneration and benefits • Career development • Working environment • Work performance • Occupational health and safety
Government and regulatory authorities	• Statutory filings and notices • Regulatory or voluntary disclosure • Regular reporting of performance	• Business strategy • Compliance operation • Pay tax in accordance with law
Community, non-government organizations and media	• Community investment scheme • Corporate website • ESG reports • News release • Donation and sponsorship	• Giving back to society • Environmental protection • Corporate social responsibility • Compliance operation • Fair employment opportunities

The Group is committed to working with our stakeholders to improve the Group's ESG performance and to continue to create greater value for our country and society.

MATERIALITY ASSESSMENT

The Group inquired the management of each major function through different ways, such as questionnaires, in order to assist the Group in reviewing its operations and identifying the relevant ESG issues for the purpose of preparing the Report, and to assess the importance of the relevant matters to the Group's businesses and stakeholders. Based on the assessed material ESG issues, a questionnaire was prepared to collect information from relevant departments and business units of the Group.

The following is the materiality matrix of the Group's ESG issues:



During the Year, the Group confirms that it has established appropriate and effective management policies and monitoring systems relating to ESG issues, and that contents disclosed in the Report comply with the requirements of the ESG Reporting Guide.

CONTACT US

The Group welcomes comments and suggestions from stakeholders. If you have any opinions on the Report or the Group's performance in sustainable development, please feel free to contact us via the following mediums:

Tel: 0573-8529 8093
E-mail: ir@tsugami.com.cn

A. ENVIRONMENTAL

A1. Emissions

The Group attaches great importance to good environmental management, and strives to protect the environment to fulfil social responsibilities of the Group. The Group has formulated environmental management systems and procedures for its daily operation to regulate the limited amount of greenhouse gas ("**GHG**") and non-hazardous wastes generated during operation, so as to contribute to environmental protection and to pursue the goal of sustainable development.

The Group's environmental management system complies with ISO 14001:2015 "Environmental management system – Requirements with guidance for use" and we are committed to providing quality services to our customers, striving to minimize the Group's potential adverse impact on the environment and to protect natural resources. The Group strictly abides by the Law of the PRC on the Prevention and Control of Environment Pollution by Solid Wastes, the Environmental Protection Law of the PRC, the Atmospheric Pollution Prevention and Control Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Evaluation of Environmental Impact Law of the PRC, the Regulations on Environmental Protection and Management of Construction Projects and other laws and regulations concerning environmental protection. During the Year, the Group did not have any violations of local environmental laws and regulations concerning air and GHG emissions, discharges into water and land as well as the generation of hazardous and non-hazardous wastes that would have a significant impact on the Group.

Emissions Control

Exhaust Gas Emissions

The Group has conducted assessment on whether air monitoring results meet the requirement of the Ambient Air Quality Standards in the PRC. The production plants use machines powered by electricity, and use the heating system during the winter, for which they have no material impact on the environment. During the Year, the Group's emissions were mainly from fuel consumed by vehicles. In response to these sources, we have put in place policies to limit emissions from production and transportation activities and to require operators and drivers to switch off the machineries and vehicles when they are in standby mode. We have also implemented various emission reduction measures to reduce the environmental impact, including but not limited to:

- Encourage staff to use public transport for commuting and to use more environmentally-friendly vehicles rather than highly polluting ones;

- Utilize electronic means of communication such as video conferencing to reduce the number of trips and carbon footprints generated;

- Conduct regular vehicle inspections and maintenance to maintain vehicle efficiency; and

- Actively adopt emission reduction measures, which are described in the section headed "Greenhouse Gas Emissions" in this aspect.

During the Year, the Group's emissions performance was as follows:

Types of exhaust gas	Unit	Emissions
Nitrogen oxides (NO_X)	kg	95.96
Sulphur oxides (SO_X)	kg	0.65
Particulate matter (PM)	kg	8.15

Greenhouse Gas Emissions

The Group's main sources of GHG emissions are fuel consumed by vehicles (Scope 1), purchased electricity (Scope 2) and business travel (Scope 3). The Group actively adopts electricity and energy conservation measures to reduce GHG emissions, which include strict control over the use of office appliances. Specific measures will be described in the section headed "Energy Consumption" in aspect A2. The Group will also reduce carbon emissions from business travel by replacing long-distance face-to-face meetings with electronic communication means such as telephone or WeChat meetings. In addition, the Group disseminates environmental protection messages to employees by posting green information notices and posters in office areas to raise their awareness and promote best environmental management practices.

Through the implementation of the above measures, the awareness of the Group's employees on emission reduction has been increased. During the Year, the Group's GHG emissions performance was as follows:

Indicators[1]	Unit	Emissions
Direct GHG emissions (Scope 1)	tCO_2e	113.94
Energy indirect GHG emissions (Scope 2)	tCO_2e	10,000.30
Indirect GHG emissions (Scope 3)	tCO_2e	41.12
Total GHG emissions	tCO_2e	10,155.36
Intensity[2]	tCO_2e/production unit	1.10

Notes:

1. GHG emissions data are presented in terms of CO_2 equivalent, with reference to, including but not limited to, the reporting requirements of the "GHG Protocol: A Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare on ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the latest published Baseline Emission Factors for Regional Power Grids in China and "Global Warming Potential Values" from the IPCC Fifth Assessment Report.

2. As at 31 March 2021, the Group's total production unit was approximately 9,245 units. This data will also be used for the calculation of other intensity data.

Sewage Discharge

The Group has complied with the environmental protection regulations relating to the Administration of Pollutants Discharge Permits in Zhejiang Province and has obtained sewage discharge permit. As the wastewater discharged by the Group will be discharged to the regional sewage treatment plant via the municipal sewage pipe network, the water consumed by the Group is therefore considered as sewage discharged. The data on the Group's water consumption will be described in the section headed "Water Consumption" in aspect A2.

Waste Management

The Group adheres to the principles of waste management and is committed to the proper treatment and disposal of all waste generated from our business activities. The Group has established clear and specific waste management guidelines to identify, classify, centralize and dispose of waste in a uniform manner. The Group has designated responsible persons to manage the disposal of waste in a timely manner and to maintain environmental hygiene around the collection bins. All our waste management practices comply with relevant environmental laws and regulations.

Hazardous Wastes

The Group has established guidelines governing the management and disposal of hazardous waste and all hazardous waste are collected and disposed of by authorised qualified agents. The amount of waste disposed of is recorded and reconciled with the contractor's reports to ensure that it is handled in the most appropriate and comprehensive manner. The Group requires all departments to collect and store waste in accordance with regulations and to transport the hazardous waste to the warehouse within a specified time. Employees are not allowed to store hazardous waste outside the warehouse. Only designated hazardous waste management staff are responsible for the storage of hazardous waste and no other staff are allowed to enter the storage area without permission. The hazardous waste management staff shall regularly inspect the storage tanks to prevent any leakages. If leakage is found, prompt action shall be taken to replace the storage tanks. In addition, all containers shall be labelled with the name and identification of the waste, and reactive hazardous liquids shall be stored in separate containers. Hazardous waste generated by each department must be registered when it is sent to the hazardous waste storage facility and records must be kept accordingly.

During the Year, the Group's hazardous wastes disposal performance was as follows:

Types of hazardous wastes	Unit	Disposal
Electronic wastes	tonnes	0.36
Mineral oil waste	tonnes	71.48
Emulsion waste	tonnes	9.74
Grinder mud waste	tonnes	29.40
Paint bucket waste	tonnes	9.98
Electrofusion waste	tonnes	0.36
Filter media waste	tonnes	0.27
Resin waste	tonnes	0.56
Total hazardous wastes	tonnes	122.15
Intensity	tonnes/production unit	0.01

Non-hazardous Wastes

During the Year, non-hazardous waste generated from the Group's operations consists mainly of general wastes, paper and plastics, of which all paper disposed of were recycled. In order to minimize the environmental impact of the non-hazardous waste generated by our business operations, we have implemented measures to handle such waste and introduced various waste reduction measures, which include but are not limited to:

- Organize and maintain waste separation systems and recycling bins to collect waste paper, metal, food waste, etc.;
- Place posters on walls and label the type of waste or recyclables on the bins;
- Sort recycled waste into appropriate receptacles;
- Educate employees on waste sorting methods; and
- Assign an administrative staff to manage and transport the wastes and recyclables for both garbage and recycled waste pick-ups.

Furthermore, the Group has advised employees on how to reduce waste both at work and at the cafeteria to raise awareness on the waste issues. Surveillance cameras are also set up at the dining hall to prevent and minimize the amount of food going to compost every day. Any employee who has been found throwing food away will be given a verbal warning on the first offence, and will be disciplined on the second offence. We hope to instil an environmental philosophy among our employees and share the responsibility of office waste disposal with them.

Through the implementation of the above measures, the awareness of the Group's staff on waste disposal has been enhanced. During the Year, the Group's performance in the disposal of non-hazardous wastes was as follows:

Types of non-hazardous wastes	Unit	Disposal
General wastes	tonnes	12.24
Paper	tonnes	239.02
Plastic	tonnes	43.20
Total non-hazardous wastes	tonnes	294.46
Intensity	tonnes/production unit	0.03

A2. Use of Resources

The Group's objective is to actively promote the efficient use of resources and to monitor the potential environmental impact of its operations in a timely manner. The environmental impact of the Group's operations is minimized by the four basic principles of "reduce, reuse, recycle and replace" and promoting a green office and operating environment. In line with these policies, the Group's employees voluntarily and consciously conserve electricity, paper and water resources. In addition, we have put in place policies and systems to effectively manage the use of resources in our operations. To achieve sustainable development, the Group conducts environmental education and training for our staff from time to time and provides practical advice on green lifestyles to raise their awareness of environmental protection, and also promotes green travel to enhance their awareness of emission reduction and carbon reduction.

Energy Consumption

The Group actively implements the concept of energy saving and emission reduction. In addition to reducing the use of unnecessary energy consumption, the Group is also committed to fulfilling its corporate responsibility of energy saving and emission reduction to create a green and environmentally-friendly working environment. The Group has established a clear system of resource consumption for its business operations to ensure efficient use of resources. It has also adopted various measures to reduce electricity consumption, including promoting energy conservation and resources recycling in its daily operations and work environment, thereby minimizing the negative impact on the environment. The Group actively reduces electricity consumption by managing lighting facilities and computers to achieve energy efficiency. In order to reduce electricity consumption and energy wastage, the Group has established clear management measures for office appliances, including but not limited to:

- Switch off all electrical equipment at the end of the day;
- Make the best possible use of natural light;
- Install energy saving light bulbs and LED lights in all offices;

- All factory machines and computers are set to power saving mode; all machines and monitors will be switched off if they are not in use and no operation is detected by the computer for 20 minutes;

- Set the temperature of air conditioner to the energy efficient level of 24 to 26°C;

- Continue to upgrade its factory machineries and computer equipment, servers and monitors to more energy efficient models;

- Maintain vehicles and equipment regularly to avoid low-efficiency petrol consumption; and

- Purchase standard petrol for vehicles and inspect vehicles on a regular basis to ensure compliance with the relevant emission standards.

Through the implementation of the above measures, the awareness of energy saving among the Group's staff has been enhanced. During the Year, the Group's energy consumption performance was as follows:

Types of energy	Unit	Consumption
Total energy consumption	MWh	13,055.31
Intensity	MWh/production unit	1.41
Direct energy consumption		
Diesel	MWh	167.00
Petrol	MWh	263.26
Indirect energy consumption		
Purchased electricity	MWh	12,625.05

Water Consumption

The Group's main source of water consumption comes from the production process, toilet flushing, washing and canteen. The Group recycles the industrial wastewater and reuses it after treatment, all sewage produced is collected and processed by qualified sewage treatment companies. We encourage all employees and customers to develop the habit of saving water consciously. The Group has been strengthening water-saving promotions by posting water-saving slogans to ensure that "the water tap is turned off when not in use", thereby guiding employees to use water reasonably. In addition, we have also implemented the following measures to encourage water conservation:

- Always turn taps off tightly to avoid dripping;

- Make use of dual-flush toilets to save water;

- Adopt effective water-saving production methods and instruments;

- Use multiple digital printing machines to avoid chemically tainted wastewater produced during the offset printing process;

- Inspect the hoses and pipes for leaks, cracks, and other damages regularly and repair them in a timely manner; and

- Give priority to effective water-saving products when making purchase decisions.

In addition, the Group conducts regular inspections of the water supply and drainage systems in the washrooms and pantries to identify and repair leaks in a timely manner. Through the implementation of the above measures, the awareness of water conservation among the Group's staff has been enhanced.

During the Year, the Group's water consumption performance was as follows:

Water consumption	Unit	Consumption
Total water consumption	m^3	53,221
Intensity	m^3/production unit	5.76

Due to the geographical location of the Group's operation, we do not encounter any problems in sourcing water that is fit for purpose. The Group's water consumption is mainly tap water supplied by the municipal pipeline network.

Use of Packaging Materials

The Group is committed to protecting the environment, and communicates with its customers regularly to minimize the use of packaging materials. Due to the nature of the Group's business segments, the packaging materials used are mainly plastics and paper.

During the Year, the total amount of packaging materials used in the Group's finished products was as follows:

Types of packaging material	Unit	Consumption
Plastics	tonnes	10.69
Paper	tonnes	56.51
Total packaging materials used	tonnes	67.20
Intensity	tonnes/production unit	0.01

A3. Environment and Natural Resources

The Group has been pursuing best practices relating to the environment, and attaches great importance to the impact of the Group's business on the environment and natural resources. In addition to protecting the natural environment by complying with environmental laws and international standards, the Group has also taken a number of measures to reduce its environmental impact. On the other hand, the Group has conducted environmental education to all employees to enhance their environmental awareness.

Environmental Risk Management

The measures taken by the Group to manage activities that have a significant impact on the environment and natural resources are as follows:

- Identify the key elements and objectives of projects;
- Establish an environmental management team to oversee the consumption of resources;
- Assess whether the consumption of resources meets the relevant required standards;
- Develop an environmental plan and estimate the amount and percentage towards the target; and
- Summarize the environmental impacts and implement measures to control and improve total emissions.

Green Operation

In order to provide a comfortable and green working environment for our staff and to enhance the overall productivity of our office workers, we strive to maintain orderly and hygienic office environment and keep our office areas clean and tidy. In addition, we regularly monitor and measure the indoor air quality of our workplaces. We maintain indoor air quality and filter out pollutants and dust by installing air purification equipment in the workplace and cleaning the air conditioning system regularly.

Paper Consumption

Consumption of paper significantly draws negative impact to our environment. Voluminous paper consumption leads to deforestation. Serious efforts are needed to ensure that the environment is protected. With the aim of minimizing the negative impact of our business operations on the environment, the Group has implemented environmental protection measures to minimize paper usage at the office. To ensure papers are consumed in the most efficient way and to maintain convenience for staff and clients, the Group has provided paperless billing options for customers, and has imposed eco-printing modes for staff. The Group encourages staff to use electronic communications for directories, forms, reports and storage when possible. During the Year, the total amount of paper used by the Group for production and office purposes was 239 tonnes, all of which was recycled. The Group will utilize recycled used paper, cartons and envelopes, including all the Group's non-confidential documents.

B. SOCIAL

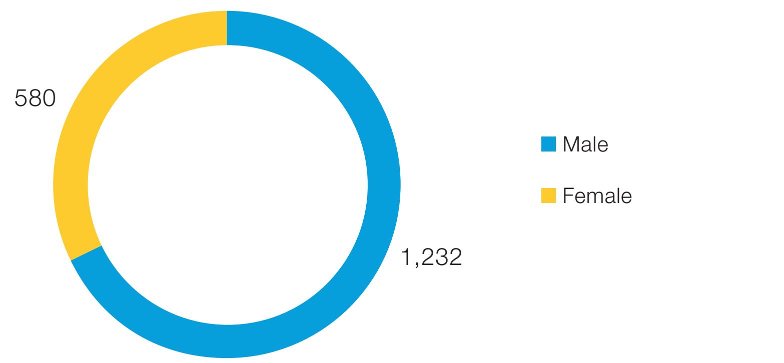
B1. Employment

The Group firmly believes that talents are the important resource for sustainable development strategy. We respect and protect the legitimate rights and interests of every employee without discriminating against any person's personal characteristics, gender or age. The Group has established the Staff Handbook, which set out the terms and conditions of employment, work rules, as well as the rights and benefits of employees, in order to safeguard the interests of employees, fully respect and value the motivation, initiative and creativity of employees, and strive to build a harmonious labour relationship.

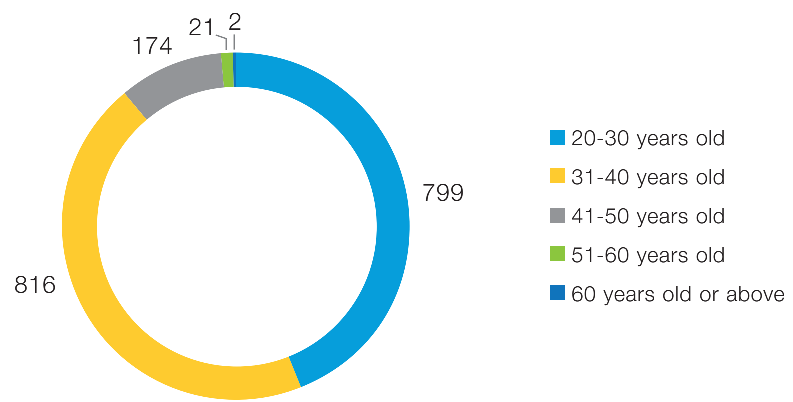
During the Year, the Group was not aware of any material non-compliance of laws and regulations in respect of human resources, including but not limited to the Labour Contract Law of the PRC and the Labour Law of the PRC.

As at 31 March 2021, the Group had 1,812 employees, all of whom were full-time employees located in the PRC. The breakdown of employees by gender and age group are as follows:

Employee Gender Diversity



Employee Age Diversity



Human Resources Practices

The Group actively implements the strategy of building a strong enterprise with talents and continuously establishes and improves the principles of talent recruitment. In the open recruitment process, we do not take into account gender, religion, race or other discriminatory factors to ensure equal competition. The Group will conduct rigorous assessments based on the applicant's work experience, professional skills, competence level, personality traits and occupation to ensure that the applicant is in line with the Group's development strategy and business plan.

The Group requires its employees to participate in annual appraisals, and has established the Regulations on Qualification Assessment and Evaluation to regulate the management of employee qualification assessment and evaluation. We gradually implement a qualification assessment and evaluation system that integrates qualification and salary adjustments for employees in order to enhance the management performance of the Group, promote the sustainable development of the enterprise and its employees, and align the behaviour of all employees with the Group's strategic direction. At the same time, the Group has also implemented a comprehensive personnel transfer management system which is strictly based on the work skills of the staff in order to explore their potential.

In order to clarify and simplify the turnover process and enhance the efficiency of office staff, the Group has clearly stipulated the resignation application procedures and approval process in the "Resignation Management" chapter of the Staff Handbook. When an employee decides to resign, he or she must submit a Resignation Letter and an Affidavit of Resignation to the corresponding department 30 days in advance, and the Resignation Letter will be effective upon approval by the General Manager, the handover of work will be completed in accordance with the Company's regulations.

Employee Rights

The Group has established a fair, reasonable and competitive remuneration system for salary payments to employees based on the principles of competitiveness, incentives, fairness, economy as well as the value of employee's positions, personal competence and individual performance. The remuneration of the Group's employees consists of basic salaries, performance-based salaries and related subsidies and various special bonuses. The Group has also set up a salary adjustment mechanism and offers a salary adjustment opportunity annually based on business development and individual performance. The Group will review the promotion and remuneration of its employees on a regular basis. The Group's Wage Regulation states that employees are entitled to transport subsidies, housing subsidies, travel and accommodation subsidies, etc.

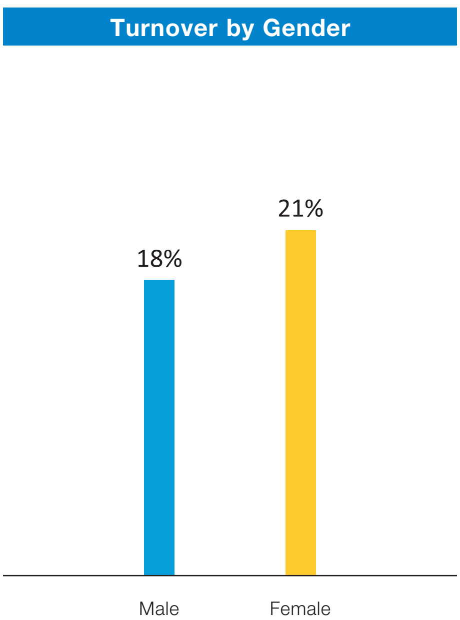
The Group has signed and executed the labour contracts with employees in accordance with the Labour Contract Law of the PRC. The Group pays "five social insurance and one housing fund" for its employees in accordance with the law, namely, endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund, to ensure employees are covered by social insurance.

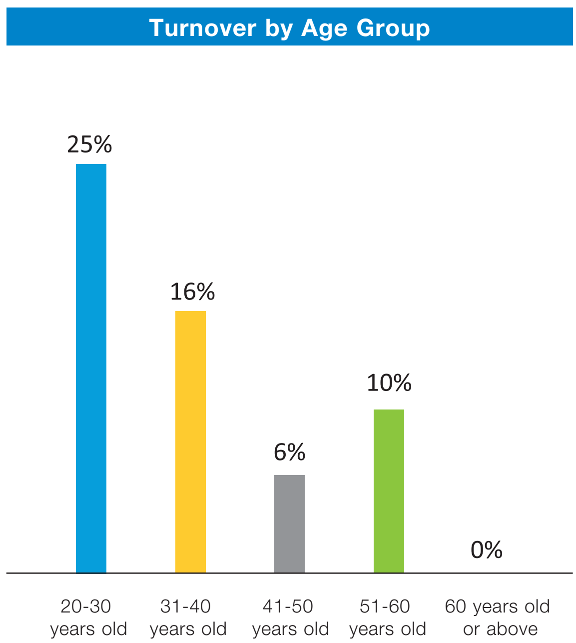
The Group also earnestly safeguards the legitimate interests of labour in accordance with the requirements in the Labour Law of the PRC and related national and local laws and regulations, respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest times and holidays. Holidays of the Group include paid annual leave, sick leave, marriage leave, children's marriage leave, maternity leave, paternity leave and compassionate leave. Details of the relevant leave application and arrangements are set out in the Staff Handbook.

Equal Opportunities

The Group strictly complies with national and local government regulations, adopts the recruitment process of "open recruitment", "equal competition", "rigorous assessment" and "selection on merit", and has established relevant employment procedures and promotion policies to prevent discrimination against employees on the ground of race, gender, skin colour, age, family background, national tradition, religion, physical fitness, nationality and other factors in the recruitment process, so that employees can receive fair treatment throughout all stages of recruitment, remuneration, training and promotion, thus attracting professionals with different backgrounds to join the Group, and ensuring equal opportunities and diversity.

During the Year, the Group's turnover rate was 19%. The turnover rates of employees by gender and age group are as follows:





B2. Health and Safety

Occupational Health and Safety

The Group attaches great importance to the health and safety of its employees in order to provide a healthy, safe and comfortable working environment for them. The Group has put in place relevant safety management systems and procedures to regulate potential health and safety hazards in the workplace to protect the personal safety and health of employees during working hours.

The Group has developed a "Safety Code" and incorporated it into the Staff Handbook, which instructs all employees to strictly observe the relevant safety regulations, comply with safety management and be educated on safety. The Group will also designate safety management personnel as necessary to ensure the safety of our employees. The Group also specifies in the "Safety Code" that health checks will be arranged for staff annually and that all or some of the staff will undergo health checks or reviews if necessary. If employees are in poor health, they must stop working, be suspended from work for medical treatment or be placed in other positions as appropriate.

We strictly comply with all relevant laws and regulations, including the Labour Law of the PRC, the Production Safety Law of the PRC, the Law of the PRC on the Prevention and Treatment of Occupational Diseases and the Fire Protection Law of the PRC. During the Year, the Group had recorded a total of 500 lost days (FY2020: 208 days) due to work-related injuries, but did not record any accidents causing death or serious bodily injury (FY2020: 6 cases), or pay any claim or compensation to employees due to such accident, and was not aware of any violation of laws and regulations in relation to employees' health and safety.

Response to COVID-19 Pandemic

In view of the outbreak of the COVID-19 pandemic in 2020, the Group has taken additional measures to protect the health of each employee. The Group strictly enforces the national regulations on the resumption of work and production, requires outsiders to take their body temperature and present a health green code when entering the Company's premises. Employees are required to wear masks at work, to be thoroughly disinfected and have their body temperature checked upon entering the Company's premises. In addition to the mandatory requirements, the Group also reduces the number of staff gatherings such as annual conferences and training sessions, and encourages staff to avoid travel during holidays. The Group is also prepared to make corresponding adjustment to its policies in response to national notices issued for the industry or of the region where it is located in order to ensure that the health and safety of its employees are fully protected.

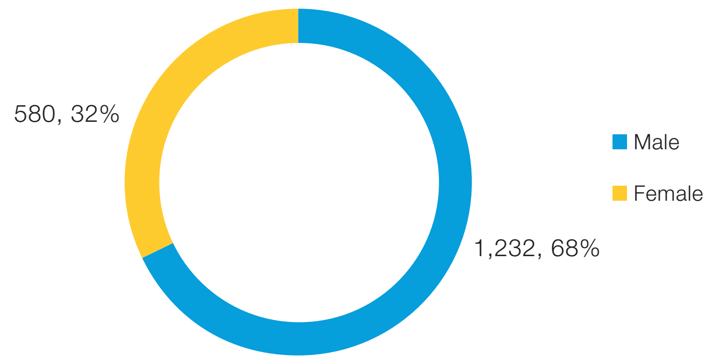
B3. Development and training

Employee Development

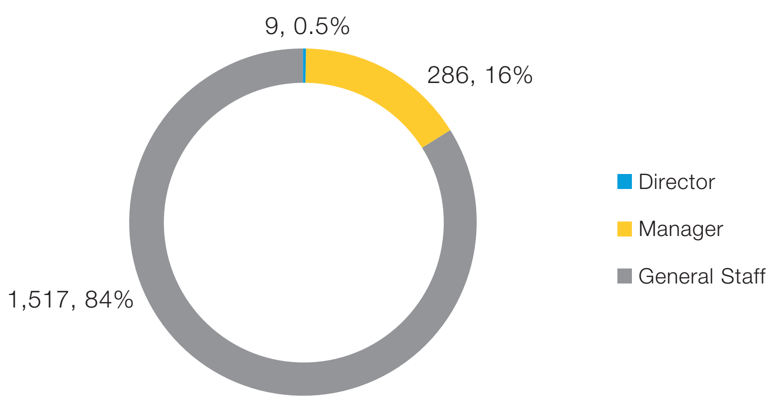
The Group attaches great importance to the professional development of its employees, proactively provides appropriate training and professional development programmes for employees at all levels, and incorporates “training and education” into the Staff Handbook at the same time. In response to business needs, the Group arranges work knowledge and business-related training for employees, and provides opportunities for employees to participate in qualification examinations and training, so that they can improve their working ability and self-confidence through training, and continue to develop and realize their potential, thus giving impetus to the Group’s development.

During the Year, the Group provided a total of 68,921 hours of training to all employees, with an average of 38.04 hours of training per employee. In terms of employees’ gender, each female and male received an average of 42.64 and 35.87 training hour respectively; each director, manager and general employee received an average of 10.00, 28.50 and 40.00 hours of training respectively. The percentage of employees trained by gender and type of employee is as follows:

Employees trained by Gender



Employees trained by Employee Category



Apart from general training, the Group also places emphasis on the promotion of young talents, hoping that they will spend their spare time on training and become the Group's management cadre in the future. The Group has developed a PTC Reserve Management Cadre System which focuses on identifying high potential young talents. The Group's leaders are assigned to be the mentors of the trainees, and conduct field study and training for participants for 3 to 5 weeks. By participating in this training programme, employees will not only gain a thorough understanding of the Group's technical, production, sales and customer service expertise, but will also acquire basic skills in on-site production and understand the basic principles of on-site management, preparing them for a future career in management.

In addition, the Group organizes orientation and preparation meetings for new directors upon their appointment to ensure that they understand the Group's business and their relevant legal obligations as directors. Directors are also regularly updated on the Listing Rules and other applicable laws to ensure their ability to practice good corporate governance.

B4. Labour Standards

The Group strictly prohibits the employment of any child labour and forced labour and has complied with all laws and regulations relating to the prevention of child labour or forced labour, including but not limited to the Labour Law of the PRC, the Underage Workers Special Protection Provisions and the Provisions on the Prohibition of Using Child Labour of the PRC.

Prevention of Child Labour and Forced Labour

In order to standardize the recruitment system and process, and clarify the responsibilities and rights of each department in the recruitment work, the Group has formulated the Staff Handbook in accordance with the relevant labour laws to regulate compensation, promotion recruitment, dismissal, leave, working hours, diversity and other benefits and welfare. The Group requires new employees to provide true and accurate personal information when they join the Group. The Group's recruiters will scrutinize applicants' entry information, including medical certificates, academic certificates, identity cards and household registration, in order to prevent any child labour or forced labour in its operations.

In addition, the Group has included overtime work matters in the Staff Handbook for proper regulation to avoid violation of labour standards and to protect the rights and interests of employees. The Group also prohibits harassment, abuse and sexual harassment (including inappropriate language, gestures and physical contact) against its employees for any reason to ensure that employees are treated equally and reasonably.

During the Year, the Group was not aware of any material non-compliance with related laws and regulations prohibiting child and forced labour.

B5. Supply Chain Management

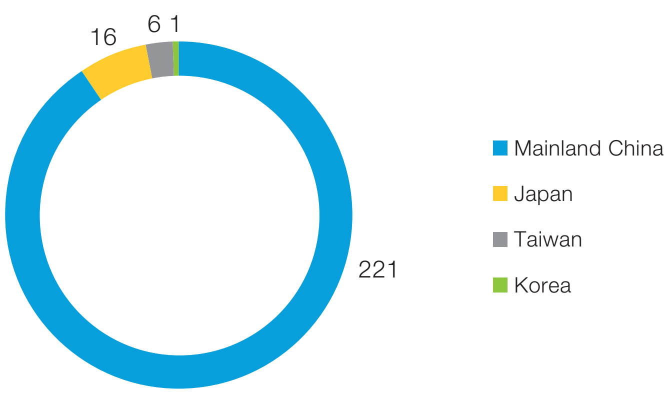
As a socially responsible enterprise, the Group highly values the management on potential environmental and social risks arising from the supply chain. The Group strives to establish and maintain a close business relationship with its suppliers and business partners. The Group considers data collection and content providers, server and bandwidth suppliers and other service providers as our business partners. Besides, we also have procurement demand for office supplies during our business operation. The selection of business partners and suppliers in this category also has a significant influence on our business operation.

The Group has established a comprehensive supply chain management system to strictly select suppliers and business partners. We select our suppliers and partners based on a number of factors, including quality, price, product function, capability of product customization, response time, flexibility in customer preference changes and customer satisfaction at the later stage. We conduct regular quality assessment on all suppliers and partners and provide performance-based award or penalty to them.

We have also formulated policies and procedures to ensure that the suppliers could compete in a transparent and fair way. The Group shall not differentiate or discriminate on certain suppliers. The procedures include measures to prevent all kinds of business bribery and conflict of interest such as avoiding the engagement with suppliers which are directly or indirectly owned by employee, or avoiding suppliers to favour employees' personal interest directly or indirectly. The Group also focuses on the integrity of its suppliers and partners. We will only select suppliers and partners who have a good track record in the past and who do not have any serious violations or breaches on business ethics. Furthermore, we take environmental consideration into account in the procurement process. To integrate the environmental vision into the procurement of product supplies, we avoid disposable products and chooses suppliers who provide durable products with less packaging materials. Priority will be given to environmentally friendly materials and office goods so as to raise the supplier's awareness of sustainable development.

During the Year, we have engaged 244 suppliers. The breakdown of suppliers by geographical location is as follows:

Suppliers by Geographical Region



B6. Product Responsibility

The Group actively monitors the quality of its products internally and maintains constant communication with its customers to ensure mutual understanding and to meet their needs and expectations. We have developed and made public our Customer Rights Policy, which is implemented throughout our operations to protect the rights of our customers. In addition, the Group produces quality products in strict accordance with a comprehensive quality control system based on ISO 9001, which specifies standard procedures for the provision of computer numerical control machine, appliances and accessories.

The Group strictly complies with the requirements of the laws and regulations, such as the Advertising Law of the PRC, the Law of the PRC on the Protection of Consumer Rights and Interests, the Law of the PRC on Product Quality, the Trademark Law of the PRC, the Patent Law of the PRC and the Copyright Law of the PRC. During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Product/Service Quality

To further ensure the high quality of products, the Group adopts a management system approach to the quality and environmental management and has therefore established a series of management measures, procedures and management procedure documents to ensure that the manufacturing, quality analysis and evaluation of products are systematic and standardised. Upon receiving a customer complaint, the Group identifies the non-conforming product and takes corrective action according to the extent of the non-conformity to ensure that the cause of the non-conformity is eliminated and to prevent recurrence of the matter. In response to customer complaints, the Group immediately conducts investigations and identifies and evaluates the products in accordance with the Control Procedures for Corrective and Preventive Measures, explains the reasons in detail to the customers after investigation and initiates recall procedures.

Customer Satisfaction

In order to understand the needs of customers and to be able to deal with customer dissatisfaction in a timely manner and to provide services that satisfy customers, the Group has established the Customer Satisfaction Measurement Procedures to standardize the work of customer service and Sales Departments, and to specify the collection and analysis of data related to customer satisfaction by the relevant functional departments of the Group, so as to continuously improve the effectiveness of the relevant management systems to meet the needs of customers and enhance customer satisfaction.

The Group defines a complaint as a complaint made by customers regarding the products provided by the Group or the attitude of the service personnel, or a complaint made by customers due to a serious error in the use of the products or due to a product that have caused substantial losses (including financial and reputational losses) to customers. In order to handle complaints effectively, the Group has established a crisis handling process, which requires customer service to report to their supervisors in a timely manner and organizes the relevant staff to handle such complaints. The Sales Department also formulates and identifies solutions to complaints. Regular training on service skills and standard service procedures and terminology is also provided to customer service specialists.

Protection of Customer Privacy

The Group is committed to protecting the privacy and confidentiality of customers' personal data and therefore instructs employees to exercise due care in handling customers' information and specifies that only designated employees can review customers' information for business purposes. At the same time, employees are required to sign a confidentiality agreement with the Group at the time of employment, which clearly stipulates that employees must not disclose any information to unauthorised third parties.

The Group seeks to protect customer information and accounts through the use of data security measures such as firewalls and anti-virus software, encryption and passwords. Access to data is removed upon termination of employment or contract. Employees are not permitted to use customers' personal data for purposes unrelated to the business situation unless prior consent is obtained from the customer.

Advertising and Labelling

The Group attaches great importance to the risks associated with product labelling. All labelled products are strictly regulated and checked to ensure that the descriptions and information on the product labels correspond to the actual conditions of the products. The Group's labels are checked and verified to ensure that they do not contain false trade descriptions, misleading or incomplete information, false markings and misrepresentations to protect the interests of customers from being harmed by the label descriptions. Due to the nature of its business, the Group only conducts limited advertising activities and therefore does not involve significant advertising-related risks.

B7. Anti-corruption

The Group has complied with all laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering, including but not limited to the Criminal Law of the PRC, the Company Law of the PRC, the Bid Invitation and Bidding Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Interim Provisions on Banning Commercial Bribery. During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering, nor did it have any concluded corruption cases against the Group or its employees.

Anti-corruption and Anti-money Laundering

The Group believes that a clean corporate culture is the key to its continued success. Therefore, we firmly resist the unhealthy practices within the Group, attach great importance to anti-corruption work and relevant system construction, and are committed to building a clean, open and transparent corporate culture. The Group requires all employees to abide by the Code of Conducts Manual and undertake that they will not have any corruption or bribery acts, nor will they engage in any fraud, extortion or money laundering activities.

The Group has put in place the Anti-fraud Management System, which clearly explains the definition of fraud and sets out the internal control mechanisms for anti-fraud measures, including the establishment of channels for whistle-blowing and complaints as well as the implementation of control measures to prevent, detect fraud and take appropriate and effective remedies immediately in order to avoid any negative impacts on the Group arising from fraud. Such system also clearly sets out the accountability for fraud, including the responsibilities of corresponding managers and the direct responsibilities of employees who violated this policy.

In addition, the Group provides a confidential and safe whistle-blowing mechanism, which requires that the personal information of the whistle-blowers to be kept strictly confidential and that the incentives to be granted to the whistle-blowers based on the specific circumstances of the incident. When investigating a case to determine its authenticity, the Group will seal all relevant documents and financial flow and suspend relevant personnel to cooperate with relevant departments for review. Once confirmed, the Group will take necessary disciplinary and legal actions.

B8. Community Investment

Community Investment and Support

The Group believes that the best way to demonstrate its corporate citizenship is through participation in social activities and contribution to the community. Therefore, the Group is committed to fulfilling its social responsibility and has been supporting various charity and community activities in order to contribute to social welfare. We hope to foster a sense of social responsibility among our employees and therefore have been encouraging them to participate in social welfare activities during work and spare time to enhance their participation in community building and make greater contributions to society.

In January 2021, the Group actively responded to the call from the Pinghu Economic and Technological Development Zone to organize a voluntary blood donation activity for employees. The event received a warm response from employees, with a total of 113 staff members participated and a total of 22,600 ml of blood donated to the blood bank of Jiaxing Central Blood Station.

In the future, the Group will continue to promote civic awareness among its employees and contribute to the community by participating in various social activities and by establishing the right values within the Company.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Emissions Control
KPI A1.2	GHG emissions in total (in tonnes) and intensity.	Emissions – Emissions Control
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5	Description of reduction initiatives and results achieved.	Emissions – Emissions Control
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Consumption
KPI A2.2	Water consumption in total and intensity.	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Consumption

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Use of Packaging Material
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources – Environmental Risk Management, Paper Consumption
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment – Human Resources Practices
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment – Equal Opportunities
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment – Equal Opportunities

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety – Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety – Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety – Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety – Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and training – Employee Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and training – Employee Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and training – Employee Development
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards – Prevention of Child Labour and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards – Prevention of Child Labour and Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility – Product/Service Quality
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product/Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Protection of Customer Privacy

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption – Anti-corruption and Anti-money Laundering
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption – Anti-corruption and Anti-money Laundering
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment – Community Investment and Support

The Board would like to present the annual report and the Consolidated Financial Statements for the year ended 31 March 2021.

PRINCIPAL BUSINESS

The Company is an investment holding company and the principal business of its major subsidiaries is set out in note 1 to the Consolidated Financial Statements.

BUSINESS REVIEW

A fair review of the Group's business as required under Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including the Group's performance analysis for the Year, particulars of important events affecting the Group that have occurred since the end of the Year, as well as the possible future business development of the Group, are set out in the "Chairman's Statement" on pages 4 to 5, in the "Management Discussion and Analysis" on pages 6 to 13 and "Directors' Report – Events After the End of the Year Under Review" on page 65.

Description of the Group's principal risk and uncertainties is set out in the paragraphs headed "Directors' Responsibilities for Financial Statements" on page 30 under the "Corporate Governance Report". Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are set out in the "Environmental, Social and Governance Report" on pages 35 to 63 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As disclosed in the announcement of the Company dated 8 June 2021, the Company only noted after the conclusion of the year ended 31 March 2021 that under the Technology Licence Agreement (renewed in March 2020), the actual trademarks and technology license fees and aftersales services fees paid to Tsugami Japan for the Fiscal Year of 2021 exceeded the original 2021 annual cap, thus the Company did not comply with Rule 14A.54 of the Listing Rules by re-complying with the announcement and shareholders' approval requirements before the original 2021 annual cap was exceeded. As of the date of this report, the Company was re-complying with the relevant requirements. The Company will convene an extraordinary general meeting on 16 August 2021 for the Independent Shareholders to consider and, if thought fit, among other things, to ratify the non-compliance.

Save as disclosed above, as at 31 March 2021 and up to the date of this report, the Board was not aware of any non-compliance with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "**SFO**") for the disclosure of information and corporate governance and other laws and regulations which are relevant to the Group's business operation that has a significant impact on the Company.

RESULTS AND DIVIDENDS

The Group's results and consolidated statement of financial position for the Year are set out in the Consolidated Financial Statements on pages 83 to 88 of this annual report.

The Board recommended the payment of a final dividend of HK$0.25 per share, amounting to approximately HK$95,201,000 in total for the year ended 31 March 2021 to the Shareholders whose names appear on the register of members of the Company as at Wednesday, 25 August 2021.

The payment of the proposed final dividend is subject to approval by Shareholders at the annual general meeting for the Fiscal Year of 2021 (the "**AGM**"). The final dividend is expected to be paid to the Shareholders on Friday, 3 September 2021.

EVENTS AFTER THE END OF THE YEAR UNDER REVIEW

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

PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment of the Group during the Year are set out in note 13 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 March 2021, calculated in accordance with the Companies Act of the Cayman Islands, amounted to approximately RMB407,662,000 (31 March 2020: approximately RMB387,390,000), including retained profits and share premium.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would require the Company to offer new shares on a pro rata basis to existing Shareholders.

SHARE CAPITAL

The details of changes in the share capital of the Company are set out in note 26 to the Consolidated Financial Statements.

DIRECTORS AND SERVICE AGREEMENTS

Executive Directors

Dr. Tang Donglei *(Chief Executive Officer)*
Dr. Li Zequn

Non-executive Directors

Mr. Takao Nishijima *(Chairman)*
Ms. Mami Matsushita
Mr. Kenji Yoneyama *(appointed on 1 April 2021)*

Independent Non-executive Directors

Dr. Eiichi Koda
Dr. Huang Ping
Mr. Tam Kin Bor

Details of Directors are set out under the section headed "Directors and Senior Management" in this annual report.

The Company has entered into a service contract with each of the executive Directors and non-executive Directors. The Company has also entered into a letter of appointment with each of the independent non-executive Directors. The terms of office of Dr. Tang Donglei, Mr. Takao Nishijima, Ms. Mami Matsushita, Dr. Eiichi Koda, Dr. Huang Ping and Mr. Tam Kin Bor are three years from 25 September 2017, while the term of office of Dr. Li Zequn is three years from 20 August 2018 and the term of office of Mr. Kenji Yoneyama is three years from 1 April 2021. Such appointments may only be terminated in accordance with the provisions of the service contract or letter of appointment (as the case may be), or by (i) the Company giving any Director not less than three months' prior written notice or (ii) a Director giving the Company not less than one month's prior written notice.

None of the Directors have entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

Due to Mr. Seiji Tsuishu's desire to devote more time to his other business commitments, Mr. Seiji Tsuishu has resigned from his position as a non-executive Director with effect from 1 April 2021. Mr. Seiji Tsuishu has confirmed that he has no disagreement with the Board and there is no other matter that needs to be brought to the attention of the Shareholders or the Stock Exchange in relation to his resignation. Mr. Kenji Yoneyama has been appointed as a non-executive Director with effect from 1 April 2021.

Pursuant to article 16.2 of the Articles of Association, Directors appointed by the Board shall hold office only until the next following general meeting and shall be eligible for re-election. Accordingly, Mr. Kenji Yoneyama shall hold office only until the forthcoming general meeting and, being eligible, offers himself for re-election at the forthcoming general meeting.

Pursuant to article 16.18 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at an annual general meeting at least once every three years. Dr. Tang Donglei, Dr. Li Zequn and Dr. Huang Ping will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received from all independent non-executive Directors an annual confirmation in respect of their respective independence pursuant to Rule 3.13 of the Listing Rules. Pursuant to these confirmations, the Company considers all independent non-executive Directors are independent.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, 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 (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(I) The Company

Name of Director	Position	Long/short positions	Capacity	Number of shares held	*Note*	Percentage of issued shares
Tang Donglei	Chief executive officer and executive Director	Long position	Beneficial owner	150,000	1	0.03%

Note:

1. This represents the shares beneficially held by Dr. Tang Donglei in his personal capacity.

(II) Associated corporation (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
Takao Nishijima	Chairman and non-executive Director	Long position	Beneficial owner	10,000	2	0.02%

Note:

2. This represents the shares beneficially held by Mr. Takao Nishijima in his personal capacity.

Except as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company was interested or deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will be required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

As at 31 March 2021, so far as any of the Directors or chief executive of the Company were aware, the following persons/entities had, or were 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	270,000,000	1	70.90%

Note:

1. The 270,000,000 shares were beneficially owned by Tsugami Japan.

Except as disclosed above, as at 31 March 2021, the Directors and chief executive of the Company were not aware of any person/entity (other than the Directors or chief executive of the Company) who had, or deemed to have, an interest or short position 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.

SHARE OPTION SCHEME

During the period from 1 April 2020 to the date of this report, the Company did not have any subsisting share option scheme.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreement that will or may result in the Company issuing Shares were entered into by the Company during the Year and subsisted at the end of the Year.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the disclosures under note 32 to the Consolidated Financial Statements and the section headed "Directors' Report – Continuing Connected Transactions", no transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director or the Controlling Shareholder or an entity connected with them had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the requirements of the Articles of Association and subject to applicable laws, every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of duties of his/her office or otherwise in relation thereto provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to the Director. Such permitted indemnity provision is currently in force and has become effective during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate.

CONTINUING CONNECTED TRANSACTIONS

Tsugami Japan is the Controlling Shareholder and beneficially owns approximately 70.90% of the issued share capital of the Company. Therefore, as at the date of this report, Tsugami Japan and its subsidiaries (other than the Group) ("**Tsugami Japan Group**") are connected persons of the Company under Chapter 14A of the Listing Rules.

During the Year, the following transactions between the Company and Tsugami Japan Group constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(1) Technology Licence Agreement

The Company entered into the Technology Licence Agreement on 4 September 2017 with Tsugami Japan, pursuant to which, Tsugami Japan agreed to irrevocably grant to the Company (i) an exclusive licence to use the technology necessary for the manufacture of the Company's CNC high precision machine tools and to provide after-sales services in connection with these products and (ii) as the sole licensee, the right to use the trademarks in the PRC, Hong Kong and Taiwan, and a non-exclusive licence to use the trademarks in any regions (excluding the PRC, Hong Kong and Taiwan).

The term of the Technology Licence Agreement commenced from 25 September 2017 to 31 March 2020, which was subsequently renewed for a successive period of three years upon the expiry of the initial term of the Technology Licence Agreement on 31 March 2020, i.e. renewed up to (and including) 31 March 2023. There were no changes to the terms of the Technology Licence Agreement with effect from 4 September 2017. Details of the renewal of the Technology License Agreement for a further term of three years, i.e. up to and including 31 March 2023 were set out in the announcement of the Company dated 19 February 2020 and the circular of the Company dated 11 March 2020.

Depending on the models of the CNC high precision machine tools of the Company, 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.

(2) Master Sales Agreement

The Company entered into the Master Sales Agreement on 4 September 2017 with Tsugami Japan, pursuant to which, the Company sells CNC high precision machine tools to the Tsugami Japan Group.

The term of the Master Sales Agreement commenced from 25 September 2017 to 31 March 2020, which was subsequently renewed for a successive period of three years upon the expiry of the initial term of the Master Sales Agreement on 31 March 2020, i.e. renewed up to (and including) 31 March 2023. There were no changes to the terms of the Master Sales Agreement with effect from 4 September 2017. Details of the renewal of the Master Sales Agreement for a further term of three years, i.e. up to and including 31 March 2023 were set out in the announcement of the Company dated 19 February 2020 and the circular of the Company dated 11 March 2020.

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

(3) Master Purchase Agreement

The Company entered into the Master Purchase Agreement on 4 September 2017 with Tsugami Japan, pursuant to which, the Company 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.

The term of the Master Purchase Agreement commenced from 25 September 2017 to 31 March 2020, which was subsequently renewed for a successive period of three years upon the expiry of the initial term of the Master Purchase Agreement on 31 March 2020, i.e. renewed up to (and including) 31 March 2023. There were no changes to the terms of the Master Purchase Agreement with effect from 4 September 2017. Details of the renewal of the Master Purchase Agreement for a further term of three years, i.e. up to and including 31 March 2023 were set out in the announcement of the Company dated 19 February 2020 and the circular of the Company dated 11 March 2020.

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

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

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

The following table sets out the annual caps and approximate total actual transaction amounts during the Year in respect of these continuing connected transactions.

No.	Continuing connected transactions	Annual caps (RMB'000)	Approximate total actual transaction amounts (RMB'000)
1	Technology Licence Agreement	129,000	144,267
2	Master Sales Agreement	840,000	384,645
3	Master Purchase Agreement	358,000	152,361

For the year ended 31 March 2021, the actual amount of trademarks and technology licence fees and aftersales services fees paid to Tsugami Japan under the Technology Licence Agreement for the Fiscal Year of 2021 was approximately RMB144,267,000, which exceeded the original 2021 annual cap of RMB129,000,000. Further details of the exceeding of the annual cap are set out in the announcement of the Company dated 8 June 2021 and the circular of the Company dated 30 June 2021.

For details of these continuing connected transactions, please refer to the announcements of the Company dated 19 February 2020 and 8 June 2021, and the circulars of the Company dated 11 March 2020 and 30 June 2021.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have confirmed that, despite the actual trademarks and technology license fees and aftersales services fees paid to Tsugami Japan under the Technology Licence Agreement (renewed in March 2020) for the year ended 31 March 2021 having exceeded the annual cap, the above continuing connected transactions are (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 agreements governing the relevant transactions on terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole. In determining the prices and terms of the above transactions conducted during the Year, the Company has complied with the pricing guideline and adopted internal control measures (please refer to the circular in relation to the respective transactions for details).

The Company's auditor was engaged by the Group to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of Rule 14A.56 of the Listing Rules, the auditor of the Company has issued a letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Company. A copy of the auditor's letter has been submitted by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

The details of the related party transactions of the Group for the year ended 31 March 2021 are set out in note 32 to the Consolidated Financial Statements.

The related party transactions disclosed in note 32(b) to the Consolidated Financial Statements constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules and are therefore subject to the disclosure requirements under Chapter 14A of the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, the related party transactions disclosed in note 32(c) and (d) to the Consolidated Financial Statements are not deemed as connected transactions or continuing connected transactions.

During the Year, the Company has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules in the event that the related party transactions of the Group constitute the connected transactions or continuing connected transactions as defined under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Year, the Company repurchased a total of 422,000 shares on the Stock Exchange (the "**Share Repurchase**"). A total of 232,000 shares repurchased were cancelled on 2 June 2020, and a total of 190,000 shares repurchased were cancelled on 19 January 2021. Details of the Share Repurchase are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price (excluding commission fee)
		Highest	Lowest	
		HK$	HK$	HK$
April	219,000	6.45	6.00	1,364,570
May	13,000	6.45	6.26	83,000
August	171,000	6.36	5.65	1,015,050
September	19,000	6.50	6.18	119,460

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

Save as disclosed above, there was no purchase, sale and redemption of the listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 March 2021.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, the details of the transactions between the Group and its major suppliers and customers are as follows:

During the Year, the revenue from the top five customers of the Group accounted for approximately 31.26% of the total revenue of the Group (2020: 40.45%), while the revenue from the largest customer during the Year accounted for approximately 12.34% of the total revenue of the Group (2020: 25.21%).

During the Year, the purchases from the top five suppliers of the Group accounted for approximately 45.93% of the total purchases of the Group (2020: 45.18%), while the purchases from the largest supplier during the Year accounted for approximately 19.72% of the total purchases of the Group (2020: 17.87%).

During the Year, the largest customer of the Group was Tsugami Japan Group and its largest supplier is Tsugami Japan Group.

To the best knowledge of the Directors of the Company, except for Tsugami Japan Group, which is a connected person of the Company, none of the Directors of the Company and/or their respective close associates, or any existing Shareholders who owned more than 5% of the number of issued shares of the Company, had any interest in any of the top five customers or suppliers during the Year.

EMPLOYEES

The Group had a total of 1,812 employees (2020: 1,493) as at 31 March 2021. The following table shows the breakdown of the Group's employees by responsibilities:

	As at 31 March 2021
Management	59
Finance	12
Procurement	12
Technology	182
Customer service	184
Quality verification	27
Operation	106
Manufacture	1,087
Administration	42
Shinagawa Precision	82
Anhui PTC	19
Total	1,812

Total staff costs for the Year amounted to approximately RMB244,670,000 (2020: RMB203,944,000) and the details are set out in note 6 to the Consolidated Financial Statements. Remuneration for employees is based upon their qualification, experience, job nature, performance and market condition.

The Group has established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, employment liability insurance and group accident commercial insurance for employees who are employed by the Group pursuant to the rules and regulations of the PRC and the existing policy requirements of the local government.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes or cases of fatality due to workplace accidents are found during the Year.

The Group values the cooperation relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of procurement.

The Group values the views and opinions of all customers through various means and channels, including the usage of market research, to understand customer trends and needs and regularly analyzes customer feedback. The Group also conducts comprehensive tests and checks to ensure that quality products and services are offered to the customers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors of the Company and their close associates (within the meaning of the Listing Rules) are deemed to have any interests in any business which competes or is likely to compete, directly or indirectly, with the business of our Group that need to be disclosed under Rule 8.10 of the Listing Rules.

MANAGEMENT CONTRACTS

No material contracts in relation to the management and administration of all or any principal part of the business of the Company were entered into by the Group or were subsisting during the Year.

TAXATION OF HOLDERS OF SHARES

Hong Kong

The dealings in, sale and transfer of shares registered in the Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty. The current rate charged currently on each of the purchaser and the seller (or the transferee and the transferor) is 0.1% of the consideration or, if greater, the fair value of the shares purchased/sold or transferred (rounded up to HK$'000). In addition, a fixed duty of HK$5.00 is currently payable on an instrument of transfer of shares.

Profits from dealings in shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under the present Cayman Islands laws, transfers and/or otherwise dispositions of shares are exempt from Cayman Islands stamp duty.

Consultation with Professional Advisers

Potential holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasized that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

Tax Relief

The Company is not aware of any tax relief for any holder of the Company's securities due to its unique securities.

PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Board, as at the latest practicable date prior to the issuance of this annual report, the Company has always maintained the prescribed public float under the Listing Rules of not less than 25% during the Year under Review.

DEED OF NON-COMPETITION

The Company entered into a deed of non-competition ("**Deed of Non-competition**") with the Controlling Shareholder on 4 September 2017 so as to better safeguard the Group from any potential competition and to formalize the principles for the management of potential conflicts between them and to enhance the Group's corporate governance in connection with the listing of the shares of the Company on the Stock Exchange.

The Company has received a declaration from the Controlling Shareholder confirming that it has complied with the non-competition undertaking during the year ended 31 March 2021. The Controlling Shareholder and its close associates have confirmed that they have no interest in the business that has or may have direct or indirect competition with the Group's business during the Year, except for the business of the Group.

During the Year, the Competition Executive Committee comprising two disinterested Directors has inspected the compliance with and performance of the terms of the Deed of Non-competition by the Controlling Shareholder and its close associates.

During the Year, the Competition Supervisory Committee comprising three independent non-executive Directors has reviewed the status of compliance by the Controlling Shareholder with the Deed of Non-competition including the review of the inspection findings of the Competition Executive Committee. The Competition Supervisory Committee reported its review results to the Board, which reveals that the Controlling Shareholder has complied with and performed each term of the Deed of Non-competition.

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held in Hong Kong on Monday, 16 August 2021. Notice of the AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 11 August 2021 to Monday, 16 August 2021, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible for the right to attend and vote at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 10 August 2021. In addition, the register of members of the Company will be closed from Monday, 23 August 2021 to Wednesday, 25 August 2021, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to be eligible for the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 20 August 2021.

FIVE-YEAR FINANCIAL SUMMARY

The summary of the Group's results, assets and liabilities for the latest five financial years is set out on page 164 of this annual report.

BANK LOANS

As at 31 March 2021, the Group has no outstanding bank loans (31 March 2020: nil).

RESERVES

The changes in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity of the Consolidated Financial Statements.

AUDITOR

The resolution on the reappointment of Ernst & Young as the auditor of the Company will be proposed at the forthcoming AGM.

By Order of the Board

Precision Tsugami (China) Corporation Limited
Takao Nishijima
Chairman and Non-executive Director

Hong Kong, 28 June 2021

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Independent auditor's report
To the shareholders of Precision Tsugami (China) Corporation Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Precision Tsugami (China) Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 83 to 163, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of inventories	
The gross balance of inventories as at 31 March 2021 was RMB687,001,000, against which provision for inventories amounting to RMB11,582,000 was made. Inventory balance comprises raw materials, work in progress and finished goods. At the end of the year, inventories were measured at the lower of cost and net realisable value. The Group's management reviews the inventory ageing list to identify slow-moving and obsolete inventories and then estimates the amount of provision for slowing-moving and obsolete inventories. The determination of provision for slow-moving and obsolete inventories requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of the appropriate level of provision required. This process also involves the management's estimation of the projected excessive quantity of those inventories, considering of the production plan and expected future market demand as a result of changes in current market conditions and technology. The Group's management also assesses the net realisable value of inventories based on the latest invoice prices, estimated cost to completion, the estimated selling expense and taxes. We focused on this area because it required a high level of management judgement and the amounts involved were significant. Related disclosures are included in note 2.4, note 3 and note 16 to the consolidated financial statements.	We discussed with management to obtain an understanding of the management's assessment of the provision for impairment of inventories. We examined management's assessment by observing the inventory count and the physical condition of the inventories; checking the accuracy of the inventory ageing list, the basis of planned consumption by comparing to the historical consumption on a sample basis; and comparing the net realisable value of the selling price after deducting the estimated cost to complete, the estimated selling expenses and taxes, with the carrying amount. We also assessed the adequacy of the Group's disclosures of the provision for inventories in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

28 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2021

	Notes	Year ended 31 March 2021 RMB'000	2020 RMB'000
REVENUE	*5*	**3,116,976**	1,943,569
Cost of sales		**(2,351,669)**	(1,551,476)
GROSS PROFIT		**765,307**	392,093
Other income and gains	*5*	**37,785**	16,937
Selling and distribution expenses		**(126,931)**	(106,443)
Administrative expenses		**(93,813)**	(77,810)
Impairment loss on financial assets		**(8,795)**	196
Other expenses		**(2,305)**	(1,484)
Finance costs	*7*	**(990)**	(76)
PROFIT BEFORE TAX	*6*	**570,258**	223,413
Income tax expense	*10*	**(178,306)**	(67,590)
PROFIT FOR THE YEAR		**391,952**	155,823
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**391,952**	155,823
Attributable to:			
Owners of the parent		**391,952**	155,823

		Year ended 31 March 2021 RMB	2020 RMB
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	*12*	**1.03**	0.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2021

	Notes	As at 31 March 2021 RMB'000	 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**507,688**	452,116
Right-of-use assets	*14(a)*	**44,997**	45,590
Intangible assets	*15*	**4,151**	3,592
Deferred tax assets	*24*	**16,358**	10,416
Total non-current assets		**573,194**	511,714
CURRENT ASSETS			
Inventories	*16*	**675,419**	618,849
Trade and notes receivables	*17*	**988,204**	437,789
Prepayments, other receivables and other assets	*18*	**34,484**	18,987
Financial assets at fair value through profit or loss	*19*	**–**	120,000
Pledged deposits	*20*	**7,539**	17,088
Cash and cash equivalents	*20*	**430,115**	205,010
Total current assets		**2,135,761**	1,417,723
CURRENT LIABILITIES			
Trade and notes payables	*21*	**554,473**	297,185
Other payables and accruals	*22*	**275,398**	122,053
Lease liabilities	*14(b)*	**2,279**	1,560
Tax payable		**55,314**	12,030
Provision	*23*	**7,877**	6,344
Total current liabilities		**895,341**	439,172
NET CURRENT ASSETS		**1,240,420**	978,551
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,813,614**	1,490,265

continued/...

		As at 31 March	
		2021	2020
	Notes	**RMB'000**	RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	*14(b)*	**1,013**	1,427
Deferred tax liabilities	*24*	**28,953**	2,075
Deferred income	*25*	**18,000**	13,000
Other liabilities		**7,300**	4,900
Total non-current liabilities		**55,266**	21,402
NET ASSETS		**1,758,348**	1,468,863
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*26*	**319,836**	320,312
Treasury shares	*27*	**–**	(747)
Reserves	*28*	**1,438,512**	1,149,298
TOTAL EQUITY		**1,758,348**	1,468,863

Tang Donglei
Director

Li Zequn
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

	Attributable to owners of the parent						
	Issued capital RMB'000	Treasury shares RMB'000	Merger reserve* RMB'000	Share premium reserve* RMB'000	Statutory reserve fund* RMB'000	Retained profits* RMB'000	Total RMB'000
At 1 April 2019	320,312	–	(39,964)	354,688	118,704	662,302	1,416,042
Total comprehensive income for the year	–	–	–	–	–	155,823	155,823
Shares repurchased	–	(747)	–	–	–	–	(747)
Dividend distribution	–	–	–	(24,618)	–	(77,637)	(102,255)
Transfer from retained profits	–	–	–	–	22,400	(22,400)	–
At 31 March 2020	320,312	(747)	(39,964)	330,070	141,104	718,088	1,468,863

	Attributable to owners of the parent						
	Issued capital RMB'000	**Treasury shares RMB'000**	**Merger reserve* RMB'000**	**Share premium reserve* RMB'000**	**Statutory reserve fund* RMB'000**	**Retained profits* RMB'000**	**Total RMB'000**
At 1 April 2020	**320,312**	**(747)**	**(39,964)**	**330,070**	**141,104**	**718,088**	**1,468,863**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**391,952**	**391,952**
Shares repurchased	**–**	**(2,532)**	**–**	**–**	**–**	**–**	**(2,532)**
Shares cancelled	**(476)**	**3,279**	**–**	**(2,803)**	**–**	**–**	**–**
Dividend distribution	**–**	**–**	**–**	**–**	**–**	**(99,935)**	**(99,935)**
Transfer from retained profits	**–**	**–**	**–**	**–**	**35,103**	**(35,103)**	**–**
At 31 March 2021	**319,836**	**–**	**(39,964)**	**327,267**	**176,207**	**975,002**	**1,758,348**

* These reserve accounts comprise the consolidated reserves of RMB1,438,512,000 (2020: RMB1,149,298,000) in the consolidated statement of financial position.

	Notes	Year ended 31 March 2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		570,258	223,413
Adjustments for:			
Finance costs	7	990	76
Bank interest income	6	(10,615)	(4,808)
Net gain on disposal of items of property, plant and equipment	6	(19)	(277)
Depreciation of property, plant and equipment	6	43,325	44,881
Depreciation of right-of-use assets	6	3,297	2,719
Amortisation of intangible assets	6	988	945
Impairment loss/(reversal) of trade and notes receivables	6	822	(172)
Impairment loss of financial assets at fair value through other comprehensive income	6	7,972	–
(Reversal)/impairment loss of inventories	6	(968)	5,231
Impairment reversal of financial assets included in prepayments, other receivables and other assets	6	–	(24)
		616,050	271,984
Decrease/(increase) in pledged deposits		9,549	(2,461)
(Increase)/decrease in inventories		(55,602)	23,223
(Increase)/decrease in trade and notes receivables		(559,209)	61,728
Increase in prepayments, other receivables and other assets		(15,497)	(5,968)
Increase/(decrease) in trade and notes payables		257,288	(87,681)
Increase in other payables and accruals		36,032	4,446
Increase in other liabilities		2,400	4,900
Increase/(decrease) in contract liabilities		117,313	(15,469)
Increase/(decrease) in provision		1,533	(6,447)
Increase in deferred income		5,000	–
Cash generated from operations		414,857	248,255
Income taxes paid		(114,086)	(72,302)
Net cash flows from operating activities		300,771	175,953

continued/...

	Notes	Year ended 31 March 2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**10,615**	4,808
Purchases of items of property, plant and equipment		**(99,143)**	(151,282)
Proceeds from disposal of items of property, plant and equipment		**265**	655
Purchase of financial assets at fair value through profit or loss		**–**	(120,000)
Redeem of financial assets at fair value through profit or loss		**120,000**	–
Purchase of items of intangible assets		**(1,547)**	(601)
Net cash flows from/(used in) investing activities		**30,190**	(266,420)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**(2,532)**	(747)
Principal portion of lease payments		**(2,399)**	(1,720)
Dividends paid		**(99,935)**	(102,255)
Interest paid		**(990)**	(76)
Net cash flows used in financing activities		**(105,856)**	(104,798)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**225,105**	(195,265)
Cash and cash equivalents at beginning of year		**205,010**	400,275
CASH AND CASH EQUIVALENTS AT END OF YEAR		**430,115**	205,010
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	*20*	**430,115**	205,010

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 2 July 2013, and its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 25 September 2017. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman KY 1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the manufacture and sale of high precision computer numerical control ("**CNC**") machine tools.

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

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

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Notes:

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

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for wealth management products and notes receivables which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

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

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 April 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The Group had no interest-bearing bank borrowings on any Interbank Offered Rates as at 31 March 2021. The amendments did not have any impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 Disclosure of Accounting Policies provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement to disclose significant accounting policies with a requirement to disclose material accounting policies. In assessing the materiality of accounting policy information, both quantitative and qualitative aspects need to be considered. Entity-specific accounting policy information is more useful for users of financial statements than the standardised information. The amendments also add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 8 are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments explain how entities use measurement techniques and inputs to develop accounting estimates and state that these can include estimation and valuation techniques. The amendments clarify that not all estimates will meet the definition of an accounting estimate, but rather may refer to inputs used in developing accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5% to 9.0%
Plant and machinery	9.0%
Instruments and tools	18.0%
Furniture, fixtures and office equipment	18.0% to 30.0%
Motor vehicles	22.5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant or machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Golf membership

Purchased membership is stated at cost less any impairment losses and assessed for impairment at each year end.

Software

A purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

Licence

Purchased licence is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of five years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Research and development costs which do not meet these criteria are expensed when incurred. All development expenditure incurred are accounted for in the profit or loss for the current year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Buildings	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group elected to present the lease liabilities separately in the statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment which are the leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two measurement bases. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, financial liabilities included in other payables and accruals and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labours and an appropriate proportion of overheads based on the normal operating capacity. Net realisable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain products and the provision of construction services for general repairs of defects occurring during the warranty period. Provision for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income to match the grant on a systematic basis over the periods in which the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) *Sale of products*

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Some contracts for the sale of industrial products provide customers with rights of return. The rights of return give rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(b) *Rendering of services*

Revenue from the rendering of services is recognised at the point in time when the services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects that it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("**RMB**"), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distribution of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions is subject to judgement on the plan of the distribution of dividends, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The carrying value of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Mainland China for the year ended 31 March 2021 was RMB28,953,000 (31 March 2020: RMB2,075,000). Further details are contained in note 24 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Provision for expected credit losses on trade and notes receivables

The Group uses a provision matrix to calculate ECLs for trade and notes receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns according to the sales type, customer type and rating.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(i) Provision for expected credit losses on trade and notes receivables (Continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and notes receivables is disclosed in note 17 to the financial statements.

(ii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Further details are contained in note 13 to the financial statements.

(iv) Impairment of inventories

Net realisable value of an inventory item is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at each reporting date. Further details are contained in note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(v) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies. Further details are contained in note 24 to the financial statements.

(vi) Variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of products with rights of return.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to the historical return pattern will impact the expected return percentages estimated by the Group.

The Group updates its assessment of expected returns quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. As at 31 March 2021, the amount recognised as refund liabilities was RMB4,551,000 for the expected returns.

(vii) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the manufacture and sale of high precision CNC machine tools. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

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

Revenue information based on the locations of customers is presented below:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Mainland China	**2,670,275**	1,440,186
Overseas	**446,701**	503,383
	3,116,976	1,943,569

Information about major customers

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

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Customer A *(note 32(b))*	**371,239**	425,597

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers		
Sale of goods	**3,112,318**	1,940,494
Rendering of services	**4,658**	3,075
	3,116,976	1,943,569

(i) Disaggregated revenue information

For the year ended 31 March 2021 and 2020

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Type of goods or services		
Sale of goods	**3,112,318**	1,940,494
Precision lathes	**2,701,274**	1,677,004
Precision machining centres	**196,918**	107,907
Precision grinding machines	**107,942**	82,988
Other components	**93,201**	60,769
Precision thread and form rolling machines	**12,983**	11,826
Rendering of services	**4,658**	3,075
Total revenue from contracts with customers	**3,116,976**	1,943,569
Geographical markets		
Mainland China	**2,670,275**	1,440,186
Overseas	**446,701**	503,383
Total revenue from contracts with customers	**3,116,976**	1,943,569
Timing of revenue recognition		
Goods transferred at a point in time	**3,112,318**	1,940,494
Services rendered at a point in time	**4,658**	3,075
Total revenue from contracts with customers	**3,116,976**	1,943,569

5. REVENUE, OTHER INCOME AND GAINS (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 March 2021 and 2020 (Continued)

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

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**47,403**	62,872

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

(ii) Performance obligations

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

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 180 days from delivery. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

Rendering of services

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

5. REVENUE, OTHER INCOME AND GAINS (Continued)

(ii) Performance obligations (Continued)

Rendering of services (Continued)

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

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**164,716**	47,403

An analysis of other income and gains is as follows:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Other income and gains		
Bank interest income	**10,615**	4,808
Gain on disposal of items of property, plant and equipment	**19**	277
Government grants *(note (a))*	**25,115**	9,741
Compensation income	**101**	371
Others	**1,935**	1,740
	37,785	16,937

Note (a): The amount represents grants received from local PRC government related to subsidies. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position.

6. PROFIT BEFORE TAX

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

		Year ended 31 March	
		2021	2020
	Notes	**RMB'000**	RMB'000
Cost of inventories sold		**2,350,143**	1,550,390
Cost of services provided		**1,526**	1,086
Depreciation of property, plant and equipment	*13*	**43,325**	44,881
Depreciation of right-of-use assets	*14*	**3,297**	2,719
Amortisation of intangible assets*	*15*	**988**	945
Research and development costs		**33,481**	28,323
Lease payments not included in the measurement of lease liabilities	*14(c)*	**2,161**	2,580
Auditor's remuneration			
– Annual audit		**1,370**	1,370
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**208,897**	169,792
Pension scheme contributions		**11,283**	10,856
Social security contributions and accommodation benefits		**24,490**	23,296
Foreign exchange loss, net		**1,698**	1,064
Impairment of financial assets, net:			
Impairment loss/(reversal) of trade receivables	*17*	**822**	(172)
Impairment loss of financial assets at fair value through other comprehensive income		**7,972**	–
Impairment reversal of financial assets included in prepayments, other receivables and other assets	*18*	**–**	(24)
Warranty provision:			
Additional provision	*23*	**8,644**	325
(Reversal)/impairment loss of inventories	*16*	**(968)**	5,231
Bank interest income	*5*	**(10,615)**	(4,808)
Net gain on disposal of items of property, plant and equipment	*5*	**(19)**	(277)

* The amortisation of intangible assets is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Finance costs		
Interest on lease liabilities	**66**	76
Interest arising from discounted notes receivable	**924**	–
	990	76

8. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Fees	**1,608**	1,719
Other emoluments:		
Salaries, allowances and benefits in kind	**3,374**	3,208
	4,982	4,927

No contribution was made to the pension scheme as set out under Note 2.4 for the directors or ex-directors of the Company for the year ended 31 March 2021 (2020: Nil).

8. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Dr. Huang Ping	**456**	493
Dr. Eiichi Koda	**456**	493
Mr. Tam Kin Bor	**456**	493
	1,368	1,479

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive director, non-executive directors and the chief executive

	Fees	Salaries, allowances and benefits in kind	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 March 2021			
Executive director:			
– Dr. Li Zequn	**–**	**1,239**	**1,239**
Non-executive directors:			
– Mr. Takao Nishijima	**–**	**–**	**–**
– Ms. Mami Matsushita	**240**	**–**	**240**
– Mr. Seiji Tsuishu[3]	**–**	**–**	**–**
Chief executive:			
– Dr. Tang Donglei	**–**	**2,135**	**2,135**
	240	**3,374**	**3,614**
Year ended 31 March 2020			
Executive director:			
– Dr. Li Zequn	–	1,166	1,166
Non-executive directors:			
– Mr. Takao Nishijima	–	–	–
– Ms. Mami Matsushita	240	–	240
– Mr. Nobuaki Takahashi[1]	–	–	–
– Mr. Manabu Tanaka[2]	–	–	–
Chief executive:			
– Dr. Tang Donglei	–	2,042	2,042
	240	3,208	3,448

1 Mr. Nobuaki Takahashi resigned as a non-executive director of the Company on 17 June 2019.

2 Mr. Manabu Tanaka appointed and resigned as a non-executive directors of the Company on 17 June 2019 and 29 June 2020 respectively.

3 Mr. Seiji Tsuishu was appointed as a non-executive director of the Company on 29 June 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: one), details of whose remuneration are set out in note 8 above. Details of the remuneration during the year of the remaining three (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,717**	4,664

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 March	
	2021	2020
HK$1,000,001 to HK$1,500,000	**3**	4

During the year, no directors or highest individuals waived or agreed to waive any emoluments and no emoluments were paid by the Group to the directors and the non-director and highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in that jurisdiction.

Hong Kong profits tax is to be provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong.

The provision for Mainland China current income tax is based on the statutory rate of 25% (2020: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "**New Corporate Income Tax Law**"), except for a certain high and new technology enterprise of the Group in Mainland China, which is taxed at a preferential rate of 15%.

10. INCOME TAX EXPENSE (Continued)

The major components of income tax expense are as follows:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Current tax	**157,370**	69,393
Deferred tax *(note 24)*	**20,936**	(1,803)
Total tax charge for the year	**178,306**	67,590

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Profit before tax	**570,258**	223,413
Tax at the statutory tax rate	**143,230**	56,717
Lower tax rate(s) for specific provinces or enacted by local authority	**(740)**	(88)
Adjustments in respect of current tax of previous periods	**(982)**	(1,344)
Expenses not deductible for tax	**1,140**	345
Tax losses not recognised	**74**	155
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**40,878**	15,449
Research and development super deduction	**(5,294)**	(3,644)
Total tax charge at the Group's effective rate	**178,306**	67,590

11. DIVIDENDS

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Final dividends paid for the year ended 31 March 2020 – HK$0.15 per ordinary share (2020: HK$0.15 per ordinary share for the year ended 31 March 2019)	**51,143**	51,113
Interim dividends paid for the six months ended 30 September 2020 – HK$0.15 per ordinary share (2020: HK$0.15 per ordinary share for the six months ended 30 September 2019)	**48,792**	51,142
	99,935	102,255

On 28 June 2021, the Board declared the payment of a final dividend of HK$0.25 per share, amounting to HK$95,201,000 for the year ended 31 March 2021. The source of the proposed dividend payment is scheduled to be the retained profits. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 380,888,904 (2020: 381,368,929) in issue during the year.

During the year ended 31 March 2021, the Company repurchased 422,000 of its shares on the Stock Exchange at a total consideration of RMB2,532,000. 566,000 shares were cancelled, among which 144,000 shares were previously repurchased and 422,000 shares were repurchased in this period.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

The Company purchased 566,000 of its shares on the Hong Kong Stock Exchange at a total consideration of RMB3,279,000. For the year ended 31 March 2021, the 566,000 shares purchased have been cancelled. Details are set out in note 27.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2021 and 2020.

The calculation of basic earnings per share is based on:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**391,952**	155,823

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**380,888,904**	381,368,929

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Instruments and tools RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 31 March 2020 and 1 April 2020	274,683	323,305	16,540	7,043	7,057	135,562	764,190
Additions	8,348	15,035	2,409	747	1,199	71,405	99,143
Transfers	164,515	430	–	–	–	(164,945)	–
Disposals	(4,868)	(276)	(153)	(335)	(573)	–	(6,205)
At 31 March 2021	442,678	338,494	18,796	7,455	7,683	42,022	857,128
Accumulated depreciation:							
At 31 March 2020 and 1 April 2020	88,606	201,655	12,218	5,107	4,488	–	312,074
Charge for the year	15,420	24,897	1,285	835	888	–	43,325
Disposals	(4,868)	(137)	(135)	(301)	(518)	–	(5,959)
At 31 March 2021	99,158	226,415	13,368	5,641	4,858	–	349,440
Net carrying amount:							
At 31 March 2020	186,077	121,650	4,322	1,936	2,569	135,562	452,116
At 31 March 2021	343,520	112,079	5,428	1,814	2,825	42,022	507,688

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Instruments and tools RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 31 March 2019 and 1 April 2019	275,760	314,500	15,424	6,156	7,203	319	619,362
Additions	4,345	8,868	1,144	1,352	330	135,243	151,282
Disposals	(5,422)	(63)	(28)	(465)	(476)	–	(6,454)
At 31 March 2020	274,683	323,305	16,540	7,043	7,057	135,562	764,190
Accumulated depreciation:							
At 31 March 2019 and 1 April 2019	78,815	174,652	10,954	4,778	4,070	–	273,269
Charge for the year	14,952	27,059	1,278	745	847	–	44,881
Disposals	(5,161)	(56)	(14)	(416)	(429)	–	(6,076)
At 31 March 2020	88,606	201,655	12,218	5,107	4,488	–	312,074
Net carrying amount:							
At 31 March 2019	196,945	139,848	4,470	1,378	3,133	319	346,093
At 31 March 2020	186,077	121,650	4,322	1,936	2,569	135,562	452,116

As at 31 March 2021, no property, plant and equipment of the Group were pledged (31 March 2020: Nil).

14. LEASES

The Group as a lessee

The Group has lease contracts for buildings and leasehold land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	**Buildings**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 April 2019	43,343	3,833	47,176
Additions	–	1,133	1,133
Depreciation charge	(1,090)	(1,629)	(2,719)
As at 31 March 2020 and 1 April 2020	42,253	3,337	45,590
Additions	–	2,704	2,704
Depreciation charge	(1,108)	(2,189)	(3,297)
As at 31 March 2021	41,145	3,852	44,997

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Carrying amount at 1 April	**2,987**	3,574
New leases	**2,704**	1,133
Accretion of interest recognised during the year	**66**	76
Payments	**(2,465)**	(1,796)
Carrying amount at 31 March	**3,292**	2,987
Analysed into:		
Current portion	**2,279**	1,560
Non-current portion	**1,013**	1,427

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Interest on lease liabilities	**66**	76
Depreciation charge of right-of-use assets	**3,297**	2,719
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 March (included in administrative expenses and selling and distribution expenses) *(note 6)*	**2,161**	2,580
Total amount recognised in profit or loss	**5,524**	5,375

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

15. INTANGIBLE ASSETS

	Golf membership RMB'000	Software RMB'000	Licence RMB'000	Total RMB'000
Cost:				
At 31 March 2020 and 1 April 2020	1,330	4,860	307	6,497
Additions	–	1,547	–	1,547
At 31 March 2021	1,330	6,407	307	8,044
Accumulated amortisation:				
At 31 March 2020 and 1 April 2020	–	2,598	307	2,905
Amortisation	–	988	–	988
At 31 March 2021	–	3,586	307	3,893
Net book value:				
At 31 March 2020	1,330	2,262	–	3,592
At 31 March 2021	1,330	2,821	–	4,151

15. INTANGIBLE ASSETS (Continued)

	Golf membership RMB'000	Software RMB'000	Licence RMB'000	Total RMB'000
Cost:				
At 31 March 2019 and 1 April 2019	1,330	4,259	307	5,896
Additions	–	601	–	601
At 31 March 2020	1,330	4,860	307	6,497
Accumulated amortisation:				
At 31 March 2019 and 1 April 2019	–	1,653	307	1,960
Amortisation	–	945	–	945
At 31 March 2020	–	2,598	307	2,905
Net book value:				
At 31 March 2019	1,330	2,606	–	3,936
At 31 March 2020	1,330	2,262	–	3,592

16. INVENTORIES

	As at 31 March	
	2021 RMB'000	2020 RMB'000
Raw materials	**217,702**	183,146
Work in progress	**195,521**	168,234
Finished goods	**273,778**	280,019
	687,001	631,399
Provision against inventories	**(11,582)**	(12,550)
	675,419	618,849

17. TRADE AND NOTES RECEIVABLES

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Trade receivables*	**238,210**	131,017
Impairment	**(1,631)**	(809)
	236,579	130,208
Notes receivable	**751,625**	307,581
	988,204	437,789

* Trade receivables include trade receivables from the Controlling Shareholder and other related party (note 32).

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with certain major customers with good repayment history and high reputations are on credit. The credit period is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

At 31 March 2021, the Group endorsed certain notes receivable accepted by certain banks in the PRC (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB338,384,000 (2020: RMB60,350,000) (the "**Endorsement**"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**").

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain of the Endorsed Notes accepted by large and reputable banks with amounts of RMB235,830,000 (2020: RMB60,350,000), respectively (the "**Derecognised Notes**"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

17. TRADE AND NOTES RECEIVABLES (Continued)

At 31 March 2021, the Group continued to recognise the remaining Endorsed Notes and the associated trade payables because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

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

Notes receivable of RMB751,625,000 (2020: RMB307,581,000) were classified as financial assets at fair value through other comprehensive income under IFRS 9.

A receivable is an entity's right to consideration that is unconditional. An entity shall account for a receivable in accordance with IFRS 9. Upon initial recognition of a receivable from a contract with a customer, any difference between the measurement of the receivable in accordance with IFRS 9 and the corresponding amount of revenue recognised shall be presented as an impairment loss. Subsequent changes in fair value are consideration for the time value of money, measured through profit or loss.

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

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

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Within 3 months	**214,762**	105,570
3 months to 6 months	**23,448**	25,447
	238,210	131,017

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

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**809**	981
Impairment losses *(note 6)*	**822**	(172)
At the end of the year	**1,631**	809

17. TRADE AND NOTES RECEIVABLES (Continued)

The increase (2020: decrease) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i). An increase in the loss allowance of RMB971,000 (2020: decrease of RMB321,000) as a result of a net increase (2020: decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables; and

(ii). A decrease in the loss allowance of RMB149,000 as a result of a decrease in trade receivables which were past due for 1 to 3 months (2020: increase in loss allowance of RMB149,000).

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

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

As at 31 March 2021

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

As at 31 March 2020

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

The expected credit loss for notes receivable, which are all bank acceptance notes, is approximate to zero. Those banks who issue bank acceptance notes are credit worthy banks with no recent history of default.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Prepayments	**11,209**	6,454
Deductible VAT	**19,179**	9,895
Other receivables and other assets	**4,099**	2,641
	34,487	18,990
Impairment allowance	**(3)**	(3)
	34,484	18,987

An impairment analysis is performed at each reporting date, and expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 March 2021 was 0.1% (2020: 0.1%).

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 March 2021 and 2020, the loss allowance was assessed to be minimal.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Unlisted investments, at fair value	**–**	120,000

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Cash and bank balances	**437,654**	222,098
Less: Pledged deposits for notes payables	**(6,939)**	(6,988)
Pledged deposits for government grants	**–**	(9,100)
Pledged deposits for a letter of guarantee	**(600)**	(1,000)
Cash and cash equivalents	**430,115**	205,010
Denominated in RMB	**416,491**	196,516
Denominated in JPY	**3,920**	10,290
Denominated in HK$	**17,243**	15,292
Cash and cash equivalents and pledged deposits	**437,654**	222,098

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. TRADE AND NOTES PAYABLES

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Trade payables*	**485,083**	227,307
Notes payable	**69,390**	69,878
	554,473	297,185

* Trade payables include trade payables to the Controlling Shareholder (Note 32).

21. TRADE AND NOTES PAYABLES (Continued)

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

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Within 3 months	**484,960**	226,952
Over 3 months	**123**	355
	485,083	227,307

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

22. OTHER PAYABLES AND ACCRUALS

		As at 31 March	
		2021	2020
	Notes	**RMB'000**	RMB'000
Payroll and welfare accruals		**28,627**	18,494
Contract liabilities	*(a)*	**164,716**	47,403
Other payables	*(b)*	**68,866**	45,174
Accruals		**13,189**	10,982
		275,398	122,053

Notes:

(a) Details of contract liabilities are as follows:

	As at	
	31 March 2021	1 April 2020
	RMB'000	RMB'000
Short-term advances received from customers		
Sale of goods	**164,716**	47,403

Contract liabilities include short-term advances received to deliver CNC high precision machine tools. The increase in contract liabilities as at 31 March 2021 was mainly due to the increase in short-term advances received from customers in relation to the sale of CNC high precision machine tools at the end of the years.

(b) Other payables are unsecured, non-interest-bearing and repayable on demand.

23. PROVISION

	Warranties RMB'000
At 1 April 2020	6,344
Additional provision charged to profit or loss during the year	8,644
Amounts utilised during the year	(7,111)
At 31 March 2021	**7,877**
Analysis of total provision	
Current	7,877

The Group provides one-year warranties to its customers on certain of its precision CNC machines, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

24. DEFERRED TAX

The following is the deferred tax assets and deferred tax liabilities recognised and the movements therein during the year:

Deferred tax assets	**Accruals** RMB'000	**Inventory provision** RMB'000	**Provision for receivables** RMB'000	**Tax losses** RMB'000	**Fair value adjustments of financial assets investments at fair value through other comprehensive income** RMB'000	**Others** RMB'000	**Total** RMB'000
Deferred tax assets at 1 April 2019	6,224	1,829	252	359	–	–	8,664
Deferred tax credited to profit or loss during the year	(452)	1,308	(49)	126	–	819	1,752
Deferred tax assets at 31 March 2020 and 1 April 2020	5,772	3,137	203	485	–	819	10,416
Deferred tax credited to profit or loss during the year	4,052	(242)	206	656	1,195	75	5,942
Deferred tax assets at 31 March 2021	9,824	2,895	409	1,141	1,195	894	16,358

24. DEFERRED TAX (Continued)

Deferred tax liabilities	Withholding tax RMB'000
Deferred tax liabilities at 1 April 2019	2,126
Deferred tax credited to profit or loss during the year	(51)
Deferred tax liabilities at 31 March 2020 and 1 April 2020	2,075
Deferred tax charged to profit or loss during the year	26,878
Deferred tax liabilities at 31 March 2021	**28,953**

Deferred tax assets have not been recognised in respect of the following item:

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Tax losses	**448**	938

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 March 2021, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB639,944,000 (2020: RMB639,944,000). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

25. DEFERRED INCOME

Deferred income represents unconditional government grants received in respect of activities related to property, plant and equipment. The balances of deferred income as at 31 March 2021 and 31 March 2020 are as follows:

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Government grants	**18,000**	13,000

26. ISSUED CAPITAL

Shares

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Authorised: 1,000,000,000 ordinary shares of HK$1.00 each	**1,000,000**	1,000,000

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Issued and fully paid:		
380,804,000 (2020: 381,370,000) ordinary shares	**380,804**	381,370
	RMB'000	RMB'000
Equivalent to RMB	**319,836**	320,312

27. TREASURY SHARES

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Treasury shares: Nil (2020: 144,000) ordinary shares	**–**	747

A summary of balances in the Company's treasury shares is as follows:

	Number of shares in issue	**Treasury shares**
		RMB'000
As at 31 March 2020	144,000	747
Shares repurchased	422,000	2,532
Shares cancelled	(566,000)	(3,279)
At 31 March 2021	–	–

During the year ended 31 March 2021, the Company repurchased 422,000 of its shares on the Stock Exchange at a total consideration of RMB2,532,000. For the year ended 31 March 2021, the 566,000 shares have been cancelled, among which 144,000 shares were repurchased in the prior year and 422,000 shares were repurchased in this period.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period is presented in the consolidated statement of changes in equity of the financial statements.

Merger reserve

The merger reserve represents those reserves arising from the reorganisation for the purpose of listing. Details of the movements in the merger reserve are set out in the consolidated statement of changes in equity.

Share premium reserve

The share premium reserve represents the excess of the paid-in capital over the nominal value of the Company's shares issued in exchange therefor.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "**SRF**") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,704,000 and RMB2,704,000, respectively, in respect of lease arrangements for buildings (2020: RMB1,133,000 and RMB1,133,000).

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

For the year ended 31 March 2021

	Lease liabilities RMB'000
At 1 April 2020	**2,987**
Changes from financing cash flows	**(2,465)**
New leases	**2,704**
Interest expense	**66**
At 31 March 2021	**3,292**

For the year ended 31 March 2020

	Lease liabilities RMB'000
At 1 April 2019	3,574
Changes from financing cash flows	(1,796)
New leases	1,133
Interest expense	76
At 31 March 2020	2,987

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	As at 31 March	
	2021 **RMB'000**	2020 RMB'000
Within operating activities	**2,260**	2,021
Within financing activities	**2,465**	1,796
	4,725	3,817

30. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's notes payables, a letter of guarantee and government grants are included in note 20 to the financial statements.

31. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**7,831**	49,855

32. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	**Relationship with the Group**
Tsugami Corporation	The Controlling Shareholder
Tsugami Korea Co., Ltd.	Company controlled by the Controlling Shareholder

32. RELATED PARTY TRANSACTIONS (Continued)

(b) Apart from the transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	Note	**Year ended 31 March** **2021** **RMB'000**	2020 RMB'000
Sales of goods to			
Tsugami Corporation *(note 4)*	*(i)*	**371,239**	425,597
Tsugami Korea Co., Ltd.	*(i)*	**13,406**	64,462
		384,645	490,059
Purchases of materials from			
Tsugami Corporation	*(i)*	**143,687**	159,969
Purchases of property, plant and equipment from			
Tsugami Corporation	*(i)*	**4,169**	2,480
Licence fee to			
Tsugami Corporation	*(i)*	**144,267**	89,766
Service fee to			
Tsugami Corporation	*(i)*	**4,505**	8,202

Note:

(i) The sales to and purchases from related parties were made and the licence fee and service fee were paid to related parties according to the prices mutually agreed after taking into account the prevailing market prices.

32. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties

	Note	As at 31 March 2021 RMB'000	2020 RMB'000
Amount due from the Controlling Shareholder			
Tsugami Corporation			
Trade receivables	*(i)*	**77,015**	55,156
Amount due from a company controlled by the Controlling Shareholder			
Tsugami Korea Co., Ltd.			
Trade receivables	*(i)*	**1,972**	23,209
Amounts due to the Controlling Shareholder			
Tsugami Corporation			
Trade payables	*(ii)*	**37,346**	47,393
Other payables	*(iii)*	**50**	50
		37,396	47,443

Note:

(i) The amounts due from related parties in the trade receivables were trade in nature, unsecured, interest-free and repayable within 60-75 days.

(ii) The amounts due to related parties in trade payables were trade in nature, unsecured, interest-free and repayable. The outstanding balances were repayable within 30 days.

(iii) The amounts due to related parties in other payables and accruals were non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

32. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel

	Year ended 31 March	
	2021	2020
	RMB'000	RMB'000
Other emoluments:		
Salaries, allowances and benefits in kind	**4,047**	3,828

Further details of directors' emoluments are included in note 8 to the financial statements.

(e) Connected transactions

The transactions disclosed in note 32 (b)(i) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	As at 31 March 2021		
	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and notes receivables	751,625	236,579	988,204
Financial assets included in prepayments, other receivables and other assets	–	4,096	4,096
Pledged deposits	–	7,539	7,539
Cash and cash equivalents	–	430,115	430,115
Total	751,625	678,329	1,429,954

Financial liabilities

	As at 31 March 2021
	Financial liabilities at amortised cost RMB'000
Trade and notes payables	554,473
Lease liabilities	3,292
Financial liabilities included in other payables and accruals *(note 22)*	68,866
Total	626,631

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Financial assets

	As at 31 March 2020
	Financial assets at amortised cost RMB'000
Trade and notes receivables	437,789
Financial assets included in prepayments, other receivables and other assets	2,637
Financial assets at fair value, through profit or loss	120,000
Pledged deposits	17,088
Cash and cash equivalents	205,010
Total	782,524

Financial liabilities

	As at 31 March 2020
	Financial liabilities at amortised cost RMB'000
Trade and notes payables	297,185
Lease liabilities	2,987
Financial liabilities included in other payables and accruals	45,174
Total	345,346

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and notes payables, lease liabilities, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for non-current portion of lease liabilities as at 31 March 2021 were assessed to be insignificant.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Notes receivable held both to collect cash flows and to sell in financial assets at fair value through other comprehensive income are measured using the discounted cash flow method.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Notes receivables	–	751,625	–	751,625

The Group did not have any financial liabilities measured at fair value as at 31 March 2021 and 31 March 2020.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and notes payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk and credit risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from sales, purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity as at 31 March 2021 and 2020 to a reasonably possible change in the JPY, US$ and HK$ exchange rate, with all other variables held constant, of the Group's profit before tax.

	Change in foreign currency rate	Increase/ (decrease) in profit before tax RMB'000
31 March 2021		
If RMB weakens against JPY	**5%**	**516**
If RMB strengthens against JPY	**5%**	**(516)**
If RMB weakens against US$	**5%**	**(92)**
If RMB strengthens against US$	**5%**	**92**
If RMB weakens against HK$	**5%**	**862**
If RMB strengthens against HK$	**5%**	**(862)**
31 March 2020		
If RMB weakens against JPY	5%	1,534
If RMB strengthens against JPY	5%	(1,534)
If RMB weakens against US$	5%	(78)
If RMB strengthens against US$	5%	78
If RMB weakens against HK$	5%	637
If RMB strengthens against HK$	5%	(637)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed facilities from banks to meet its commitments over the foreseeable future in accordance with its strategic plan.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Within 1 year RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
31 March 2021					
Trade and notes payables	**–**	**554,473**	**–**	**–**	**554,473**
Lease liabilities	**–**	**2,303**	**861**	**171**	**3,335**
Financial liabilities included in other payables and accruals	**68,866**	**–**	**–**	**–**	**68,866**
	68,866	**556,776**	**861**	**171**	**626,674**
31 March 2020					
Trade and notes payables	–	297,185	–	–	297,185
Lease liabilities	–	1,578	1,108	368	3,054
Financial liabilities included in other payables and accruals	45,174	–	–	–	45,174
	45,174	298,763	1,108	368	345,413

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with related parties and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March. The amounts presented are gross carrying amounts for financial assets.

As at 31 March 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and notes receivables*	–	–	–	238,210	238,210
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,099	–	–	–	4,099
Pledged deposits					
– Not yet past due	7,539	–	–	–	7,539
Cash and cash equivalents					
– Not yet past due	430,115	–	–	–	430,115
	441,753	–	–	238,210	679,963

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 March 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and notes receivables*	–	–	–	131,017	131,017
Financial assets included in prepayments, other receivables and other assets					
– Normal**	–	2,641	–	–	2,641
Pledged deposits					
– Not yet past due	17,088	–	–	–	17,088
Cash and cash equivalents					
– Not yet past due	205,010	–	–	–	205,010
	222,098	2,641	–	131,017	355,756

* For trade and notes receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables are disclosed in note 17 to the financial statements.

Concentrations of credit risk are managed by customer. At the end of each reporting period, the Group had certain concentrations of credit risk as 57.45% of the Group's trade receivables were due from the Group's Controlling Shareholder and the largest third-party customer as at 31 March 2021 (31 March 2020: 56.99%).

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a net debt to equity ratio. The Group's net debt consists of lease liabilities less cash and cash equivalents. Capital represents total equity.

During the year, the Group's strategy was to maintain the net debt to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to equity ratios as at 31 March 2021 and 2020 are as follows:

Group

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
Lease liabilities	**3,292**	2,987
Less: Cash and cash equivalents	**(430,115)**	(205,010)
Net debt	**(426,823)**	(202,023)
Total equity	**1,758,348**	1,468,863
Net debt to equity ratio	**N/A**	N/A

36. EVENTS AFTER THE REPORTING PERIOD

(a) On 28 June 2021, the board of the directors declared a final dividend for the year ended 31 March 2021, details of which are set out in note 11.

(b) The members of the board of directors of the Company changed after 31 March 2021. Mr. Seiji Tsuishu retired on 1 April 2021 and Mr. Kenji Yoneyama was appointed as a non-executive director of the Company.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 March	
	2021	2020
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**561,494**	561,494
Debt instrument at amortised cost	**74,800**	–
	636,294	561,494
CURRENT ASSETS		
Prepayments, other receivables and other assets	**77,101**	58,423
Debt instrument at amortised cost	**10,000**	84,800
Cash and cash equivalents	**14,597**	10,045
	101,698	153,268
CURRENT LIABILITIES		
Other payables and accruals	**10,494**	7,807
	10,494	7,807
NET CURRENT ASSETS	**91,204**	145,461
TOTAL ASSETS LESS CURRENT LIABILITIES	**727,498**	706,955
NET ASSETS	**727,498**	706,955
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**319,836**	320,312
Treasury shares	**–**	(747)
Reserves *(note)*	**407,662**	387,390
TOTAL EQUITY	**727,498**	706,955

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's equity is as follows:

	Issued capital RMB'000	Treasury shares RMB'000	Share premium reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 March 2019 and 1 April 2019	320,312	–	354,688	6,672	681,672
Total comprehensive income for the year	–	–	–	128,285	128,285
Shares repurchased	–	(747)	–	–	(747)
Dividend distribution	–	–	(24,618)	(77,637)	(102,255)
At 31 March 2020	320,312	(747)	330,070	57,320	706,955
At 31 March 2020 and 1 April 2020	320,312	(747)	330,070	57,320	706,955
Total comprehensive income for the year	–	–	–	123,010	123,010
Shares repurchased	–	(2,532)	–	–	(2,532)
Shares cancelled	(476)	3,279	(2,803)	–	–
Dividend distribution	–	–	–	(99,935)	(99,935)
At 31 March 2021	**319,836**	**–**	**327,267**	**80,395**	**727,498**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2021.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 March				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**3,116,976**	1,943,569	2,850,883	2,314,215	1,636,281
Cost of sales	**(2,351,669)**	(1,551,476)	(2,138,067)	(1,842,099)	(1,345,080)
GROSS PROFIT	**765,307**	392,093	712,816	472,116	291,201
Other income and gains	**37,785**	16,937	18,157	8,453	3,957
Selling and distribution expenses	**(126,931)**	(106,443)	(113,670)	(98,303)	(76,846)
Administrative expenses	**(93,813)**	(77,810)	(128,872)	(71,293)	(41,527)
Impairment losses on financial assets	**(8,795)**	196	(1,008)	–	–
Other expenses	**(2,305)**	(1,484)	(3,726)	(29,794)	(3,795)
Finance costs	**(990)**	(76)	–	(10,466)	(13,060)
PROFIT BEFORE TAX	**570,258**	223,413	483,697	270,713	159,930
Income tax expense	**(178,306)**	(67,590)	(116,092)	(76,623)	(47,364)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**391,952**	155,823	367,605	194,090	112,566
ATTRIBUTABLE TO:					
Owners of the parent	**391,952**	155,823	367,605	194,090	112,566

CONSOLIDATED ASSETS AND LIABILITIES

	Year ended 31 March				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**2,708,955**	1,929,437	1,976,840	1,838,501	1,397,738
TOTAL LIABILITIES	**(950,607)**	(460,574)	(560,798)	(674,706)	(745,841)
TOTAL EQUITY	**1,758,348**	1,468,863	1,416,042	1,163,795	651,897